10 THINGS
KEEPING MAINERS POOR

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We the people of Maine

About The Maine Heritage Policy Center

The Maine Heritage Policy Center is a research and educational organization whose mission is to formulate and promote conservative public policies based on the principles of free enterprise; limited, constitutional government; individual freedom; and traditional American values – all for the purpose of providing public policy solutions that benefit the people of Maine.

MHPC's staff pursues this mission by undertaking accurate and timely research and marketing these findings to its primary audience: the Maine Legislature, nonpartisan Legislative staff, the executive branch, the state's media, and the broad policy community. MHPC's products include publications, articles, conferences, and policy briefings.

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INTRODUCTION

"Since the early 1990s, the percentage of Mainers living below the poverty line has risen dramatically."

Everyone, regardless of political views, agrees that Maine's poverty rate is unacceptably high and that the lack of adequate economic and educational opportunities for low-income Mainers is deeply concerning.

Wages are low, educational outcomes are stagnating, and taxes are high. Since the early 1990s, the percentage of Mainers living below the poverty line has risen dramatically, from 9.4 percent to 12.3 percent.

Liberal groups, like the Maine People's Alliance and the Maine Center for Economic Policy, advocate for an expansion of welfare programs like MaineCare and more direct government aid to low-income families. Decades of welfare expansion, however, have taught that vast government anti-poverty efforts are ineffective; they trap Mainers in dependency instead of giving them the temporary assistance they need to rejoin the workforce and achieve prosperity.

Too often, liberal ideology has succeeded in convincing millions of Americans that conservatives champion the interests of the elite and exploit or ignore the downtrodden and disadvantaged. Conservatives have not adequately articulated their ideas for lifting people out of poverty and helping them achieve success.

As Arthur Brooks, president of the American Enterprise Institute, noted last year, "Struggling Americans deserve a real competition of new ideas about how to fight poverty."[1]

Poverty is an issue that affects us all, whether we have experienced financial hardship or not. Low educational achievement, increased crime, and greater reliance on government assistance programs damage our economy and reduce prosperity for everyone.

In this report, The Maine Heritage Policy Center offers a bold plan to reinvigorate Maine's economy and lift people out of poverty through the free market and limited government. In fact, excessive government intervention and overregulation have contributed to poverty by increasing the cost of health insurance, child care, and housing while reducing job opportunities and imposing high taxes on low-income families.

No single tax cut, reform bill, or regulatory change will be sufficient to reverse Maine's trajectory from poverty to prosperity; only a sustained, coordinated, principled effort to reduce these obstacles and open doors of opportunity can lift Maine out of poverty.

MAINE SAYS "NO" TO GOOD JOBS

"Evidence suggests that people get more from a job than merely a paycheck"

"The best way out of poverty is a well-paying job," affirmed the Center for American Progress in 2014.[2] Most policymakers, regardless of their political proclivities, agree that the most sustainable and effective approach to poverty reduction is economic growth and job creation.

In 2014, more than 22 percent of families in Maine with no family members working were in poverty; of those with one worker, the poverty rate dropped to 14.7 percent, while only 2.7 percent of families with two workers lived in poverty.[3] Conversely, recent research by the Employment Policies Institute reveals that about 54% of working age people in Maine living in poverty do not work.[4]

In addition, evidence suggests that people get more from a job than merely a paycheck. Employment provides a sense of purpose, focus, and fulfillment that leads to better family relationships, more optimism about life, lower levels of stress, and important skills that can lead to higher-paying job opportunities.

According to the Institute of Public Health, "Employment is one of the most important determinants of health. Having a job or an occupation is an important determinant of self-esteem."[5]

On the other hand, long-term unemployment can have profound detrimental consequences for individuals and families. In 2013, a study by the Urban Institute found that unemployment consistently leads to a decline in reemployment wages of up to 15 percent.[6] This may be linked to the depreciation of human and social capital as workers' skills become outdated or inapplicable to the developing job market.

One estimate suggests that one year out of work is associated with general skills five percentile points lower relative to continuously employed workers.

One estimate suggests that one year out of work is associated with general skills five percentile points lower relative to continuously employed workers.[7] A study in the United Kingdom also discovered a strong association between worklessness and poor health, including higher mortality and reduced life expectancy.[8]

According to another report: "The loss of structured time, social contact and status have negative effects on health.

Unemployed people have lower levels of psychological well-being ranging from symptoms of depression and anxiety to self-harm and suicide."[9]

While Maine's economy has made progress in recovering from the Great Recession—the unemployment rate reached 3.4% in March 2016, down from a high of 8.3% in May 2009—many low-income people struggle to find employment and adequate wages. According to the Bureau of Labor Statistics, the national unemployment rate among those with less than a high school diploma was 8% in 2015, while high school graduates and those with some college but no degree experienced unemployment rates of 5.4% and 5%, respectively.[10]

Increasingly, simply having a job is not sufficient to stay out of poverty or cover basic necessities, especially for those without advanced educational credentials. According to data compiled by the Working Poor Families Project, 32.6% of working families still earn less than 200% of the federal poverty line ($48,500 for a family of four).[11]

Lawmakers should embrace sound, conservative policies that create well-paying jobs. These include reforming occupational licensing, passing right-to-work laws, giving regulatory relief to businesses, and addressing Maine's high corporate tax burden.

Occupational licensing requirements constitute significant barriers to employment, especially for the poor. Estimates suggest that professional licensing increases unemployment by about one percent, or the equivalent of about 6,700 Maine workers.[12]

According to a white paper published by the White House in 2015, "The employment barriers created by licensing may raise wages for those who are successful in gaining entry to a licensed occupation, but they also raise prices for consumers and limit opportunity for other workers in terms of both wages and employment.

By one estimate, licensing restrictions cost millions of jobs nationwide and raise consumer expenses by over one hundred billion dollars."[13]

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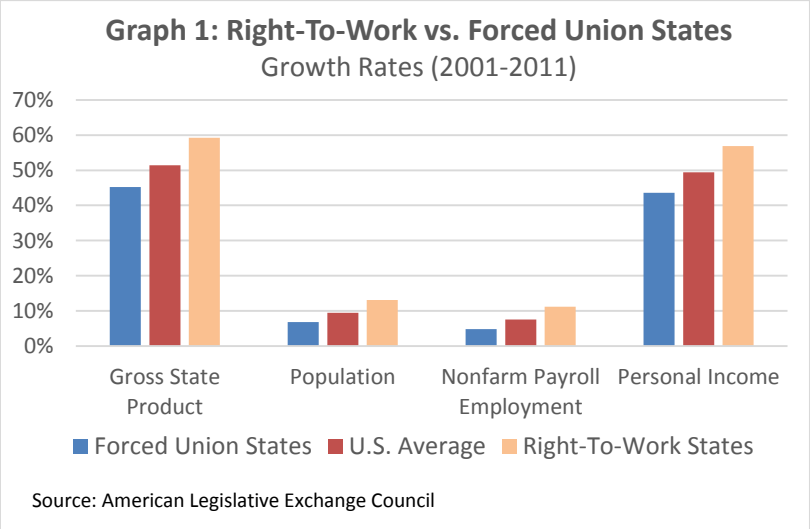
Maine law also allows licensing boards to deny occupational licenses on the basis of criminal history, even when the conviction has little to do with the profession in question. For instance, an aspiring barber could be denied a license for having been convicted of cultivating a large amount of marijuana—a class C crime.[14]

Incarceration and criminal behavior occur disproportionately among low-income populations. Creating artificial and arbitrary barriers to their efforts to rehabilitate into society and find employment is a misguided policy.

To spur job growth and attract businesses to Maine, lawmakers should adopt right-to-work laws, which prohibit requirements that employees join or pay dues to a union as a condition of employment.



Under right-to-work laws, employees are still free to join a union if they like, but workers can't be fired for failing to do so.

There is little doubt that forced unionization has a detrimental impact on Maine's economy. A 2014 report by the Competitive Enterprise Institute found that "the compelling preponderance of evidence suggests there is a substantial, significant, and positive relationship between economic growth in a state and the presence of a right to work law."[15] See Graph 1.

According to the National Right to Work Committee, growth in private-sector jobs, real manufacturing GDP, per capita disposable personal income, and population growth all strongly favor right-to-work states. In 2015, *The Washington Times* reported that, "Right-to-work policies aren't just good for employees and employers – they're good for unions, too. In a right-to-work state…the union has to convince current and potential members that it provides a valuable service at a reasonable price."[16]

A study published in 2013 by the Mackinac Center for Public Policy found that "from 1947 through 2011, right-to- work laws increased average real personal income growth by 0.8 percentage points and average annual population growth by 0.5 percentage points in right-to-work states. From 1970 through 2011, these laws also boosted average annual employment growth by 0.8 percentage points."[17]

Peter DelGreco, president and CEO of Maine & Company, an organization that seeks to attract new businesses, jobs, and investment to Maine, has said that "the universe of decision makers who prefer right-to-work states is larger than the universe of decision makers who prefer non-right-to-work states. When we take out the sound bites and the passion and look simply at the totals, becoming a right-

to-work state will encourage more decision makers to look at Maine."[18]

To date, 26 states – including, most recently, West Virginia – have adopted right-to-work legislation.[19]

But though the majority of southern and Midwestern states have embraced the policy, not a single northeastern state has followed suit. Maine could become the first New England state to enact right-to-work legislation, giving us an important competitive advantage over our regional neighbors in business climate and job growth.

Low-income families are indirectly affected by taxes on businesses that reduce economic growth and job creation. In 2015, *Forbes* ranked Maine the third worst state for business, writing: "Much of the blame for the poor showing in recent years can be placed on the state's high corporate tax burden…"[20] Businesses in Maine with more than $250,000 of annual taxable revenue pay an 8.93% corporate income tax, the 7th highest in the country.

According to the Small Business & Entrepreneurship Council in 2015, Maine ranked among the worst states in the business tax index. There is considerable evidence that high corporate taxes stunt growth, discourage entrepreneurs, and deter business investment. According to research conducted by the American Legislative Exchange Council, "Over the past decade, the nine states without a personal income tax have consistently outperformed the nine states with the highest taxes on personal income.

Similarly, those states with no income tax saw their population rise 109 percent faster than their high-tax counterparts. In those same ten years, job growth in states with no income tax increased 130 percent faster versus the states with the highest income taxes. Even state and local tax revenues in the nine states without income taxes grew 51 percent faster."[21]

It is also worth noting that current proposals to raise the minimum wage in Maine are unlikely to benefit the poor; on the contrary, the lowest-earning families are likely to experience higher unemployment and higher prices for goods and services.

Minimum wage increases actually reduce employment among low-income people.

Exhaustive analysis using the best labor market models available have revealed that minimum wage increases actually reduce employment among low-income people, eliminate valuable training opportunities for new entrants into the workforce, and do little to boost the earnings of the poorest workers. On the contrary, many of the benefits of minimum wage increases go to employees—often teenagers—whose household income is substantially higher than the poverty line.

FOSTERING DEPENDENCY AND DISINCENTIVIZING WORK

Today, America's welfare system costs about $1 trillion annually, a five-fold increase since the early 1970s.

For more than half-a-century, governments' dominant strategy to reduce poverty in the United States has been to provide cash and in-kind assistance (such as food stamps, housing assistance, and health coverage) to low-income families.

Begun in 1935 with the creation of Social Security, unemployment compensation, and a program to aid families with young children, the welfare system was hugely expanded by Lyndon Johnson's "War on Poverty" initiatives, including Medicaid and Medicare.

Despite decades of experimentation and trillions of dollars spent, anti-poverty programs have had little effect.

Today, America's welfare system costs about $1 trillion annually, a five-fold increase since the early 1970s.[22] Yet, despite decades of experimentation and trillions of dollars spent, anti-poverty programs have had little effect.

The poverty rate has remained stubbornly high (fluctuating between 11 and 15 percent since the early 1970s) and government programs—instead of providing a transition to employment and independence—are relied on more heavily than ever.

When the history of welfare in the United States is analyzed, it becomes inescapably clear that liberal policies have led to an erosion of self-sufficiency, a greater reliance on government aid, and have done little to reduce hardship and poverty.

Over the last two decades, the amount of state spending in Maine devoted to these welfare programs has grown dramatically, with no improvement in the poverty level.

In fact, though public spending on welfare in Maine increased 62.3 percent from 1994 to 2013 (an increase of about $660 million), the poverty rate also increased by more than 30 percent over that period.

Maine's most visible effort to reduce poverty—the creation and expansion of welfare programs that provide cash assistance, housing subsidies, health care services, and food—has largely failed.

Since taking office, Governor LePage has undertaken important reforms to rein in welfare spending and better target aid to the truly needy.

In 2012, a five-year time limit on TANF assistance was reinstated, leading to a sharp decline in enrollment as people transitioned to employment; from 2010 to 2015, the number of TANF recipients in Maine dropped 64 percent.

In 2014, the creation of work/volunteer requirements for able-bodied adults receiving food stamps caused a similar decline in enrollments and, as a recent report found, higher average earnings among those who lost benefits.[23]

Governor LePage and conservatives in the Legislature also imposed stricter sanctions on those who violate program rules, lowered Medicaid eligibility, and enhanced the resources available to fraud investigators. The reforms under the LePage administration are important steps in the right direction, but additional changes are still needed.

Policymakers should continue to bring eligibility requirements and benefits in line with national averages. The reduction of Medicaid eligibility requirements was an important start, but more needs to be done.

Maine falls in about the middle of all states in terms of the percent of its population in poverty, yet has eligibility limits so high that programs designed to meet the needs of the truly needy have become middle class entitlements. Tightening eligibility standards preserves resources for those in need while discouraging welfare dependence among those with higher incomes.

In the TANF program, an applicant family comprising a single parent caring for two children can earn up to $1,022 per month—or about 64% of the federal poverty line—and still receive welfare benefits. Only nine states have such lax eligibility criteria; the average among rural states like Maine—including Montana, New Hampshire, West Virginia, and others—is $792.[24]

Maine's General Assistance program is also more generous than analogous programs in most other states. In 2015, the Center for Budget and Policy Priorities identified Maine as one of 11 states that don't restrict eligibility to unemployable individuals, and data suggests—based on the most recent housing figures, from which maximum benefit levels are calculated—that Maine's level of assistance far exceeds most other states.

In Maine, the income limit to receive subsidized child care services is 267% of the federal poverty level, or nearly $65,000.

In Maine, the income limit to receive subsidized child care services is 267% of the federal poverty level, or nearly $65,000 for a family of four.[25] According to 2009 data, the average income threshold among similar rural states was 176% of

the poverty line, or $38,808 for a family of four.

Policymakers should also emphasize the importance of diversion programs to avoid long-term welfare enrollment. For those eligible to enroll in the state's welfare system, the first step should not be the near-automatic enrollment that is the case today.

Maine should use what are known as "diversion programs." These programs are intended, as the name suggests, to deter welfare applicants from entering the system in the first place by providing lump sum payments to the needy as a way of assisting them with short-term financial problems—such as costly car repairs—that do not require full enrollment in the welfare system.

Maine's Alternative Aid program could be described as a diversion program, but its design is flawed. Those who qualify can get the equivalent of three months of TANF cash assistance each and every year without any work requirements and without jeopardizing any other benefit such as food stamps.

By providing an annual benefit with virtually no accountability, the Alternative Aid program discourages families from learning to live independently.

Maine's Alternative Aid program stands in stark contrast to Georgia's diversion strategy. In DeKalb County, Georgia, for instance, "applicants are required to attend an orientation, develop a TANF Family Service Plan based on a comprehensive assessment and, for those deemed ready for work, complete an up-front job search period as a condition of program eligibility."

The program's intake meeting explores the applicant's job skills, work interests, educational attainment, and personal and family challenges. Applicants considered work-ready "participate in a four-week structured job search program for 40 hours per week," which includes "a series of workshops and group job search sessions to prepare for employment," as well as time spent "contacting employers, completing resumes, and participating in job interviews."

Georgia's diversion program is remarkably successful. Out of every 100 TANF applicants, "25 to 50 percent complete the program and receive TANF," with the remainder either finding employment or dropping out of the application process.

According to the U.S. Census, only 1.8 percent of households in Georgia received cash public assistance in 2012, one of the lowest rates in the country. Maine, by contrast, had the nation's second highest rate of cash public assistance in 2012, at 5.2 percent of households.[26] In 2014,

Maine spent $85 million on the TANF program.[27]

Policymakers should also strengthen job search and work requirements, which have consistently been shown to boost long-term earnings of welfare recipients, shorten the amount of time spent on the rolls, and reduce the number of people dependent upon government. In March 2016, Bethany Hamm, director of the Office for Family Independence in DHHS, testified before the Legislature that the TANF program contains "overly broad exemption that have allowed TANF recipients to avoid required work too easily," and advocated for a bill—LD 1631—that would have eliminated many of the "good cause exemptions" that recipients commonly use to avoid work requirements.[28]

Although the LePage administration has attached sanctions to non-compliance to the ASPIRE work program, Maine's policies remain relatively weak in promoting self-sufficiency. For those who do enroll in the state's welfare system, the primary goal of state policy should be for them to secure employment and escape the system as soon as possible. One of the requirements for enrollees should be immediate participation in job search and employment activities.

The concept of tying work requirements to the receipt of taxpayer assistance was a centerpiece of the work of Governor Tommy Thompson of Wisconsin, a welfare reform pioneer whose initiatives helped inspire the 1996 federal welfare reform act. Thompson inherited a state welfare system that was out of control. In 1986, more than 100,000 Wisconsin residents were enrolled in the welfare system, and the state was struggling to keep welfare budgets under control. Thompson himself noted in a 1997 speech that his state "had continually raised taxes to pay for its ever-increasing welfare rolls," with the result that "businesses were leaving, taxes were going up, and people across the state were really depressed." To get the welfare rolls under control, Thompson's administration "rebuilt its welfare system around work," with the centerpiece of the effort being its "Wisconsin Works" program, which made work a condition for taxpayer assistance. Prior to the implementation of Wisconsin Works, say researchers, the state's welfare work programs had "little effect on caseload." Driven by the simple premise that every person is capable of doing something, the Wisconsin Works program required everyone in the system to work for the benefits he or she received.

Maine should strive to develop a welfare system similar to Wisconsin's, where work is rewarded and benefits are reserved for those who need assistance the most.

THE HIDDEN COSTS OF CHASING AWAY WEALTH

In 2012, Mainers earning more than $100,000 per year gave $270 million to charity, about 64 percent of all charitable giving.

Through their contributions to our economy, investments in job creation and business growth, and donations to charitable organizations, Maine's wealthy residents play an important role in helping the needy and reducing poverty.

The wealthy also contribute substantially to Maine's nonprofit sector, supporting the more than 17,700 nonprofit organizations that operate in Maine—one of the highest numbers of charities per capita in the United States. High levels of poverty, failing schools, and a weak economy have led thousands of Mainers to rely on charitable institutions for food, educational opportunities, shelter, and financial assistance. As the Maine Association of Nonprofits highlights, "Scratch the surface of why people love Maine and you'll find a strong network of nonprofit organizations delivering on their mission."[29] According to a recent study, nonprofits employ 1 in 7 workers in Maine, contribute $10 billion per year to the economy through wages, sales, and professional services, and mobilize 350,000 volunteers each year to improve communities and help those in need.[30]

In Maine, a total of $425 million was given to charity in 2012, of which $270 million (or about 64%) was donated by individuals earning more than $100,000 per year. An analysis of 2005 data found that the average annual charitable giving deduction claimed by those making more than $200,000 per year was nearly $20,000.[31] A recent study by the U.S. Trust revealed that 61% of wealthy people volunteer their time in the community.[32]

Nonprofits are crucial to helping Maine's poor population, often delivering better results than unwieldy government programs.

Nonprofits are crucial to helping Maine's poor population, often delivering better results than unwieldy government programs. As Howard Husock, a researcher at the Manhattan Institute, wrote in 2015, "Privately financed efforts have an advantage [over public spending] in helping individuals with their own special situations. That's because private philanthropy, even through smaller expenditures, can adapt to local conditions and be led by local champions who must show donors results. That diversity of

approaches is something which one-size-fits-all federal programs inhibits."[33]

Michael Tanner of the Cato Institute agrees: "Private charity has long been recognized as more effective and efficient than government welfare programs. Local churches and community groups are the best positioned to understand the needs in their respective areas, and can direct money or services to where they are most useful."[34]

Despite their important contributions to Maine and its people, state policies discourage the wealthy from living in Maine. Policies like high income and estate taxes and limits on charitable giving deductions convey a message that the rich are not welcome in our state.

The rich are sensitive to state and local tax policies and often relocate to states with lower tax rates. In 2011, a comprehensive study conducted in New Jersey found that "variations in differential average marginal tax rates are associated with small but significant effects on net out-migration from a state."[35] A 2012 analysis of IRS tax data reveals that from 1995 to 2009, Maine lost 11,486 people and about $660 million in income as (disproportionately wealthy) people moved to states—or countries—with a more hospitable tax climate. As a result, an estimated $87 million was lost in other state and local taxes.[36]

Data from the Census Bureau indicates that roughly 11,000 had moved out of state in 2011, most of whom settled in Florida, New Hampshire, and other states with lower income taxes and greater economic freedom.[37] There is a little doubt that this out-migration is linked to Maine's high personal income tax—7.15 percent for high earners, the 11th highest in the country—which disproportionately impacts the wealthy.

Maine's $28,550 cap on itemized income tax deductions (including charitable giving deductions) also reduces the incentive for wealthy taxpayers to contribute to nonprofits serving the needs of the poor. When a cap on charitable giving deductions was put in place in 2013, a coalition of nonprofit groups immediately began urging lawmakers to repeal the cap, warning that penalizing wealthy donors for their generosity would undermine nonprofits' efforts to serve the people of Maine. They were right—after a sharp decline in charitable giving from 2006 to 2012, the policy caused Maine nonprofits to lose an additional $20 million annually.

According to the National Council of Nonprofits, "Limitations on state charitable deductions and other giving incentives effectively remove motivations for donations to churches and synagogues, domestic violence shelters, early childhood programs, food banks, school alumni groups, and all other charitable nonprofits, and…further reduce the ability of charitable organizations to meet the increasing need for services in their communities."

Maine isn't the first state to impose a cap on charitable giving deductions. A few

years ago, lawmakers in Hawaii and Michigan—in an effort to mitigate severe budget deficits—decided to repeal tax credits for donations to food banks, homeless shelters, and community foundations. The adverse effects of the policy were immediately felt as giving declined, and the caps were quickly lifted. Other states that have enacted tax reforms—including North Carolina, Kansas, and Montana—have expressly exempted charitable donations from deduction limits. Maine politicians should learn the lessons of other states and recognize that raising revenue on the backs of nonprofit organizations is a mistake.

As noted in a recent study, "death taxes are self-defeating because they drive out businesses and high-income residents."

Maine's estate tax (commonly known as the "death tax") creates an additional incentive for the wealthy to stay away from Maine. The estate tax in Maine is particularly onerous for family businesses, especially multi-generational job creators in many rural areas. After the death of a family member, a family can be forced to either sell the business altogether or to reduce capital equipment to pay the estate tax liability. Often this results in a residual impact of loss of private sector jobs. As noted in a recent study, "death taxes are self-defeating because they drive out businesses and high-income residents. Even for those choosing to remain in death tax states, the elderly are incentivized to spend down their assets while alive or to find tax shelters, which results in massive disinvestment in family-owned businesses—the backbone of the local economies."[38]

A report by the Heritage Foundation confirms that "citizens whose estates are most likely to be partially confiscated at death are often moving elsewhere to escape taxation," leading to a reduction in capital stock to spur local economic growth.[39] As a result, several states have repealed their estate tax since 2010, and Maine remains among the minority of states relying on this inefficient form of taxation.

The estate tax is also highly volatile and generates very little revenue. Estate tax collections totaled $79 million in 2013, $24 million in 2014, and $31 million in 2015.[40] By comparison, the personal income tax generated about $1.5 billion in 2015, while the sales and use taxes raised nearly $1.2 billion. In 2014, the estate tax accounted for only 0.8 percent of total state revenue.[41] Clearly, the estate tax's utility as a source of revenue does not justify its ancillary effects on the business environment and the hostile message it sends to many of Maine's residents.

A proposal appearing on the ballot this November to impose a three percent surcharge on income over $200,000 would only provide additional incentives for the

rich to relocate outside of Maine. Though supporters of the measure claim that the revenue generated would help communities improve public education, the policy's primary effect would be to create additional burdens on Maine's wealthiest residents—motivating them to move to more tax-friendly states like New Hampshire—without bringing about substantive reforms to Maine's dysfunctional K-12 school system.

The wealthy make valuable contributions to Maine, its economy, and the poor, and policymakers should strive to make Maine an attractive place to live and invest. Policymakers should lift the cap on the charitable giving deduction, which reduces contributions to nonprofits that provide vital services to the poor.

Lowering the income tax and eliminating the estate tax would make Maine more tax competitive with other states, helping to attract and retain rich residents.

As Governor LePage emphasized in his 2016-2017 budget briefing, "combining an estate tax with a high individual income tax has forced more wealthy Maine residents to change their state of domicile in retirement. Maine not only loses significant income tax revenue from these former residents but other benefits that these individuals provide in retirement, such as donations to Maine charities and, most importantly, continued civic engagement in Maine's religious, educational and business institutions."[42] Retaining high income Mainers by reforming the tax code is an important but often overlooked step in combatting poverty.

THE COST OF PUTTING A ROOF OVER YOUR HEAD

Misguided state and local officials have tried to promote affordable housing by enacting ineffective and even counterproductive policies. As a result, 20 percent of low- and moderate-income households in Maine spend at least half of their income on housing costs.

The social and economic benefits of affordable housing go beyond the immediate alleviation of hardship for the poor. A 2011 report by The Center for Housing Policy "demonstrates that the development of affordable housing increases spending and employment in the surrounding economy, acts as an important source of revenue for local governments, and reduces the likelihood of foreclosure and its associated costs. Without a sufficient supply of affordable housing, employers — and entire regional economies — can be at a competitive disadvantage because of their subsequent difficulty attracting and retaining workers."[43] Housing stability — an important consequence of affordability — promotes job security and better academic achievement among children.[44]

Affordable, quality housing also has a significant impact on physical and mental health. A report in 2015 by The Center for Housing Policy noted that "Families paying excessive amounts of their income for housing often have insufficient resources remaining for other essential needs, including food, medical insurance, and health care."[45] The Robert Wood Johnson Foundation found in 2008 that "the shortage of affordable housing limits families' and individuals' choices about where they live, often relegating lower-income families to substandard housing in unsafe, overcrowded neighborhoods with higher rates of poverty and fewer resources for health promotion (e.g., parks, bike paths, recreation centers and activities). The financial burden of unaffordable housing can prevent families from meeting other basic needs including nutrition and health care, and is particularly significant for low income families."[46]

One recent study also noted the positive fiscal impacts of affordable housing — and the associated influx of families and workers — for state and local governments: "When affordable homes are built or rehabbed, the funds flowing to cities and states can be considerable. Revenues can take the form of fees for permitting, zoning, and utilities, or they can reflect sales, income, or property taxes generated by construction-related economic activity."[47] The National Association of Home Builders estimates that the construction 100 affordable housing units can have broad ripple effects in local communities, supporting up to 30

new jobs in fields like retail and health care.

Despite its importance, affordable housing in Maine is scarce. A 2009 study by the MIT Center for Real Estate emphasized that moderate-income working households in Maine are increasingly finding adequate housing to be out of reach. At the same time, very low-income households continue to struggle to afford housing.[48] A report by the Maine Women's Policy Center in 2014 highlighted that "a lack of affordable, quality housing, homelessness, overcrowding, and instability are on the rise in Maine… [T]hese factors create significant barriers to finding or keeping gainful employment, attending school, and caring for one's family."[49]

According to the Center for Housing Policy, 15 percent of households in Maine spend at least half their income on housing costs – a proportion roughly equivalent to the national average.[50] Among low- and moderate-income working households, 20 percent spend at least half of their income on housing costs. In 2014 the National Low Income Housing Coalition revealed that a family in Maine must earn $16.19 per hour (or nearly $34,000 annually) in order to afford the fair market rent for a two-bedroom rental unit without paying more than 30% of their income on housing.[51] A study by the Joint Center for Housing Studies of Harvard University noted that Maine was one of just 19 states where more than 50 percent of renters have "cost burdens," defined as paying more 30 percent of income on housing.[52]

Unaffordable housing is a particular problem for Maine's large elderly population. Of the 86,000 Maine households facing severe housing cost burdens in 2009, more than 34,000 included someone aged 55 or over.[53] According to a recent report, "In 2012, 21 percent of all older people in Maine were living in unaffordable housing."[54] As Maine's population—already the oldest in the nation—continues to age and the number of people living on a fixed income grows, reducing housing prices should be a core priority.

Expanding the supply of housing options is badly needed to promote free market competition and drive down prices.

Despite a 4% population increase from 2000 to 2009, Maine's rental housing stock experienced a slight net decline over that period.[55] As a result, prices have soared. Expanding the supply of housing options is badly needed to promote free market competition and drive down prices.

Misguided state and local officials have tried to promote affordable housing by enacting ineffective and even counterproductive policies. For example, in an effort to reign in exorbitant housing prices, officials in Portland have passed "inclusionary zoning" rules that require

that a particular percentage of new home construction be designated as affordable. Faced with an acute housing crisis, the Portland City Council voted last year to require that 10 percent of the housing units in new developments of 10 units or more be affordable to middle-income earners.[56] The Center for Local Innovation at the John Locke Foundation recommended in 2009 that "cities and counties should abandon burdensome and counterproductive 'affordable housing' and inclusionary zoning policies. Instead, they should adopt less stringent land-use management ordinances to lower construction costs and increase housing stock."[57] As the Reason Foundation highlights, "The reason inclusionary zoning has failed to create more affordable housing is that price controls don't get to the root of the affordable housing problem. In fact, by causing fewer homes to be built they actually make things worse. The real cause of affordable housing shortages is a shortage of overall housing caused by government restrictions on supply."[58]

Many municipalities have adopted lengthy, arcane zoning and land use ordinances that discourage construction, deter investment, and fail to prioritize affordability as a policy objective.

Though Portland is the only municipality in Maine to have embraced inclusionary zoning policies, many other cities and towns have passed onerous land use restrictions. Several studies have investigated the effects of zoning and land-use regulations on housing development and prices. The National Association of Home Builders notes: "Government regulations account for 25 percent of the cost of a new single-family home. The regulatory burden includes costs associated with permitting, land development, construction codes and other financial hindrances... Oftentimes, these regulations end up pushing the price of housing beyond the means of middle-class working American families."[59]

According to a 2007 paper by the University of Pennsylvania, Maine has some of the most onerous local land-use regulations in the country, ranking eighth nationally.[60] Many municipalities have adopted lengthy, arcane zoning and land use ordinances that discourage construction, deter investment, and fail to prioritize affordability as a policy objective. The Town of Brunswick, for instance, imposes limits on maximum building height, minimum yard and lot size, and the density of housing units in residential zones. Ordinances even prohibit the construction of dwellings with three or more units in some residential areas.[61] Fort Kent requires Planning Board review and approval to build multi-family structures, and enforces strict lot size, setback, and height requirements. In 2015, the Heritage Foundation estimated that local land use

regulations cost the average household $1,700 per year thanks to higher prices driven by reduced supply.[62]

As The Maine Heritage Policy Center reported in its recent study of burdensome regulations, *The Red Tape Guidebook*, "Maine's current eviction process is expensive, slow, and duplicative. Landlords seeking to evict tenants for non-payment of rent…often face weeks of delays, court appearances, and frivolous legal appeals while incurring significant and uncompensated financial losses." Charles Kellenberger, who has been a landlord in Central Maine for 25 years, emphasizes that Maine's current laws make eviction for failure to pay rent an expensive and time-consuming undertaking. "When landlords are struggling to evict tenants who aren't paying rent, capital investments don't get made, employees aren't hired, and businesses' already narrow profit margins shrink," he says. As the housing business becomes increasingly unattractive, rental property owners may decide to relocate to another state or seek to attract only reliable, high-income tenants.

Last year, the Texas Public Policy Foundation highlighted the profound effects of burdensome regulations on the housing industry. In California, where state and local governments use fees, taxes, environmental restrictions, water permits, restrictive zoning, carbon dioxide emission considerations, and union pressure to restrict development, housing prices have skyrocketed. In Texas, and in particular the Houston area where zoning and land use laws are minimal or nonexistent, rent is less than half the cost Californians face and rental vacancy rates are substantially higher, indicating a dynamic market with thriving competition.[63] Maine should follow Texas' lead and seek to minimize the regulatory burdens that ultimately drive prices up for the poorest and most vulnerable population.

THE BLACK HOLE OF HEAT AND LIGHT

For low- and middle-income families, energy costs are consuming a portion of after-tax household income comparable to that traditionally spent on major categories such as housing, food, and health care.

The price of energy has a significant impact on the budgets of low-income Mainers, who sometimes have to choose between heating their home, running an appliance, or filling up the car. In 2013, a report by Efficiency Maine acknowledged that "high heating costs remain one of the greatest economic challenges to Maine homeowners and business."[64] A 2015 study by Appalachian State University found that "low income families spend a large fraction of their gross income on fuel…[and] older individuals, single individuals, and lower income individuals are more likely to experience fuel poverty," a condition broadly-defined as the inability to keep adequately warm at a reasonable cost, given one's income.[65]

As energy costs have risen faster than wages, the percentage of annual household income devoted to energy expenses has risen. In 2001, families in the United States earning less than $30,000 annually spent an average of 16% of their income on energy. By 2009, that number had increased to 23% and was projected to reach 26% in 2014. By comparison, households earning more than $50,000 a year spent an average of 8% on energy expenses.[66] According to a 2014 report, "For low- and middle-income families, energy costs are consuming a portion of after-tax household income comparable to that traditionally spent on major categories such as housing, food, and health care. [By the end of 2014,] the average American family's energy expenditures will increase by 33% in real terms since 2001, while average real pre-tax income will decline by 6%."[67]

In March 2016, average residential electricity prices in Maine were 18.80 cents per kilowatthour, the 6th highest in the country and 49% higher than the national average, which was 12.58 cents.[68] According to GasBuddy.com, Maine's gasoline prices were the 14th highest in the country in early May 2016, despite being significantly lower than they were one year ago. A 2015 analysis of all 50 states revealed that Maine ranks 44th overall for energy prices, and 50th for home heating oil—a result of a combination of price and consumption.[69] According to the Governor's Energy Office, "Maine experiences some of the highest residential energy costs in the country."[70] In 2012, the average cumulative monthly cost of electricity, heating oil, and gasoline for households in Maine was $620—or about $7,450 per year. Residential energy expenditures made up 3.09 percent of

Maine GDP in 2012, nearly twice the national average and far above the New England mean, which 2.37 percent.[71]

In the face of high heating oil prices, many poor families under-heat their home, resulting in broad and detrimental repercussions.

In the face of high heating oil prices, many poor families under-heat their home, resulting in broad and detrimental repercussions. According to a 2011 study conducted in the United Kingdom, "There is a clear link between living in cold, damp conditions for long periods and significant health risks. The direct health risks of fuel poverty range from a higher incidence of winter deaths, to…respiratory and mental health problems." Furthermore, "cold homes also have a negative impact on the mental health and well-being of adolescents. More than one in four adolescents living in cold housing are at risk of multiple mental health problems, compared with one in 20 adolescents who have always lived in warm housing."[72] According to a report by the Robert Wood Johnson Foundation, "Cold indoor conditions have been associated with poorer health, including an increased risk of cardiovascular disease. Extreme low and high temperatures have been associated with increased mortality, especially among vulnerable populations such as the elderly."[73] Children's performance in school and ability to do homework is affected by low temperatures as well, as a study from Tulane University found. According to researchers, "temperature conditions have serious potential to impact long-term academic achievement" by affecting cognitive and problem-solving abilities.[74]

According to the Energy Information Administration, "Maine's energy consumption is dominated by petroleum, because of widespread use of fuel oil for home heating during the long, cold winters. More than seven in ten Maine households use fuel oil as their primary energy source for home heating, a higher share than in any other state."[75] However, oil furnaces and boilers are among the most inefficient and expensive ways to heat a home. According to a 2014 presentation by the Governor's Energy Office, the average annual cost of running an oil furnace is $4,089. Most Maine homeowners pay more per month on heating oil than any other energy expense.[76] As a result, much of the population is deeply affected by fluctuations in the global oil market, over which state policymakers in Maine have little control. Heating costs and our reliance on inefficient petroleum heating systems continue to be one of the state's most significant heating challenges.

Despite the sharp decline in heating fuel and gasoline costs Mainers experienced last winter,[77] long-term price projections suggest that the financial burden on low-income households will become more

severe as international oil markets stabilize.[78] According to the Governor's Energy Office, "reduced global demand and increased U.S. oil production are behind the price declines, and these circumstances could change quite rapidly."[79] Unless Maine develops a coherent energy policy agenda driven by free enterprise and competition, the low prices of the recent past are unlikely to persist.

According to the Governor's Energy Office, "current programs are not reaching those disproportionately affected by increased heating costs, i.e., the low and very low-income households." Lawmakers should carefully examine the programs administered by Efficiency Maine—which invested nearly $60 million in 2015—and ensure that weatherization and efficiency-enhancing investments are being directed at the most vulnerable populations and inefficient systems. For instance, in 2012, Efficiency Maine launched a pilot program to study the feasibility of using heat pumps to lower heating costs. Its report noted: "Assuming that a typical Maine household consumes 900 gallons of heating oil per year for heating and hot water, the energy savings through a 12,000 BTU/hr heat pump that performs according to manufacturer's claims should total $1,676 per year at current energy prices…" The study estimated that an average home—typically consuming 900 gallons of heating oil per year—could reduce its consumption to only 117 gallons annually.[80] As the Governor's Energy Office emphasized in 2015, "increasing opportunities for residents to install energy efficiency improvements and more affordable heating systems" could result in significant long-term savings for both the consumers and the government.

The price of gasoline is especially important, since low-income individuals spend an average of 5.6% of their earnings at the pump, compared to just 1.5% among high-income consumers.[81] Removing barriers for the poor to afford vehicular transportation is important to enhancing professional and educational opportunities and access to population centers and child care services. The Brookings Institution reported in 2010, "Among low-to-moderate-income households that do own cars, they drove about 10,000 miles and spent about $1,500 on motor fuel during 2010 when the average price of gasoline was about $2.80… Rising gas prices produce a level of hardship for a group that is already suffering from high levels of unemployment and stagnant or declining real wages."[82] Polls in 2011—at a time,

In addition to imposing direct financial burdens on low-income families in Maine, high energy costs stunt private-sector business growth, reducing employment opportunities for the poor.

admittedly, when gasoline prices were higher than their current level—revealed that consumers were cutting back on shopping trips and grocery expenses; more than two-thirds of respondents reported that gasoline costs were causing severe or moderate financial hardship.[83] In addition to the price of the gasoline itself, Maine's excise tax on gasoline and other fees increase the price by $0.31 per gallon, costing the average low-income driver about $180 per year.[84]

In addition to imposing direct financial burdens on low-income families in Maine, high energy costs stunt private-sector business growth and job creation, damaging our economy and reducing employment opportunities for the poor. In 2010, a survey of more than 1,000 businesses by the Maine Development Foundation revealed that energy costs were among their top priorities. Kim Lindlof, president and CEO of the Mid-Maine Chamber of Commerce, wrote in a recent op-ed: "high cost energy kills jobs in Maine," citing the recent closure of the Madison Mill as an example of the unfriendly business environment created by misguided energy policies.[85] In 2015, the U.S. Chamber of Commerce attributed slow economic growth in New England to the region's high energy costs driven by convoluted regulations and obstructionist special interest groups.[86]

To reduce electricity prices, policymakers should re-evaluate Maine's renewable portfolio standards and eliminate barriers to clean, hydroelectric power generation. Maine's convoluted energy laws—which are inconsistent with other New England states—require that a given percentage of the electricity sold to Maine's consumers be derived from renewable sources like solar, biomass, tidal, wind, or hydro. However, except for wind power installations, the generating resource must not exceed 100 MW in capacity.[87] The exemption created for wind power unfairly favors this type of generation over less expensive, more efficient alternatives like hydroelectric dams, driving ratepayers' costs up.

GOING BANKRUPT STAYING HEALTHY

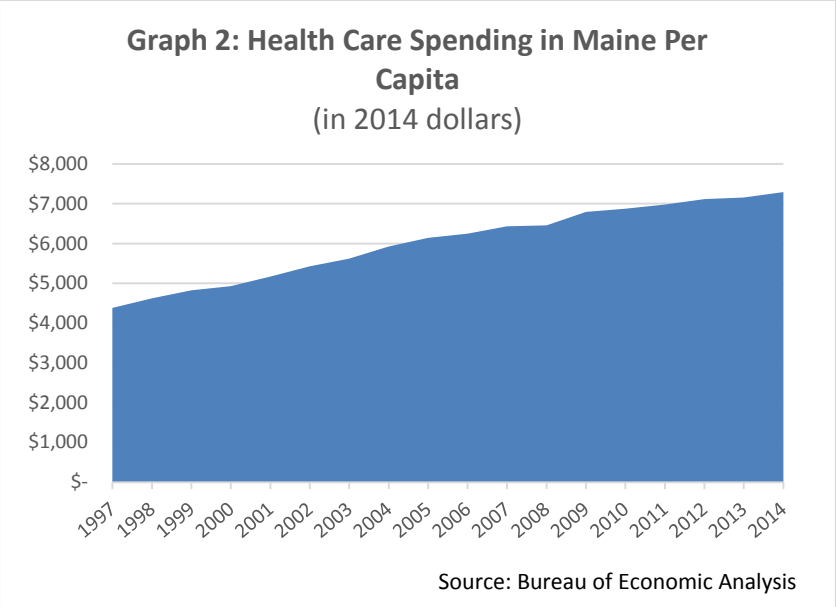
As a result of limited access to high quality medical care and harmful lifestyle choices, the poor—on average—are more likely to develop severe illnesses, more likely to become injured, more likely to die early, and more likely to experience chronic stress than the general population.

One of the primary burdens poor Mainers confront is the constant struggle to remain healthy. Unable to afford costly medical care, many people are simply left hoping that their luck holds and that medical issues, if they arise, can be dealt with using inexpensive remedies. When serious health problems develop, the poor commonly delay seeking professional attention, often leading to irreparable damage and ultimately more expensive emergency care. A recent study by the Maine Center for Disease Control found that 20% of Maine adults with household incomes under $25,000 had needed to see a doctor in the last year but didn't because of financial constraints.

Not only do exorbitant medical costs motivate the poor to avoid regular checkups and ignore warning signs, but low-income individuals disproportionately adopt unhealthy habits like eating junk food and smoking. Adults below the poverty line smoke at nearly twice the rate of the rest of the population,[88] and obesity rates follow a similar trend.[89] As a result of limited access to high quality medical care and harmful lifestyle choices, the poor—on average—are more likely to develop severe illnesses, become injured, experience chronic stress, or die early than the general population.[90] A 2010 survey found that the percentage of adults in Maine who rated their health as excellent, very good, or good fell from 96% among middle- and upper-class adults to only 59% among those earning less than $15,000 per year.[91]

In Maine, an estimated 24,000 poor adults fall into a "coverage gap" between qualifying for Medicaid (as many low-income parents do) and being eligible for health insurance tax credits through the Affordable Care Act (i.e., Obamacare).[92] For many of these low-income individuals, health care costs are prohibitive. According to the Maine Health Data Organization, most hospitals in the state charge more than $100 for a single preventive care visit. Simple surgical procedures such as precancerous skin removal often cost more than $200, while imaging services like X-rays and ultrasounds cost as much as $450.[93] Overall, per capita health care spending in Maine is among the highest in the nation, totaling more than $7,000 annually, and has risen rapidly in recent years (see Graph 2).

At the same time, private health insurance is often either unaffordable or largely useless. For years, premiums and deductibles have risen sharply. According to the Maine Bureau of Insurance, a 30 year-old living in Knox County faces a $378 monthly premium for a $1,000 deductible individual plan, while a $6,300 deductible plan costs $225 a month. Most low-income people can't afford the more expensive plan with better coverage, and the high deductible plan is of little use unless a catastrophic injury demands substantial care.



Over the past two decades, Maine lawmakers have repeatedly tried to address the medical needs of the poor. In 1993, legislators passed several health insurance regulations that weakened free market forces and increased health insurance prices for most Mainers.

Two policy changes in particular contributed to rising costs. The first was "guaranteed issue," which required insurance companies selling individual health insurance plans to issue all plans to all individuals applying for coverage, regardless of health status. The second harmful reform was a requirement that premiums in the individual and small-group markets vary by only 1.5:1 for age and geographic disparities combined. This means that an individual couldn't be charged more than 1.5 times the lowest rate charged to another person for the same insurance policy.

These restrictions ignored the fact that naturally occurring age-related variation in health care utilization is roughly 5:1 – in other words, on average, sick, elderly people require five times more medical care than young, healthy individuals. This forced carriers to reduce rates for older individuals while significantly increasing rates for young adults. The 1993 reforms had a devastating impact on Maine's health insurance market, causing premiums and deductibles to skyrocket and motivating tens of thousands of young enrollees to drop their health insurance entirely.[94]

In 2003, then-Governor Baldacci – who had championed universal health care during his gubernatorial campaign – instituted DirigoChoice, a state-designed, privately administered health plan with premium and deductible subsidies based

on family income. Legislation was also passed to dramatically expand Medicaid and further regulate the health insurance industry. Governor Baldacci's stated goal was to eliminate all uninsured by 2009, but projected enrollment figures were found to have been grossly inaccurate; in fact, even fewer Mainers were insured in 2009 than in 2003. In 2011, after spending more than $183 million in taxpayer funds, a bipartisan majority of the Legislature voted to end the Dirigo program.[95]

Finally, in 2011—with the strong support of The Maine Heritage Policy Center—lawmakers passed Public Law 90, which rolled back many of the restrictive and damaging policies that were hindering Maine's health care system. The legislation loosened community rating regulations, allowing the free market to determine premium rates more fairly. It also guaranteed access to reinsurance funding to high-risk individuals, loosened regulations regarding the purchase of insurance across state lines, and made it easier and more affordable for the long-term unemployed to buy health insurance.

Since PL 90 was enacted, average annual premium rate increases in the individual and small group markets have slowed, while many enrollees are even paying lower prices than before. With fewer burdensome regulations dictating their operations, insurance companies have begun to offer new, more affordable plans that are more closely aligned with consumers' needs.

Moving forward, Maine lawmakers need to learn from our past that heavy-handed government intervention in health care is not the answer, while enacting free-market reforms would go a long way in reducing costs, increasing access, and encouraging innovation in the health care industry—all of which would help low-income Mainers afford the medical care they need.

Policymakers should emphasize price transparency in health care and empower patients to seek low-cost medical services rather than simply relying on the closest hospital or clinic.

Policymakers should emphasize price transparency in health care and empower patients to seek low-cost medical services rather than simply relying on the closest hospital or clinic. As the Foundation for Government Accountability points out, "health care is the only major service we buy without knowing the cost up front." Furthermore, patients who receive a treatment that costs significantly less than the average price for that procedure should receive a payment from their insurance carrier for part of the saved cost, a type of incentive program that has been used successfully across the country to limit out-of-pocket costs and foster competition between providers.

The second measure lawmakers should approve is a repeal of Maine's Certificate of Need (CON) laws, which require that all medical providers looking to build or expand an existing health care facility, offer new services, or acquire new medical equipment must first be granted approval by state regulators. CON laws limit competition in the health care market and raise medical costs. A study by the National Institute for Health Care Reform found that "in five of the six states studied…the CON approval process can be highly subjective and tends to be influenced heavily by political relationships rather than policy objectives." Dr. Roy Cordato, a health policy expert, has pointed out that "believing that CON laws and the bureaucrats that administer them can do a better job than the competitive market process, is not only wishful thinking, it is the economic equivalent of believing the Earth is flat." According to a study by the Mercatus Center at George Mason University, "By limiting the number of providers that can enter a particular practice and by limiting the expansion of incumbent providers, CON regulations effectively give a limited monopoly privilege to providers that receive approval in the form of a Certificate of Need. Approved providers are therefore able to charge higher prices than would be possible under truly competitive conditions."

Finally, lawmakers in Maine should eliminate barriers to direct primary care (DPC). For the poor and uninsured, the DPC model can provide affordable, quality medical services in a way that large hospitals cannot. The idea is simple: the patient directly pays the doctor a monthly "subscription" fee for routine medical care like physicals and chronic disease management. As a result, doctors and patients avoid the bureaucratic complexity, wasteful paperwork, and time-consuming claims processing that are responsible for as much as 40% of primary care spending. Physicians are accountable to their patients, health care costs are modest and predictable, and patients enjoy more personalized attention. Yet Maine lacks specific DPC legislation that clearly defines what it is and limits government regulation, and some DPC doctors who are not contracted with an insurer are not permitted to make referrals on behalf of patients. Reforms in these areas are badly needed.

TERRIBLE TODDLER TUITION

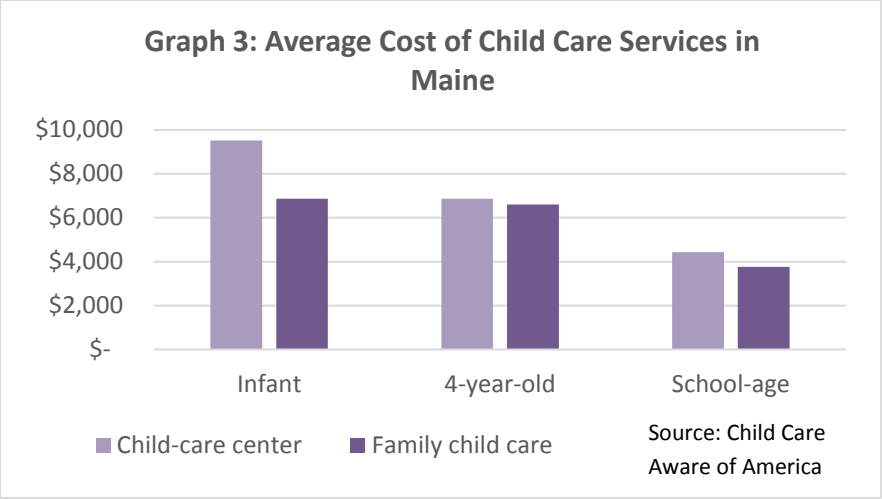
Unnecessary government regulations drive up the cost of child care, making it hard for low-income families with young children —especially single-parent homes—to sustain employment or pursue educational goals.

For many families with young children, especially single-parent households, child care is critical to being able work and earn a living. In 2015, an estimated 53,000 young children in Maine needed child care services outside the home.[96] The availability of affordable child care often influences the decision to seek employment or rely on welfare. As a 2002 report by the Maine Child Care Advisory Council noted, "In order to be able to work, parents must be able to find and afford child care."[97] Partly in response to rising child care costs, a three-decade decline in the number of stay-at-home mothers in the United States has been reversed as a growing number of mothers decide to stay home with their children; the percentage of stay-at-home mothers in the United States dropped from 49 percent in 1967 to 23 percent in 1999, but grew to 29 percent by 2012. Withdrawing from the labor force, however, often comes at a cost; more than a third of stay-at-home mothers live in poverty, nearly three times the rate of working mothers.[98]

Despite its importance, the cost of child care is often prohibitive for low-income Mainers. In 2015, an analysis by Child Care Aware of America revealed that in Maine, "a single parent with two children pays 73% of their income towards child care. A married family at the poverty line with two children pays 68% of their income towards center-based child care. [The] annual cost of child care for an infant and a 4-year-old is $16,381 which exceeds the cost of the state's four-year public college tuition."[99] Before- and after-school center-based care for a child averages $4,439 per year, while full-time services for an infant typically cost nearly $10,000 annually. Even family-based providers that generally charge lower prices cost between $3,765 and $6,870, depending on the age of the child.[100] See Graph 3.

Nationwide, weekly nursery and pre-school expenditures for children five years and younger rose almost 50 percent between 1990 and 2011, according to Census data.[101] As a recent Bloomberg News article explains, "demand for daycare will probably continue to outstrip supply, driving costs up faster than overall inflation. That could have wide-ranging economic repercussions, including limiting consumers' ability to spend on other goods and services and, in the

extreme, preventing some parents from joining the workforce."[102] In her 2013 book, "The States of Child Care: Building a Better System," Sara Gable argues that "because of imperfections in child care supply, it is a mistake to assume that parents really have a fully free choice in securing quality services. There is not enough affordable, convenient, quality child care to go around."[103]



A report by the Census Bureau in 2011 found that "Children in poverty with an employed mother relied to a greater extent on grandparents (30 percent) and fathers (29 percent) than on day care centers (16 percent) or family day care providers (4 percent) for their care," a trend attributed to the higher costs associated with organized care.[104]

Not only are child care services too expensive, many parts of Maine – despite high demand – are experiencing acute shortages of day care facilities. This violation of basic economic theory – which holds that supply, in an unhindered market, should quickly rise to meet demand – is made possible by burdensome and unnecessary government involvement which raises the cost of running a day care, discourages new entrants into the industry, and limits competition between providers.

Child care shortages are being felt across the state. Chantel Pettengill, who runs a child care center in Lewiston, recently testified to the Legislature: "We are…in a childcare crisis, I have been open since November...my infant rooms are full (16 infants), my toddler room has only 2 slots left, and the same for my 2 year old room."[105] Commenting on the Legislature's recent efforts to impose additional mandates on child care facilities, Vicki Gordon – who owns a daycare in Freeport – stated: "As more and more daycare regulations are passed, more and more great home daycares are closing, because it is becoming almost impossible to comply with all the rules and regulations."[106]

As the Washington Examiner noted in 2014, "excessive regulation of daycare and preschool mostly hurts the poor and working class. For one thing, it makes daycare rarer and more expensive."[107] According to Jeffrey Tucker, a research fellow at the Acton Institute, "child care is one of the most regulated industries in the country," discouraging entrepreneurship

and raising prices. A 2011 study published in the *American Economic Review* found that "the imposition of regulations reduces the number of center-based child care establishments, especially in low income markets."[108] A paper by the RAND Corporation concluded, unsurprisingly, "that regulations have an economically significant effect on the price of childcare, which in turn affects both the demand of regulated care and the labor force participation choices of the mothers."[109]

According to a report by the National Center for Policy Analysis, "state and local regulations significantly affect the price of care without improving quality."

Intuitively, strict regulations on child care providers may seem necessary to ensure the safety of vulnerable children and promote high-quality services that spur cognitive, emotional, and social development. Yet, according to a report by the National Center for Policy Analysis, "state and local regulations significantly affect the price of care without improving quality."[110] A 2015 study by the Mercatus Center points out that policymakers often focus their regulatory efforts on structural, easily-observable aspects of child care — such as group sizes, zoning restrictions, and program administration—despite evidence that developmental outcomes are more closely linked to the quality of the interactions between the caregiver and the child. Indeed, "the literature on early childhood development, psychology, and education suggests that the quality of child care depends most importantly on the level of education of immediate care providers—that is, lead teachers and child care center staff."[111]

In Maine, about 200 pages of regulations apply to child care facilities, nursery schools, or family child care providers. Depending on the type of child care provider and the age of the children being cared for, the Department of Health and Human Services imposes strict staffing ratios. For instance, in a small child care facility (defined as a business that cares for 3-12 children under the age of 13), one staff member may not supervise more than 12 children over the age of 5. Similarly, child care centers – facilities with more than 13 children – may not allow one staff member to care for more four infants.[112]

Though it's important to ensure that children receive the attention and supervision they need, these staffing ratios increase labor costs, have not been demonstrated to be beneficial to child development, and are often restrictive than many other states. Thirty-five states, for instance, allow staff members to supervise more 5-to-13-year-olds than Maine; while Maine limits the number to 13 children per staff member, some states – like North Carolina and Florida – allow 25 children. It should come as no surprise that states with the most affordable child

care – such as Mississippi – also have less restrictive staffing requirements.[113] Using a limited dataset, a study by the General Accounting Office estimated that "decreasing the average child:adult ratio by one is associated with increased costs of roughly 4.5 percent. Thus if the average center, with 50 children and an average annual per-child cost of $6,500, were to reduce the child:staff ratio from 11:1 to 10:1, the annual cost per child would increase by about $306."[114]

In addition to the extensive regulations imposed by the state, many municipalities have enacted zoning and land use ordinances that create obstacles for entrepreneurs seeking to start a center- or home-based child care facility. In Rockland, for example, child care facilities are prohibited in residential zones unless the Planning Board grants permission. Similarly, Houlton requires Planning Board approval for day cares and nursery schools and imposes many limitations on those seeking to run a child care business from their home. Portland permits day care and home babysitting businesses located in residential areas, but imposes minimum lot size requirements, parking mandates, and architectural regulations. These ordinances may help to explain why the percentage of children cared for in family day cares has declined sharply since 1995.[115]

The motivation for tightly regulating the child care market—the desire to protect the thousands of children who rely on commercial child care from neglect or abuse—is laudable. Yet, despite extensive government involvement, the overall quality of child care in Maine remains mediocre while prohibitive costs prevent many poor families from pursuing professional or educational opportunities made possible by reliable child care.[116] Carrie Lukas, writing in the *National Review*, offers the solution: "Reducing unnecessarily burdensome regulations would allow more entrepreneurs to enter the child-care arena and ultimately lead to more affordable options and a greater diversity in the kind of care arrangements that are available."[117]

THE HIGH COST OF GETTING YOUR CAR ON THE ROAD

Maine policymakers have enacted detrimental policies that make it harder for the poor to purchase and operate a car, despite the importance of transportation in promoting economic prosperity.

Many Maine residents are held in poverty, and prevented from achieving prosperity, by the high costs of vehicles and transportation. A lack of reliable and affordable transportation is a significant barrier to economic success and upward mobility by limiting access to employment and educational opportunities and promoting social isolation. According to the Annie E. Casey Foundation, nearly 25% of needy families do not have a car.[118] Yet a 2006 survey indicated that 72% of low-income individuals who acquired cars reported a boost in earnings, and more than 80% of those who had been on public assistance were no longer receiving welfare benefits a few years later.[119]

The problems caused by a lack of transportation are epitomized by James Becker, whose struggle with transportation was highlighted in *The New York Times*.[120] Becker, who works two jobs, is forced to bike over 30 minutes each way to each of his jobs. Despite working long hours, he is unable to afford a car, and is unable to take public transportation because it is sparse and unreliable.

Unfortunately, Becker's struggle is all too common in Maine. The Census Bureau reports that nearly 25,000 people walk to work in this state, while an additional 3,200 commute on bicycles.[121] While some people may choose to walk or ride a bike because of their close proximity to their workplace, many do so by necessity. Harsh winter weather can often make other means of transportation impractical or dangerous, making it difficult to secure long-term employment. In addition, there is little doubt that the lack of reliable vehicular transportation contributes to the high rate of unemployment – more than 54 percent, according to a recent analysis by the Employment Policy Institute – among the working age poor.[122]

According to a recent study by Harvard University, commuting time is the largest factor that influences whether an individual or family is able to escape poverty.[123] The longer the commute to a person's place of employment, the lower the chance that a sustainable, well-paying job will lead to economic prosperity. In fact, access to transportation seems to have a more potent effect on economic mobility than crime, education, or family structure.

A study from New York University's Rudin Center for Transportation confirmed that cars and transportation have a major impact on income.[124] Researchers concluded that areas with some – but

inefficient – access to transportation are the areas that have the highest rates of poverty. In 2014, a report by the Urban Institute found that "automobile access importantly influences employment outcomes and earnings for low-income households."

According to a recent study by Harvard University, commuting time is the largest factor that influences whether an individual or family is able to escape poverty.

Geography also plays an important role. According to a National Household Travel Survey, more and more impoverished individuals and families are living in suburbs, rather than large cities.[125] These poor suburban neighborhoods are characterized by little public transportation, low job-density and little economic opportunity. This leads to a greater reliance on cars, and greater hardship for those who cannot afford one. The Federal Reserve of Boston reports that rural and suburban Maine has much higher poverty and unemployment numbers than the rest of the state, a conclusion backed up by both the Maine Department of Labor and the Census Bureau.[126] If individuals living in these areas are able to find employment, they are forced to drive a longer distance and spend a greater amount of time commuting to work.

Unfortunately, Maine policymakers have enacted detrimental policies that make it harder for the poor to purchase and operate a car. Maine's red-tape and regulations surrounding automobiles is tremendously expensive, and another huge cost that drivers must overcome. An analysis in 2012 revealed that the average annual cost of operating a car in Maine – when insurance, repairs, and gasoline expenses were calculated – was $2,119, or about $2,200 in real terms.[127] An estimated 42,000 drivers in Maine – roughly 7% of all vehicle operators – lack legally required liability automobile insurance, an indication of the financial strains that owning a car creates.[128]

When purchasing a car privately or from a dealer, individuals must pay a 5.5% sales tax.[129] If a person is buying a vehicle with a manufacturer's suggested retail price of $20,000, the tax would be an astonishing $1,100. If that vehicle cost $30,000, the purchaser would pay $1,650 in sales taxes. Many states have lower car taxes, and some — like New Hampshire — don't have any.[130]

The owner must also pay an annual municipal excise tax to register their vehicle.[131] While this excise tax varies depending upon how old the vehicle is and how long it has been owned, the tax burden is often very high. If those $20,000 and $30,000 vehicles were made in 2016, the excises taxes on each would be $480 and $720, respectively. Even the excise tax on a $20,000 car manufactured in 2005, a

more realistic choice for a low-income family, would still be $80.

The owner must also pay a fee – which is $35 for passenger vehicles – when they go to register their car. If the car was purchased privately, they must also pay a $35 title application fee.[132] Many municipalities also charge an agent fee. Every year, an individual must re-register their car and pay another registration fee.

All told, the owner of a $20,000 vehicle would pay more than $1,600 in fees and taxes the first year they purchased their car. The owner of the $30,000 car would pay more than $2,400.

And the costs don't end there. Car owners must also have their car inspected every year, which typically costs $12.50. While that may seem like a mild inconvenience, the time required to visit a mechanic can require taking valuable time off of work. In addition, those who forget to have their vehicle inspected face a first-time penalty of $310 and a fine of $610 for the second and any subsequent offense.[133]

But there are ways that policymakers can help to reduce the high costs of car ownership and promote the availability of transportation for those living in poverty.

First, Maine legislators can reduce or eliminate these costly taxes and fees that are burdening car owners and drivers. These costs only compound the difficulties for Maine's working poor, and reduce the likelihood that individuals and families are able to achieve prosperity. But reducing or eliminating these registration fees and taxes would require a willingness to cut spending and reduce the size of government, something that liberal politicians in Augusta have long opposed.

Second, Maine should eliminate the requirement that cars be inspected every year, in favor of having cars inspected every other year, or not at all. According to AAA, car inspections are ineffective.[134] While proponents assert that these inspections ensure cars are safe to drive and help protect drivers and passengers, there is little evidence to support this stance. Driver error is the biggest cause of crashes, while mechanical failures account for as few two percent of accidents.[135] These inspections – and the fines imposed on those who don't get them done regularly – only burden drivers and cause them to waste their valuable time and money.

Car inspections – and the fines imposed on those who don't get them done regularly – only burden drivers and cause them to waste their valuable time and money.

In addition, many of the criteria in the inspection rules have little to do with safety. For instance, inspection technicians in Maine are instructed to "reject [the] vehicle if a reflecting surface is peeled, cracked, tarnished, clouded, or broken." A small crack in a side-mirror which does

not reduce the driver's field of vision would cause an otherwise compliant vehicle to fail inspection and impose unnecessary repair costs on drivers. Similarly, a perforation by rust – no matter how small – of a rocker panel is disqualifying, even if the hole doesn't penetrate the passenger compartment or jeopardize the structural integrity of the vehicle.[136]

According to a report by the Government Accountability Office, 16 states have repealed their inspection programs. Maine passed its vehicle inspection law in 1930, at a time when vehicles were far more unreliable and dangerous than they are today; this policy has outlived its usefulness. Based on the evidence, it is clear that car inspection requirements are burdensome regulations that disproportionately impact the poor and do little to enhance safety.

Owning a car opens doors of opportunity that are often beyond the reach of those reliant on public transit, especially in rural areas of the state where poverty is most acute. Reducing the costs of purchasing and maintaining a vehicle should be an important goal of policymakers seeking to alleviate poverty.

"IS OUR CHILDREN LEARNING?"

Expanding educational choice in Maine and promoting parental freedom and student-centered decision-making would do much to improve academic outcomes among low-income children.

A good education is foundational to professional success and economic prosperity. Learning to read, think critically, do math, and interact socially is critical to acquiring the skills necessary to secure employment and avoid poverty.

But, as a report by Duke University noted in 2011, "Study after study has demonstrated that children from disadvantaged households perform less well in school on average than those from more advantaged households," creating knowledge and skills deficiencies that are difficult to overcome [137] A 2014 report by the Maine Education Policy Research Institute found that, despite some exceptions, poverty generally has a moderate correlation with student achievement in Maine.[138] As many as one-fifth of students in Maine schools live in poverty, according to Census Bureau statistics.[139]

Maine's elementary and secondary public education system is broken and ineffective. In 2014, fewer than half of teenagers in 11th grade were proficient in reading and math. Among 4th graders, only 47% were at grade-level in math and 37% were proficient in reading. Research suggests that a 3rd grade student who doesn't read at grade-level is four times less likely to graduate from high school than peers that are proficient.[140]

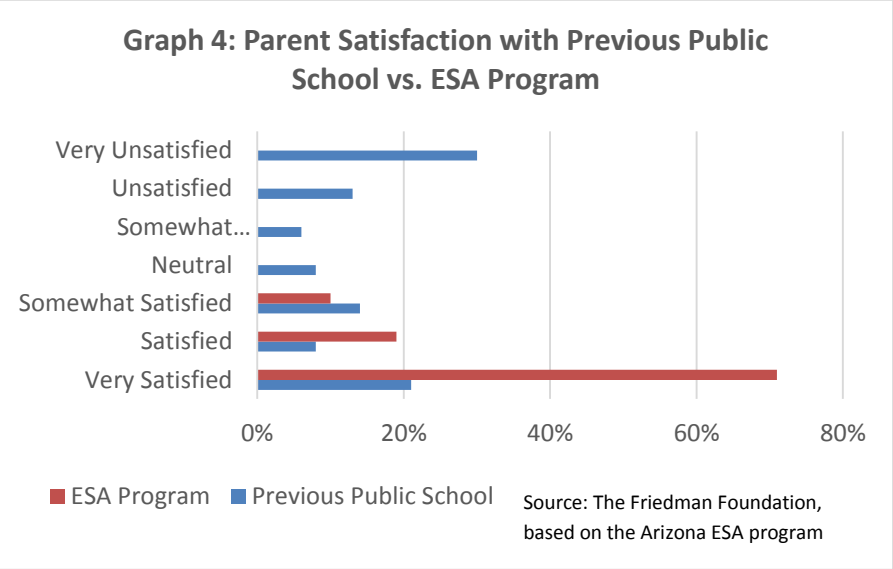
Despite its poor performance, Maine spent an average of more than $12,000 on each public school student in 2013 and ranked 15th nationally in terms of elementary and secondary education expenditures.[141] From 1990 to 2013, real per-pupil funding in Maine increased nearly ten times as much as student enrollment, while academic achievement flatlined.[142] Clearly, our current strategy of providing additional school funding without demanding results and accountability is not working.

Expanding educational choice in Maine and promoting parental freedom and student-centered decision-making would do much to improve academic outcomes among low-income children. As Vicki Alger, a research fellow at the Independent Institute, pointed out in 2015, "Maine clings to a 19th century schooling model that rations children's education options based largely on where their parents can afford to live."[143] As a result, low-income families too often have no choice but to send their children to mediocre local

schools, while the wealthy have a plethora of high-quality options.

In several parts of the country, education savings accounts (ESAs) have been used successfully to improve educational opportunities and outcomes for poor children.[144] A 2012 report by the Goldwater Institute opined that ESAs represent "the most innovative solution to provide all America's children with better opportunities."

ESAs expand parents' choices in selecting the best educational program for their child by providing state-funded bank accounts that families use for education expenses. Parents operate the accounts and have discretion to purchase services and materials to optimize their child's education. The funds can be used for private school tuition, textbooks, online classes, tutoring, college tuition, or individual public school class and extracurricular programs. Research consistently shows that parental choice improves academic outcomes or participating students, particularly those from disadvantaged or poor households. Nearly all empirical studies of parental choice programs show positive impacts, including improved reaching and math achievement and increased graduation rates.[145]



A focus on broad policy initiatives should not ignore, however, important parental activities that can have a profound impact on childhood development and academic achievement. Limiting television use and monitoring content, emphasizing the importance of books and reading aloud, and providing enough time for play and social activities – especially in the early, formative years – are not to be overlooked.[146]

Promoting educational choice at the elementary and secondary school level is the most important step Maine can take to revitalize its educational system and help low-income students succeed. Yet a high school diploma is often inadequate to support a family; just four percent of college graduates in Maine live in poverty, compared to 16 percent of those with only a high school diploma.[147] As manufacturing and other low-skill jobs decline, employers are seeking better-trained workers with a post-graduate education. In 2014, economist John Dorrer

explained that "more than one-third of projected new jobs between 2010 and 2020 will require postsecondary credentials and advanced skills…Maine will need thousands of scientists, engineers, computer specialists, management specialists, and marketing experts to move its economy forward.

Unfortunately, a college education remains out of reach for many poor Mainers. A 2014 report by Maine Legislature's Commission to Study College Affordability and College Completion concluded: "In Maine, there is not currently a viable path to a college degree for all students who meet the academic admission standards and are willing to work hard, take out reasonable student loans, and make timely progress towards completing a degree."[148] It estimated annual average costs of $20,800 for one year at a Maine Community College and $25,600 at a University of Maine System campus. As a result of these prohibitive costs, economically disadvantaged students are significantly less likely to enroll in college. According to the National Conference of State Legislatures, the cost of full-time enrollment at a public university in Maine is equal to 68% of an average low-income family's annual income.[149]

In recent years, university administrators have taken laudable steps to reduce expenditures and limit the growth of student costs. For the first time since 1987, in-state undergraduate and graduate tuition has not increased for five consecutive years, following a period of rapid tuition growth (averaging 9% annually) from 2005 to 2009.[150] Increases in prices for room and board have been modest.[151] Since 2007, the University System has also reduced its workforce by 521 full-time equivalent employees.[152]

Enhancing transparency – like publishing information on arcane fees and making data on student performance and long-term success available – would motivate competitive behavior between universities and empower students to be discerning consumers.

Policymakers should consider making several reforms to Maine's public university system in order to reduce student costs and maximize efficiencies, like reining in administrative expenses that do little to bolster student achievement and consolidating redundant or unnecessary campuses—initiatives that The Maine Heritage Policy Center has been championing for years. In 2010, an article in *Maine Policy Review* noted that "Maine spends more of its higher education payroll dollars than 48 other states on non-instructional areas."[153] Increasing class sizes and broadening the use of online teaching tools, while curbing unproductive faculty research activities, could also help address overall operating costs.

Moreover, enhancing transparency – like publishing information on arcane fees and making data on student performance and long-term success available – would motivate competitive behavior between institutions and empower students to be discerning consumers. As Andrew Kelly, a senior fellow at the American Enterprise Institute, points out, "Students lack basic information on the costs and quality of different options."[154]

Government's efforts to subsidize higher education have contributed to soaring prices and out-of-control university budgets.

The Maine Center for Economic Policy and other groups have argued that Maine should help low-income students earn post-secondary credentials by increasing government aid in the form of grants. However, despite substantial government investment in various tuition assistance programs, students' out-of-pocket costs have remained high. A good deal of evidence—supported, most recently, by a study published by the Federal Reserve—suggests that the government's efforts to subsidize higher education have contributed to soaring prices and out-of-control university budgets.[155] Through direct state funding to public universities, as well as grants to students, government has distorted a market that would otherwise be restrained by what students are willing and able to pay. Instead of continuing to subsidize higher education, a better strategy is to restructure public policy to reduce the underlying cost of higher education and promote free market forces.

In addition to promoting college affordability and access, policymakers should recognize the importance of Maine's career and technical schools that provide invaluable training to both high school students and adults, preparing them for well-paying, in-demand jobs. A 2014 report by the Organization for Economic Cooperation and Development estimated that, in the United States, nearly one-third of job openings in 2018 will require some sort of professional training after high school, but not a four-year degree.[156] Maine's 27 vocational schools offer courses in auto repair, firefighting, health care, construction, culinary arts, and many other industries, serving nearly 8,000 students.[157] Technical programs are typically shorter and more affordable than community college classes and represent a better value for low-income individuals seeking job-ready skills. Efforts should be made to continue to align training options with employer demand, streamline administrative activities to reduce costs, and ensure that state funds are maximized.

TAXES, TAXES, TAXES

Low, pro-growth taxes can turn a state from poverty to prosperity by stimulating local communities, rewarding entrepreneurs, and attracting wealth.

Any strategy to alleviate poverty in Maine must incorporate significant reforms to our tax system. High property, income, and sales taxes are discouraging employers from hiring workers, shrinking family budgets, and undermining efforts to move up the socioeconomic ladder. For too long, the perpetuating cycle of high taxes and big government has led to economic stagnation and greater hardship for struggling Mainers. A report in 2011 by Stanford University argued that the tax system is "the most critical instrument that policymakers have at their disposal for alleviating poverty" and noted, "when the poor lose more of their income to taxation, it weakens their already vulnerable position, which has repercussions for aggregate measures of crime, health, family formation, and educational attainment."[158]

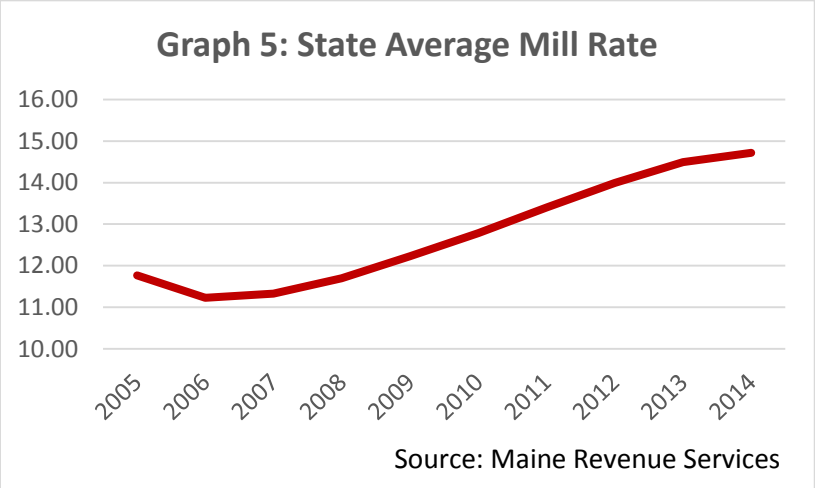
An analysis by WalletHub in 2015 found that Mainers earning $25,000 per year face an effective state and local tax rate—excluding federal taxes—of 9.35 percent, or about $2,337 per year (roughly the amount of money the average household in Maine spends on heating oil annually).[159] According to the Office for Fiscal and Program Review, inflation-adjusted state and local taxes per capita in Maine reached $2,037 in 2012, a small decline since 2007 but a substantial increase compared to 1988 levels of $1,615.[160] From 1986 to 2009, state and local taxes as a percentage of personal income increased from 11.3% to 12.3%.[161] In 2015, a family located in the bottom 20% of earners (who make less than $19,000 a year) in Maine pays, on average, 9.4% of its income in state and local taxes. The next 20% of earners (who earn between $19,000and $33,000) pay 9.2 percent in taxes.[162]

Maine's abysmal tax climate is nothing new. In 2006, the Brookings Institution noted that "high overall burdens, the second-highest property taxes in the nation, and the state's low thresholds for its very high personal income tax top rate all may well be sending negative signals to workers, entrepreneurs, and retirees about the state as a place in which to live and do business." The report concluded that taxes are exorbitant in order to sustain an over-reaching government seeking to accomplish too many things, and allowing glaring inefficiencies to continue.[163]

In Maine, low-income individuals are particularly hard-hit by sales, property, and excise taxes. Sales taxes disproportionately impact the poor because, as a recent analysis by Pew

Charitable Trusts noted, in 2014 "low-income families spent a far greater share of their income on core needs, such as housing, transportation, and food, than did upper-income families."[164] On average, the bottom 20% of Mainers payed 6.1% of their income in sales and excise taxes in 2015, totaling $744. The next 20% payed, on average, $1,331.[165] Changes to the sales tax that took effect in January 2016 expanded the sales tax base by increasing the number of taxable services and food products. Although legislators also created a refundable income tax credit to provide sales tax relief to low-income families, it adds to the convolution of the tax code and should be simply replaced by a lower tax rate.

Though reducing sales taxes is important, low-income Mainers are also burdened by high local property taxes (see Graph 5). Property taxes predate both income and sales taxes and are exceptionally regressive, meaning that their impact on the poor is disproportionate. Even renters feel the effects of high property taxes as landlords transfer the costs to the consumer through higher rent prices. Based on the most recent data from 2013, Maine's local property taxes averaged 4.8%, the 7th highest in the nation.[166] According to the Tax Foundation, Maine collected approximately $1,907 per capita in property taxes in 2013.[167] Despite significant financial assistance from the State, municipalities continue to increase property taxes. Data from Maine Revenue Services reveals that average property tax rates (adjusted for homestead and business exemptions) increased by more than 25% from 2005 to 2014. Some of the poorest counties in the state—including Washington and Somerset—have property tax rates significantly above the state average. According to the Office of Policy and Management, 13 of Maine's 16 counties increased property tax assessments from 2014 to 2015, some by as much as 8.5 percent.[168] The most recent state budget, passed in June 2015, expanded the Homestead Property Tax Exemption from $10,000 to $15,000 in 2016 and $20,000 in 2017, with the State partially reimbursing municipalities for revenue losses. Though these reforms will help bring financial relief to thousands of poor families, they fail to confront the root cause of excessive local taxes: overspending.



As The Maine Heritage Policy Center demonstrated last year in its report, *Revenue Sharing: A Failed Program*, past

efforts to limit the growth of, or even lower, local property taxes have been ineffective. Municipal leaders have allowed property taxes to increase substantially over the last four decades, despite billions of dollars of state financial assistance. Total municipal appropriations in Maine increased in each of the past five years, for an overall increase of 16.3% from 2010 to 2015; [169] this trend has deep historic roots and, unless local leaders re-evaluate their spending priorities, is likely to continue in the future.

Municipal leaders have allowed property taxes to increase substantially over the last four decades, despite billions of dollars of state financial assistance.

The Brookings Institution report noted Maine's "overreliance on high local property taxes" and made clear that "Maine must keep working to reduce the state's excessive reliance on property taxes for local revenue revenue-raising, with a focus now on reducing the state's sharp town-by-town rate variations and providing additional relief for those of lower incomes." Unfortunately, property taxes have continued to rise since the report's publication, making life harder for thousands of poor Mainers. Efforts must be made to curb local spending by streamlining municipal services, reducing school budgets, and reforming local welfare programs like General Assistance.

Another form of onerous taxation on the poor comes in the form of so-called "sin taxes" designed to reduce specific behaviors thought to be harmful to society. In 2014, Maine collected $206.7 million (5.4 percent of total tax revenues) in sin taxes on alcohol and tobacco products, as well as casino and video gaming activities.[170] Maine's cigarette tax is currently $2.00 per pack, the 11th highest in the country and 24 percent above the national average.[171]

Despite their objective, however, there is little evidence that sin taxes are effective. According to the Mercatus Center, "research has shown that when the price of a "sinful" good increases, consumers often substitute an equally "bad" [product] in its place."[172] For example, two studies found that teen marijuana consumption increased when states raised beer taxes or increased the minimum drinking age. Another study found that smokers in high-tax states are more likely to smoke cigarettes that are longer and higher in tar and nicotine than smokers in low-tax states. Ultimately, as a report by the National Center for Policy Analysis summarized, "when prices for tobacco and alcohol products rise due to tax increases, demand for these products does not go down much. A few consumers will quit and many will substitute lower-cost brands, but most lower-income smokers and drinkers will continue to use tobacco and

alcohol. Thus, raising taxes on these products makes the tax burden even more regressive."[173]

A 2008 Gallup poll showed that about 30 percent of American adults earning less than $36,000 per year smoked. By contrast, only 13 percent of those with incomes exceeding $120,000 used tobacco products.[174] A 2014 study confirmed that cigarette smoking is strongly associated with income and educational achievement.[175] According to a 2012 survey, about 31 percent of smokers smoke one pack a day, while an additional 68 percent smoke less than one pack.[176] In other words, nearly one-third of smokers in Maine—who are disproportionately low-income—face an annual burden of over $700 in sin taxes, while many more pay hundreds of dollars a year.

According to the Mercatus Center, higher state taxes reduce state economic growth, GSP, and population.

A 2014 study by the Mercatus Center examined the relationship between states' economic performance and tax variables such as effective average tax rates and the personal income tax. The authors concluded: "Higher state taxes generally reduce state economic growth, GSP, and even population. It is clear that people produce or consume less, or even move to a different state, in response to higher taxes."[177]

There is a solution to over-taxation, if only policymakers will commit themselves to the task of seeing it through: shrinking the size of state and local government. Virtually any government program seems beneficial if evaluated based solely on its positive qualities. Yet policymakers must also consider the impact of additional taxes, new administrative requirements, and the fact that programs, once enacted, are rarely repealed. Low, pro-growth taxes can turn a state from poverty to prosperity by stimulating local communities and rewarding entrepreneurs for their hard work. Other states have done it. It's time for Maine to do the same.

PROFILES IN POVERTY

The following hypothetical examples help to convey some of the tangible costs poor Mainers face through taxes, fees, and government regulations. The list is not comprehensive—lottery taxes, miscellaneous local fees, federal taxes, the impact of energy and health care regulations, and other burdens are not included. Figures are approximate, based on national, state, and local data.

Single Mother

In our first scenario, we have a 25-year-old single mother who lives in Oxford with her two young children, a 3-year-old and a 1-year-old. Lacking a post-secondary education, she works full-time as a waitress in a local restaurant and earns $18,000 annually. She rents a two-bedroom apartment for $500 per month. To attend work and school, she drives a 2005 Toyota Corolla.

In additional to her job, she attends evening classes to become licensed as a cosmetologist. As a result, she relies heavily on child care services for her two children.

On average, she smokes 3 packs of cigarettes per week.

Expense category	Estimated annual burden caused by government
Property tax (passed on through rent)	$613
Sales tax	$320
Income tax	$0
Car excise tax	$59
Gas tax	$118
Sin taxes (alcohol and tobacco)	$312
Car registration fee	$35
Car inspection fee	$12.50
Occupational licensing costs[1]	$13,500
Child care costs[2]	$4,984
Total annual costs[3]	**$10,954**

[1] This represents the typical cost of a cosmetology training program in Maine. While working full-time, it would likely take two or three years to complete.
[2] The impact of government regulations on child care costs was calculated using modeling developed by the Mercatus Center in 2015. Only teacher education requirements and group size regulations were considered, so the total cost of government involvement—when zoning laws, building codes, and other rules are taken into account—is probably greater. The annual costs given above reflect the price of child care services above what they might be if standards mirrored the requirements in other states.
[3] This figure assumes that the costs of the cosmetology program are spread over three years.

In our example, government in Maine is costing this low-income family nearly $11,000 annually, leaving about $7,000 to cover expenses like rent, car repairs, groceries, clothes, and household items.

Family of Five

Next, we have a married couple with three children living in Presque Isle. The mother works full-time at Walmart; the father waits tables part-time while studying to be a nurse. Their combined income is $32,000. They rent a three-bedroom house—valued at $100,000—for $900 per month. The family owns a 2008 Dodge Caravan.

Though their two oldest children attend school and participate in after-school activities, their 4-year-old requires day care services.

Expense category	Estimated annual burden caused by government
Property tax (passed on through rent)	$2,400
Sales tax	$569
Income tax	$0
Car excise tax	$87
Gas tax	$235
Sin taxes (alcohol and tobacco)	N/A
Car registration fee	$35
Car inspection fee	$12.50
Occupational licensing costs	N/A
Child care costs[1]	$4,101
Total annual costs	**$7,440**

[1] The annual costs given above reflect the price of child care services above what they might be if standards mirrored the requirements in other states.

Elderly Couple

Finally, we have a retired couple living in Chelsea. Through a combination of pension payments and Social Security, their annual income is $28,000. They own their own home, valued at $200,000. They also own a 1995 Cutlass Ciera.

Both smoke heavily, each consuming one pack of cigarettes per day.

Expense category	Estimated annual burden caused by government
Property tax	$2,930
Sales tax	$484
Income tax	$0
Car excise tax	$60
Gas tax	$118
Sin taxes (alcohol and tobacco)	$1,460
Car registration fee	$35
Car inspection fee	$12.50
Occupational licensing costs	N/A
Child care costs	N/A
Total annual costs	**$5,100**

[1] http://arthurbrooks.com/news/leading-the-fight-on-poverty-aei-to-participate-in-january-presidential-forum/
[2] https://www.americanprogress.org/issues/poverty/news/2014/09/17/97287/the-top-10-solutions-to-cut-poverty-and-grow-the-middle-class/
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