

# MAINE.

ECONOMIC & COMMUNITY  
DEVELOPMENT

## **(Small) Business Ombudsman Program**

### **Report to Commissioner Johnson, Governor Mills and the Legislature for 2023**

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Summary of Statutory Charge of Small Business Ombudsman Program: “The program is established to: resolve problems encountered by businesses dealing with other state agencies; facilitate responsiveness of State Government to small business needs; report to the commissioner and the Legislature on breakdowns in the economic delivery system, including problems encountered by businesses dealing with state agencies; assist businesses by referring businesses and persons to resources that provide the business services or assistance requested; provide comprehensive permit information and assistance; and serve as a central clearinghouse of information with respect to business assistance programs and services available in the State.”

**Statutorily, the ombudsman shall report to the Governor and the joint standing committee of the Legislature having jurisdiction over economic development matters about the program with any recommendations for changes in the statutes to improve the program and its delivery of services to businesses on an annual basis.**

**Overall recommendations:** We do not have any specific **statutory** changes to recommend for this legislative session, as the DECD team, in partnership with the other appropriate State agencies, are still working to implement many of the elements of the ombudsman program that are outlined in statute, which are further supported by the Actions recommended in the [10-Year Economic Development Strategy](#) within Strategy Area F: Maintain Stable and Predictable Business Rules. As part of this work over the coming years, DECD and other partner agencies may come to the legislature with recommended statutory changes to better meet the needs of Maine’s small businesses.

#### **2023 Year in Review:**

The end of the year dominated the headlines with multiple disasters that had long reaching negative impacts on Maine communities and businesses. Without going into details regarding the devastating events in Lewiston, the business community has had to band together on multiple fronts to combat disasters this year. In response to these unfortunate circumstances, the Department of Economic and Community Development fielded consistent requests to identify financial resources to assist during these difficult times. Ultimately, the answer was often to wait for a disaster declaration at which time the Small Business Administration offers low interest loans. Unfortunately, these loans can take up to two months and are not applicable in every situation. The disaster declaration for the April 30-May 1, 2023, severe storm and flooding came on July 6. Lead times vary as the SBA announced disaster loans on November 7 following the mass shooting in Lewiston on October 25. Maine is not always in control of the response timeline and delays (even two weeks) is a long time to wait

as a business. There were often fires that resulted in businesses losses that are not declared disasters, but those businesses struggled without working capital while waiting for insurance claims.

The lag time is detrimental to businesses who are trying to move quickly to replace inventory and return to operation. The “Grinch Storm” from December 18th devastated all business industries ranging from restaurants and grocery stores to ski mountains. Having little support while waiting for insurance claims to process, businesses are struggling to bounce back. Whether that is a farm that lost their aging cheese inventory or local storefronts whose basements were flooded.

It is notable that the private sector pulled together after the “Grinch Storm” to emulate Vermont’s disaster relief efforts. Which was a similar effort to the response to Lewiston.<sup>1</sup> The Maine Grocers and Food Producers Association (MGFPA) and Retail Association of Maine (RAM) created a fund to support businesses with \$2,500-\$10,000 grants. This was made possible through donations and specifically an anonymous private matching donation of \$250,000.<sup>2</sup> DECD Commissioner Johnson is on the advisory board for this grant, but it is not connected to a state program or state funding. As these unpredictable events continue to happen, businesses look to the State and DECD for answers and support.

Weather also played a factor in the summer tourist season. Many rainy days and particularly rainy weekends might have lessened foot traffic, but overall spending increased over last summer. “The state is seeing a trend toward fewer day trippers, while people who choose to vacation here are staying longer, according to a [new report from the Maine Office of Tourism](#).”<sup>3</sup> Both restaurant sales and lodging sales increased in June, July, and August compared to last summer. The increase in sales continues to put pressure on the need for workers.

Unemployment continues to be near historic lows with the most recent DOL report showing a 3% seasonally adjusted rate compared to a US average 3.7%. Maine saw a slight tick up from 2.8% in October while the US fell by a similar amount. These number are comparable to November of 2022 (ME – 3.1%, US – 3.6%)<sup>4</sup>. Low unemployment numbers continue to lead to staffing shortages particularly at lower paying/entry level positions. The Office of Business Development continues to field requests from businesses for workforce resources related to attraction, training, and housing.

The impact of low unemployment is compounded by the continued shortage of workforce housing. This term gets used in a variety of situations but there is really a lack of affordable housing (homes under \$500k) in much of Southern Maine which proves difficult for earners of many levels. Maine has historically under produced housing. The State of Maine Housing Product Needs Study (done by MaineHousing, Governor’s Office of Policy Innovation and the Future and DECD) suggests a need for an additional 38,500 homes to meet the demands in 2020. With the expected future demand (2021-2030) that figure balloons to 76,400-84,300 new homes by 2030.<sup>5</sup> This is compounded by high interest rates though the Federal Reserve has signaled that

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<sup>1</sup> <https://lametrochamber.com/relief/>

<sup>2</sup> <https://www.mainebusinessrelieffund.com/>

<sup>3</sup> <https://www.pressherald.com/2023/11/20/maines-summer-tourist-season-was-a-mixed-bag-with-modest-food-and-lodging-gains/>

<sup>4</sup> <https://www.maine.gov/labor/cwri/laus.html>

<sup>5</sup> [https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/State%20of%20Maine%20Housing%20Production%20Needs%20Study\\_Executive%20Summary\\_Final\\_10.3.23.pdf](https://www.maine.gov/future/sites/maine.gov.future/files/inline-files/State%20of%20Maine%20Housing%20Production%20Needs%20Study_Executive%20Summary_Final_10.3.23.pdf)

rates will start being lowered in 2024. Meanwhile, employers continue to try and develop alternative solutions. As an example, Saddleback Mountain unveiled a workforce housing (private and shared dormitory) solution that will benefit the mountain first and then be opened to other local business employees<sup>6</sup>.

The cost of energy has a significant impact on Maine businesses, particularly those in the manufacturing industry. In 2022, Maine had the 10<sup>th</sup> highest energy cost (industrial retail price) in the nation. It is important to note that Maine was the lowest in New England.<sup>7</sup> In 2023, many businesses saw their electrical rate continue to rise resulting in requests for energy pricing relief. This carried over the conversation from the prior year about energy pricing relief and LD 2010. OBD heard from many businesses (and individuals) that energy prices were hard in 2023 but fortunately there is a reduction in 2024. While energy rates are going down the significant increases over the last few years means rates are still higher than they were even five years ago. Residential rate was between 14.2 and 17.3 Cents Per kWh from 2013-2021. In 2023 at its highest it was 29.7.<sup>8</sup> This unpredictability concerns businesses just like it does individuals. Maine's energy rates are a selling point when compared to other New England states but is not competitive nationally for investment attraction.

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<sup>6</sup> <https://www.mainebiz.biz/article/in-time-for-ski-season-saddleback-mountain-will-unveil-affordable-housing-complex>

<sup>7</sup> [https://www.mdf.org/wp-content/uploads/2023/11/2023\\_MOG\\_FullReport\\_FINAL.pdf](https://www.mdf.org/wp-content/uploads/2023/11/2023_MOG_FullReport_FINAL.pdf)

<sup>8</sup> <https://www.maine.gov/energy/electricity-prices>