



STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

May 14, 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 am writing to once again express my gratitude to you for your ongoing and collaborative efforts to address the public health and economic crises precipitated by the COVID-19 pandemic and to request your support for additional legislation to support the people of Maine. While these are difficult times, I am proud of the collective response of the Maine Congressional Delegation and its partnership with Maine State government.

I am grateful to Congress for its efforts to date to support states' COVID-19 response through the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), the Coronavirus Relief and Economic Security (CARES) Act and, most recently, the Paycheck Protection Program and Health Care Enhancement Act. Funds from these sources have been critical to mitigating some of the effects of this crisis on our workers and our economy and to bolstering our health care system to support the health needs of Maine people.

However, without additional direct federal aid to states and flexibility in the use of these funds, forecasted reductions in state revenues will exacerbate the economic fallout from this crisis, as well as impede states' ability to provide vital services to citizens. Additional flexibility and funds to not just offset state government revenue losses, but to allow me to assist key sectors statewide with the revenue losses and impacts they are experiencing with no way to deal with those.

My Administration, through the bipartisan National Governors Association, has repeatedly pressed the Trump Administration to provide robust and flexible federal relief to offset expected revenue shortfalls that every state is confronting. I understand that the House of Representatives has introduced a coronavirus response bill this week, the "Heroes Act" and that the Senate may also be poised to consider additional legislation in the coming weeks. I respectfully urge that as you consider this further support, you keep the following points in mind in order to most directly assist the State of Maine.

Maine's Economic Challenges a Direct Result of COVID-19

First, it is important to note that Maine was well poised economically and financially before the coronavirus pandemic. We experienced population growth for 4 straight years; our unemployment rate was lower than the national average; the State's pension plan was funded at 82% with the fifth lowest discount rate of all of the states; our Unemployment Insurance trust fund is 11th strongest in country. Additionally, due to Maine's large cash reserve balance, the State has not used Bond Anticipation Notes since 2015 or Tax Anticipation Notes as short-term borrowing to cover cash flows since 2006. We have known that we were in the longest period of national economic growth in history but, recognizing that the bubble could burst, our budget decisions and emphasis on balancing needs of our Maine citizens within a framework of fiscal responsibility and saving for the future have been our foundation since I took office.

Therefore, my Administration worked with the Legislature to prepare the State for the economic ramifications of COVID-19, including working in a bipartisan manner to revise and enact the supplemental budget. The \$73 million revised proposal, which was \$52 million less than originally proposed, prioritized initiatives related to COVID-19. After the enactment of that supplemental budget, there remained approximately \$193 million of budgeted unappropriated General Fund surplus. Also, the Budget Stabilization Fund stood at \$258 million, an increase of more than \$50 million since my Administration assumed office.

In short, Maine State government was financially prepared to respond to a "normal" economic downturn. However, as with every state in the nation, the economic impact of this pandemic to Maine is expected to be substantial. Although the expenses related to COVID-19 for personal protective equipment, cleaning, personnel services, testing, and our Maine Centers for Disease Control and Prevention are significant, they will pale in comparison to the impacts from loss of state revenues and increases in state costs of countercyclical programs like Medicaid (MaineCare).

As such, I announced last month that the Consensus Economic Forecasting Commission (CEFC) and the Revenue Forecasting Committee (RFC) will convene off cycle -- in June 2020 and July 2020, respectively -- to examine the economic ramifications of COVID-19 on State government's revenues. Additionally, I have instructed all departments to apply an emergency basis scrutiny to spending and hiring. This includes freezing unencumbered balances for Fiscal Year 2019 and certain reserves in Fiscal Year 2020, as well as reviewing contractual obligations through the remainder of the Fiscal Year, which ends June 30th. I have also limited travel by state employees. These prudent measures will ensure that we have enough funding for current Fiscal Year.

Maine is already seeing some revenue impacts, and we know there will be more. Our traffic volume dropped by half for some weeks, which impacts our fuel tax revenue. With the loss of these fuel sales and other motor vehicle fees, the Maine Department of Transportation is bracing for a revenue drop for the State's Highway Fund of \$125 million -- or 24 percent -- over the next 18 months.

Additionally, given job losses and overall financial uncertainty, people are making fewer purchases and sales taxes are dropping as a result -- such as the sales tax on automobiles, which is a significant component

of our sales tax. Like the federal government, Maine moved its tax filing and payment date from April 15 and June 15 to July 15 to provide a measure of financial relief to Maine people, but we also expect we will see a reduction in estimated payments, as well as delayed payments, from individuals and businesses who are nervous in this economic environment, leading to additional lost revenue.

Maine cities and towns are also struggling. Motor vehicle taxes are not coming in and people are unable to make property tax payments. In turn, there are towns that are unable to pay their portion of their school budgets. And, of course, while we are working diligently at the state level to consider how to most safely reopen our economy, there are the looming questions about what losses there will be to sectors related to our tourism industry. From health care, to education, to agriculture, to fisheries, to hospitality, to small business – there is simply no component of Maine’s economy that is untouched by this crisis.

Meanwhile, the State has employed its worst case stress-test scenario to try to plan for our economic future. That scenario (which estimates a reduction of as much as \$725 million General Fund over this biennium), although comprehensive, accounts for severe recessions – not for an economically catastrophic pandemic of this kind. Given that Health and Human Services and Education comprise nearly 80 percent of our state budget, it would be impossible for Maine to cut \$725 million (or more) of services due to lost General Fund revenues without detrimentally impacting vital services for citizens – especially at a time when the number of people needing health and human services is climbing – and without completely upending our public school system. Of course, other vital services, from the court system to public safety to workforce support to licensing to food supply chain to commercial fishing and forestry to wildlife management to landfill management to hazardous waste mitigation to emergency management, will also be impacted.

A \$725 million General Fund revenue loss would require reductions in excess of 17% across Maine State government. For example:

- \$263.9MM from Education means the state’s contribution to K-12 education drops to approximately 40% from 51.78% resulting in significant impact on local municipalities or drastic reductions to school services and budgets.
- \$247.5MM from Health and Human Services means elimination of nearly all optional services and optional eligibility groups from MaineCare. For example, elimination of the pharmacy benefit. This would of course result in higher health costs associated with untreated medical conditions.
- \$52.6MM reduction to Public Safety means at least a 50% reduction to this Department’s entire budget.
- \$87MM reduction means no General Fund appropriation to all of Maine’s Natural Resources agencies.
- \$74MM is a 24% reduction to General Fund support to Maine’s higher education network.

Every day, a new negative impact of this pandemic surfaces. Attached please find a sampling of items and estimated fiscal impacts for issues impacting sectors statewide. These figures and items are not all inclusive, but as you can see, they already more than double CARES Act funding. And again, this is just a sample and does not include all current costs, or those we have yet to learn may be needed.

An example of a situation we might never have connected to the financial crisis related to COVID-19 is the increased costs associated with municipal solid waste and recyclables management. Municipalities have been forced to establish new contracts at higher rates and to invest in infrastructure changes to protect workers and customers, raising their costs from \$65/ton to roughly \$140/ton. The 231 municipal transfer

stations in Maine handle 1.2 million tons of municipal solid waste each year, meaning municipal waste management costs will increase by at least \$90,000,000 statewide in 2020. These investments and contractual rates cannot be easily undone, imposing costs to our local communities far beyond their available revenues for the foreseeable future.

FMAP and Assistance with Marketplace Coverage

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 as sudden a shock in unemployment in such a short timeframe as we are experiencing today. However, states will experience unprecedented increases in enrollment applications as newly unemployed individuals turn to Medicaid for health insurance. An additional FMAP enhancement and extension until high unemployment subsidies is necessary to provide states with the fiscal support to meet these 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 our health systems.

Additional Funding and Flexibility in Uses of Funding

Again, while the support Congress has provided to date has been critical to preserving our health system and initial economic needs, the losses will far exceed what has been provided thus far. Additional direct aid to the states, with maximum flexibility to cover revenue loss, will ensure funding for key services including public safety, health systems, infrastructure, and education, and also enable states to move more quickly in re-opening the economy. It is critical that funding already provided through the CARES Act be permitted to cover revenue losses stemming from COVID-19. In addition to allowing funding to restore revenue losses, I also request that Congress consider extending the dates for use of funds. States and local governments will see revenue impacts far beyond December 30, 2020. Giving states flexibility for a year or even the next two years would allow for longer term planning and the opportunity to address needs that may not yet be anticipated.

Thank you for your consideration of these requests. I am committed to a thoughtful and gradual reopening of Maine's economy with the health of our citizens being my top priority. No matter what course we take, our state's financial future and that of those who call Maine home is uncertain. It will take all of us – the state and federal government and the private sector working together – to bring stability to our economy while remaining diligent in protecting public health.

Sincerely,



Janet T. Mills
Governor