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Declining Economic Opportunity and a Shrinking Safety Net: Consequences for Maine

by Ryan LaRochelle

Unemployment is down. Retail sales are up. Stocks are chugging along. A host of macroeconomic indicators suggest that the American economy is doing quite well. In his February 4, 2020, State of the Union address, President Donald Trump went so far as to suggest the American "economy is the best it has ever been." But these indicators ignore some important developments, namely, that over the past several decades, economic opportunity has declined significantly. At the same time, the safety net that many Mainers rely on has been under assault. Both forces have significant consequences for low-income residents in Maine.

DECLINING ECONOMIC OPPORTUNITY

Over the past half century, a confluence of forces has made it more difficult for Americans and Mainers to move up economically. Rising economic insecurity, worsening inequality, and declining levels of mobility have converged to trap many citizens in the economic situations they are born into.

Across the nation and in Maine, economic insecurity persists. Research conducted by the Board of Governors of the Federal Reserve System found that nearly 40 percent of adults nationwide would not be able to cover a $400 emergency expense or would have to sell off items or borrow money to do so. More than 20 percent of adults are unable to pay off their monthly bills in full, and more than one-fourth of adults skipped necessary medical care in 2017 because they could not afford the cost (Board of Governors 2018: 2).

In addition, the percentage of Americans who experience a significant financial loss—typically measured as a 25 percent decline in available household income—without adequate financial buffers has increased steadily since the mid-1980s. In Maine, nearly 20 percent of residents experienced such a loss in 2010, when the most recent analysis was conducted. Average insecurity in the state rose by 21 percent between 1986 and 2010 (ESI 2012). It is clear that millions of Americans and thousands of Mainers are not reaping the benefits of national economic expansion.

Inequality has worsened alongside persistent insecurity. At the national level, the gap between the richest and the poorest households is now the largest it has been in the past 50 years. In Maine, the highest-earning 5 percent of households captured more than 20 percent of all Maine income in 2018 (Myall and Moretti 2019). Race exacerbates inequality in the state. White workers continue to be paid more than men and women of color. Racial disparities persist even among employees with college degrees. In Maine, a white man with a bachelor's degree earns nearly $26 per hour, while a woman of color with a bachelor's degree earns barely over $18 per hour (Myall 2019). Racial inequality is deeply entrenched, the product of decades of overt discrimination and more subtle biases against people of color. Policies that ignore the structural forces that drove and continue to drive Maine's racial inequality are insufficient to tackle this problem.

These forces coalesce to reduce the prospect of social mobility in the state. It is now far more difficult for Mainers to improve their lot economically than it was in the past. In Maine, absolute mobility—the fraction of children who earn more than their parents—declined by 43 percent over the past half century. Ninety-three percent of Mainers born in 1940 would go on to earn more than their parents. For Mainers born in 1980, only half of them can expect to earn more than their parents (Chetty et al. 2016). Today's Maine residents face immense structural obstacles that limit their paths to mobility.

There is recent evidence suggesting that progress has been made on some of these trends. The Maine Center for Economic Policy's *State of Working Maine: 2019* report found that earnings in the state are on the rise, while poverty rates in the state are declining. But much work still needs to be done to make economic opportunity and prosperity more broadly shared across the state (Myall and Moretti 2019). However, for those who continue to struggle, the safety net that often helps citizens recover and rebound during moments of economic disruption has become less generous over time.

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THE SHRINKING SAFETY NET

The social safety net—the myriad state and federal social welfare programs that provide assistance and support for citizens—has been an important mechanism for lifting Americans out of poverty. Safety net programs like Social Security, the earned income tax credit, food stamps (SNAP), disability insurance, housing subsidies, utility assistance, and other programs directly kept more than 47 million people out of poverty in 2018 (Fox 2019). These programs are critical for low-income Mainers, as the state's demographic and geographic features make programs such as Medicare, SNAP, Medicaid, Social Security, and LIHEAP even more important.

But national policymakers have taken several steps to reduce the safety net's effectiveness. In particular, a series of executive actions and rule proposals from the Trump administration could severely limit Mainers' access to life-saving and poverty-reducing safety net programs. A few of these proposals are laid out below.

SNAP is one of the country's most effective antipoverty programs. The program fed 40 million people in 2019, nearly 20 million children. Despite its effectiveness as a food-support and poverty-reduction program, the United States Department of Agriculture (USDA), which oversees SNAP, has proposed a series of administrative rules that will significantly limit low-income individuals' access to food. The first significantly expands work requirements for SNAP recipients, even though most SNAP recipients already work, though often in unstable, low-wage jobs that provide little or no path to a true escape from poverty (Keith-Jennings and Choudry 2018). A second proposal would further limit the program by functionally eliminating a two-decade-old policy known as broad-based categorical eligibility (BBCE). More than 40 states, including Maine, use BBCE to raise SNAP income eligibility limits somewhat so that low-income working families that have difficulty making ends meet can receive help affording adequate food. This policy also lets states adopt less-restrictive asset tests so that families, seniors, and people with disabilities can have modest savings without losing SNAP. A third proposal would limit a state's ability to take a household's utility costs into account when determining the amount of SNAP benefits for which it qualifies. It will cap allowable income deductions for utility expenses and create a nationwide standard for SNAP recipients. This could be particularly damaging in Maine, as families pay significantly more for utilities during the cold winter months.

These proposed changes to SNAP could further limit low-income Mainers' prospects for economic mobility, particularly in economically depressed northern and rural counties where SNAP participation is high. More than 20 percent of households in Washington, Aroostook, Piscataquis, and Somerset Counties receive SNAP. Penobscot, Kennebec, Androscoggin, and Oxford Counties also have particularly high percentages—between 16 and 19—of households receiving SNAP. Limiting food support will also cause economic destabilization for businesses. According to the USDA's Economic Research Service, each $1 in federal SNAP benefits generates around $1.70 in economic activity. Those dollars help many food retailers operating on thin margins to remain in business, which improves food access for all residents (Wolkomir 2018). If these rules are implemented, policymakers in Augusta will need to respond to fill the gap in Maine's food-support infrastructure.

Beyond SNAP, the Trump administration has, through a series of executive actions, sought to limit Medicaid, the nation's low-income healthcare program. The administration has sought to enact work requirements for Medicaid recipients, though these efforts have been blocked by rulings at the US District Court and the Court of Appeals. Just recently, the Centers for Medicare and Medicaid Services issued guidance to states, known as Healthy Adult Opportunity, which would allow states to opt out of part of the current federal funding program and instead seek a fixed payment each year. States would then have greater flexibility over their Medicaid program. While increased flexibility seems beneficial in theory, evidence shows that this funding formula, which is similar to a block grant, would gradually reduce the amount of money the state would receive to fund its Medicaid program. In addition, flexibility also erodes over time (Finegold et al. 2004; Reich et al. 2017).

Changes to Medicaid would have significant consequences for low-income Mainers. Nearly 30 percent of residents of Washington, Aroostook, Somerset, and Piscataquis Counties are enrolled in MaineCare, the state's Medicaid program. In several other counties, more than 20 percent of residents are enrolled in MaineCare. Cuts to the program could cause many low-income Mainers to forgo healthcare coverage and remain mired in poverty.

President Trump's 2021 budget proposal calls for additional cuts to Medicaid and SNAP, not to mention Medicare, disability insurance, and other

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safety net programs low-income Mainers rely on. While the president's budget is unlikely to find much support in Congress, it nonetheless presents yet another effort to scale back the federal safety net.

CONCLUSION

Policymakers in Augusta should look beyond the headlines and recognize how precarious many Mainers' economic situations are. More than 10 years after the end of the Great Recession, economic opportunity is still unequally distributed in the state. Racial inequalities persist, making it difficult for Mainers of color to grow their wealth. And the federal safety net that lifts thousands of Mainers out of poverty each year is under immense strain. State-level social programs that help Mainers meet basic needs and provide new opportunities are critical to the state's long-term stability and growth. Wage increases, policies that address unstable work schedules, early-intervention and education programs, overtime-eligibility laws, and paid family-and-medical-leave programs can help many Mainers move up the economic ladder. Policymakers should also devise strategies to help protect low-income Mainers against efforts to scale back important federal social programs. The evidence is clear—safety net programs are pathways out of poverty. It is time to design bold and creative solutions to address the persistent decline in economic opportunity in Maine. Progress has been made in recent years, but much work remains to be done.

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