



Janet T. Mills  
GOVERNOR

STATE OF MAINE  
OFFICE OF THE GOVERNOR  
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AUGUSTA, MAINE  
04333-0001

July 20, 2020

The Honorable Susan Collins  
United States Senate  
413 Dirksen Senate Office Building  
Washington D.C. 20510

The Honorable Angus King  
United States Senate  
133 Hart Senate Office Building  
Washington D.C. 20510

The Honorable Chellie Pingree  
United States House of Representatives  
2162 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Jared Golden  
United States House of Representatives  
1223 Longworth House Office Building  
Washington, D.C. 20515

Dear Senators Collins and King and Representatives Pingree and Golden,

I write to provide an update on the economic conditions in Maine and the challenges faced as we reopen the economy and live in a world with a pandemic. As with my last letter, we enclose a snapshot assessment of the impact of COVID-19. These estimates are based on information from a variety of private and public sources. I continue to express my gratitude to you for your ongoing collaborative efforts to address the public health and economic crises precipitated by the pandemic. The direct economic relief this spring provided necessary relief to our citizens. I now offer background and support for the next round of relief, which is critical to all facets of our economy, in Maine and nationally. All sectors — local governments, state government, education, business, tourism, non-profits — remain severely impacted, and federal support is necessary to continue to support a national recovery.

### **Update on Maine's Economic Condition**

The Maine Consensus Economic Forecasting Commission (CEFC) convened on June 25, 2020, for an off-cycle review and revision of its forecast through 2025. Prior to this meeting the CEFC held an information gathering session on June 22, 2020, a summary of which is available [online](#). Maine saw strong employment numbers in the first three months of 2020 before seeing record-setting job loss beginning in April. Total nonfarm employment is projected to decrease by -8.0% in 2020. Significant changes are forecast for Wage and Salary Income based on these changes, with 2020 declining by 8.9 percentage points from the February forecast. Total personal income is projected to decrease, from earlier forecasts, in both 2020 and 2021. The Commission also revised forecasts for CPI through 2022.

The Revenue Forecasting Committee will meet later this month to update the state's revenue forecast based on the changes identified by the CEFC. At this point, we are continuing to work from the stress test described in my May letter — which noted a likely revenue impact of \$725



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million for 2020 and 2021. Absorbing a \$725 million revenue loss in fiscal year 2021 would result in a 17% reduction to all General Fund programs — effectively eliminating healthcare services such as pharmacy benefits, drastically reducing funds for public safety, corrections, and natural resources, and reducing the state’s contribution to education from 51.78% to roughly 40% — shifting the financial burden of education to local communities. These cuts would come at a time when citizens are relying on their government more than ever before.

I convened an Economic Recovery Committee (ERC) with experts and industry representatives from across Maine to develop specific policy recommendations to stabilize the state’s economy and build a bridge to future prosperity in the wake of the pandemic. This group of 45 appointees volunteered enormous time and expertise over the last two months. They have held over 50 full committee and sub-committee meetings, developing recommendations to help stabilize and support Maine’s economy. The ‘quick start’ letter from the group acknowledged the federal programs that delivered billions of dollars to Maine’s workers and businesses through this phase of the recession. Their letter notes “...the end of these programs represents an economic cliff for our state, and nation, for which there is no modern precedent or forecast. Unless further stimulus emerges at the federal level the effect on our state’s people and businesses will be devastating.” The ERC stressed the importance of a safe reopening of K-12 schools, which also require a significant investment.

### **Return to In-School Instruction for PreK – 12 Education**

The importance of returning to in-person instruction in the fall of 2020 cannot be overstated. The effects of not having PreK-12 instruction will have profound effects on children, working families and virtually every segment of Maine’s economy. While an ambitious target, reopening is a critical piece in the economic recovery for the State. Maine’s Department of Education (DOE), colleges and universities are promulgating plans to safely return to in-person instruction in the fall, and I support these plans. As with all matters concerning reopening, these decisions are guided by health data and our ability to keep the public safe. In order to reopen in accordance with CDC guidelines, school districts and municipalities will need significant financial support.

To facilitate the return to in-person instruction, the Maine DOE has outlined a number of costs that could be funded with the Coronavirus Relief Funds (CRF) provided through the CARES Act. To align with the availability of the CRF, these cost estimates are only through December 30<sup>th</sup>.

- \$151 million to support temporary staff — Surveys from the Maine Education Association and the National Education Association indicate that schools can expect staff absences in excess of 20% when returning to the classroom, from teachers and administration to bus drivers and food service employees.
- \$77.4 million for additional busses and drivers — This represents an increase in bus capacity of 20%. USCDC guidelines would require an increase of approximately 600%. Our number is reflective of anticipated changes to ridership. The estimate includes the purchase of busses, fuel, and costs associated with increased cleaning.
- \$29.9 million for personal protective equipment and additional cleaning supplies.



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- \$25 million for leased space or facility modifications to accommodate social distancing.
- \$16 million for universal connectivity — Maine continues to struggle with insufficient broadband capacity. Many students do not have an adequate ability to connect remotely.
- \$15.9 million for professional development — Courses and trainings to support educators in providing high quality blended and hybrid learning models (\$8.7M). Staffing, communication, license fees, materials to run a statewide CDL and substitute credentialing academy (\$7.2M).
- \$8 million for food service - Retrofit programs for scheduling and service throughout the building; additional costs anticipated for delivery or pickup service for students engaging remotely.
- \$4.7 million for an online learning platform and online student registration

While some of these costs could be considered ‘one-time’ many will continue beyond December 30<sup>th</sup>, beyond the availability of Coronavirus Relief Funds. The State, municipalities, and schools will face significant unfunded costs while dealing with declines in tax revenues that support their normal operating costs. To facilitate the return to in-person instruction, additional federal support, both more funding and a longer timeframe for spending, will be necessary.

### **Unemployment**

Since mid-March, Maine DOL has paid out \$1 billion in unemployment benefits, nearly two-thirds of which has come from the Federal Pandemic Unemployment Compensation (FPUC) program. The \$600 weekly benefit increase through FPUC, along with the \$1,200 stimulus payments, provide needed support to those who have faced employment disruption. The FPUC program ends on July 31, which will significantly impact the people of Maine. We must be mindful of opening the economy too quickly; we do not want to have the dramatic increase in COVID-19 illnesses that other states have experienced during their re-openings. Those who are unable to return to work will struggle with living expenses without additional FPUC benefits. A New York Times article in April highlighted the impact of the FPUC, noting the impact to our workforce. For context, Maine’s maximum weekly unemployment benefit is \$462 per week, which is 52% of the state’s average weekly wage. The average state unemployment benefit in Maine is just over \$350 per week.

The May unemployment rate of 9.3% improved from 10.4% in April, but is substantially higher than the 3.2% we experienced in February. Jobs bounced back slightly in May, up 14,300 over April, but still down 90,200 from February. The largest sector impacted is the leisure and hospitality industry, down 35,100 jobs since February — at a time when this industry would normally be thriving. This industry has a higher rate of low-wage earners who are impacted more severely by this pandemic and the ending of the FPUC program.

### **Health Care**

The FMAP increase in the Families First Coronavirus Response Act (FFCRA) is a helpful step for bringing fiscal relief to states. States have never experienced such a sudden shock in



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unemployment in such a short timeframe as we are experiencing today. Newly unemployed individuals are turning to Medicaid for health insurance. In mid-June, MaineCare enrollment was 10,000 higher than it was in February. Costs for some providers are also high, as group homes, nursing facilities, hospitals, and others have had to purchase scarce personal protective equipment, and adopt telehealth, adapt to COVID-19. An additional FMAP enhancement, extended until high unemployment levels subside is necessary to provide states with the fiscal support to meet increased demands on the Medicaid program.

Helping people maintain their private health insurance on the Health Insurance Marketplace will also assist states as well as those with this coverage. Making the advance premium tax credits more generous and accessible to those with coverage on the Marketplace will reduce uncompensated care and support the stability of hospitals and healthcare systems.

COVID-19 has also highlighted racial and ethnic disparities in Maine and across the nation. Federal funding is needed to support community-based organizations and programs to close the gaps in access to quality and culturally appropriate health care.

I would be remiss if I did not mention the Medicaid Fiscal Accountability Rule, which is on the Office of Information and Regulatory Affairs' regulatory agenda to be finalized in September. MFAR's proposed changes are onerous and far-reaching. It would alter and, in some cases, eliminate long-standing, previously sanctioned state options for accounting, financing, and payments. Complicating this, MFAR would give CMS authority to disapprove state financing sources using vague, subjective tests (e.g., a "totality of circumstances" test). This rule would dramatically shift control over state financing to the federal government.

For these reasons, the National Governors Association, on a bipartisan basis, opposes finalizing the rule as drafted, writing: "Preempting states authority and reducing states' flexibility within their Medicaid program will result in decreased access to care for many vulnerable Americans." Now is not the time for additional burdens that will block and negatively affect the health and welfare of our citizens.

We have heard from the Maine Hospital Association and Maine Medical Association who outlined some of the unprecedented financial challenges facing hospitals and physicians. The best estimate is that hospital losses in Maine to date are approximately \$600 million, while independent physician losses have surpassed \$40 million. These are some of the very largest employers in Maine, who are on the front lines of this battle against the pandemic. The groups have requested state support in the amount of \$100 million to the hospitals and \$20 million for physicians.

Additionally, sourcing and procuring personal protective equipment (PPE) has been a challenge since April and continues to be an issue. The federal stockpile cannot support all the needs of frontline healthcare employees, first responders, and others. Therefore, state government must purchase PPE from the private marketplace. Cooperative contracting opportunities have been either limited or non-existent, so the 50 states are bidding against each other for small amounts of supply. Rural states looking to place smaller orders for PPE are not able to compete with larger states. There are limited options of suppliers within the United States producing medical-grade PPE. We rely on foreign suppliers in China, South Korea, Vietnam, Saudi Arabia, and many



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other locations. The cost of PPE has increased exponentially, and shipping costs have increased for imports from overseas.

### **Other Sectors in Maine**

Many of our unemployed are in the hospitality and retail sectors of the economy or sectors directly impacted by the shutdown/slowdown of those sectors, such as our heritage industries, including farming, fishing, and forestry. While the state is on a path to reopening, many businesses will not be able to return to full capacity. The Maine Hospitality and Tourism Alliance promoted an \$800 million recovery package which included immediate business relief in the form of rent and mortgage support, operating expenses, employee support (housing, healthcare, childcare, utilities, and food), technical assistance, and programs to reinvest in Maine like training and education, workforce development, and small business startup loans.

Municipalities face revenue sharing reductions based on lower income and sales tax collections; lower than anticipated property tax collections; and likely rising costs within the local education system. While the State may be able to provide funding to support education costs related to COVID-19, restrictions on the Coronavirus Relief Fund prevent us from backfilling reduced revenue or using these funds for any purpose after December 30, 2020.

### **Additional Funding and Flexibility in Uses of Funding**

As noted in my previous letter, while the support Congress has provided to date has been critical to preserving our health and initial economic needs, losses will far exceed what has been provided. Additional direct aid to the states, with maximum flexibility to cover revenue loss, will ensure funding for key services such as public safety, health systems, infrastructure, and education, enabling states to move more quickly in re-opening the economy. I continue to urge that funding already provided through the CARES Act be permitted to cover revenue losses stemming from COVID-19 and that the dates for use of funds be extended beyond December 30, 2020. Giving states flexibility for a year or the next two years would allow for longer term planning and the opportunity to address needs not yet anticipated.

Thank you for your consideration of these requests. Further action by the Federal government is urgently needed in order to maintain the safety of our citizens and to mitigate the harm to our economy. I appreciate our continued work together toward these goals.

Sincerely,



Janet T. Mills  
Governor



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**Maine's list of potential COVID-19 impact**

7/2/2020 Not final, not all inclusive, estimates still in process

**Economic Support for Lost State Revenues**

Support State General Fund Revenues (725,000,000) through 6/30/2021  
 Support State Highway Fund Revenues (125,000,000) through 9/30/2021  
 Support lost OSR/Fee revenue (5,000,000) IE: watercraft, atv registrations, judicial fines

**Economic Support for Municipalities**

Revenue Sharing (27,187,500) Replace lost revenue sharing due to reduced State revenues  
 Local Share of FEMA Public Assistance (35,000,000) Provide local share for FEMA Public Assistance  
 Health & Human Services (13,000,000) Public Health Education/Expense reimbursement for municipalities

**Property Tax/Motor Vehicle Tax Revenue fill**

Higher Eds: University System/Community College System/Maine Maritime Academy

**Economic Support for Maine's Businesses and Citizens**

Support to Maine's businesses (300,000,000) Significant impacts from restricted tourism seasons  
 Maine Hospitals and Physicians (120,000,000) Per MHA, revenue loss is \$60MM per week (16 weeks) less CARES funds received  
 Maine Ambulance Services (7,500,000)  
 ConnectME Broadband Action Plan (200,000,000) Investment in broadband network  
 Maine State Housing Authority (50,000,000) Rent and mortgage support; assistance to homeless shelters and populations  
 Child Care Providers (8,427,250) Temporary stabilization funding  
 Workforce Development (30,000,000)

**Economic Support for Maine through State Government Departments**

Administrative & Financial Services (5,000,000) IE: Cybersecurity; system updates; construction supply chains  
 Administrative & Financial Services (50,085,000) CARES tax changes for FY21 (2018, 2019, 2020 tax years)  
 Agriculture, Conservation, Forestry (104,000,000) Relief fund for farmers, food system resilience, increase in dairy tier program  
 Defense, Veterans, Emergency Management (1,687,594) FEMA match, State Active Duty Order, Portland Alternative Care site  
 Education (328,000,000) PreK-12. 211 districts: Reconfigure classrooms; nursing; PPE; instruction changes  
 Environmental Protection (120,540,000) Grant funding to divert wastewater sludge containing COVID-19 and PFAS to a waste-to-energy facility  
 Health & Human Services (1,200,000) Testing Supplies re: Idexx collaboration  
 Health & Human Services (10,000,000) More testing  
 Health & Human Services (14,910,000) Court and office reconfigurations; remote work/hearings; expedited electronic filing  
 Judicial (430,000,000) UI benefits for FY20 and FY21 Quarter 1  
 Labor (180,000,000) Commercial Fishing Supports. Per NOAA formula: \$60MM for direct payouts; \$120MM for purchase of seafood for redistribution  
 Marine Resources (70,000,000) 30% to 50% over FAST Act levels  
 Transportation (47,000,000) Payroll costs - Overtime, hazard pays, public safety, public health, contract support for UI  
 Multi-Agency (65,000,000) Office Reconfigure/PPE/Other post-COVID back to work - 13,000 employees  
 Multi-Agency (85,000,000) Personal Protective Equipment for CDC stockpile, state employees, supply for K-12 schools  
**Still Evaluating Cost Estimates**  
 Health & Human Services (7,000,000) Funding for Maine's uninsured ineligible populations including non-citizen, immigrants, etc.  
 Health & Human Services Provider community support  
 Multi-Agency Enhanced substance abuse efforts  
 Multi-Agency Workers Compensation claims  
 County Jails Hazard Pay

**Sum of Potential Uses**

**(3,249,953,344)**