Maine Center for Economic Policy

Mailing: PO Box 437
Street: 1 Weston Court, Suite 103
Augusta, ME 04332
Tel: 207.622.7381
www.mecep.org

May 5, 2020

The Honorable Susan Collins
413 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Angus King
133 Hart Senate Office Building
United States Senate
Washington, DC 20510

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

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

Dear Senators Collins and King and Representatives Pingree and Golden,

Thank you for your dedication and service to the people of Maine. The Maine Center for Economic Policy is a nonpartisan research and policy organization dedicated to improving the economic well-being of low- and moderate-income Mainers. Our mission is to provide policymakers, citizens, advocates, and media with credible and rigorous economic analysis that advances economic justice and prosperity for all Maine people.

I write to ask you to support robust state fiscal relief in the next COVID-19 legislation.

Today, the MECEP released a report detailing the state budget challenges Maine will face as a result of the coronavirus recession. In light of the unprecedented revenue losses expected in Maine and across the country, Congress must include substantial state fiscal relief in its next pandemic package.

Our report, "Maine needs federal fiscal relief now to address revenue shortfall of at least $1.2 billion," details how the economic slowdown will affect the state budget and what is needed to protect Mainers and Maine communities.

In just over a month, Maine lost more than five times the number of jobs lost during the 18-month-long Great Recession. More than 108,500 Mainers filed for unemployment between March 12 and April 25 compared to 18,800 non-farm jobs lost between December 2007 and June 2009. National data suggest US unemployment is now above 20 percent and is estimated to stay around 15 percent through September. By the end of 2021, it's likely to remain as high as 9.5 percent.

In addition to widespread, dire circumstances for families, the precipitous drop in employment and economic activity mean that Maine's major revenues sources – including income taxes, sales taxes, meals and lodging taxes, and the gas tax – have taken significant hits. For example, meals and lodging taxes nationally are estimated to be down 75 percent during the period of lockdowns. Maine is relatively well positioned in terms of having a fair-sized rainy day fund compared to many other states. But this is not a rainy day. We are facing a 100-year-flood.

The decline in revenues is estimated to result in a 30 percent shortfall in fiscal year 2021, a reduction of roughly $1.2 billion.

Meanwhile, states will incur additional costs, such as those related to increased Medicaid enrollment, maintaining K-12 and higher education services, and protecting retirement incomes for Mainers who have dedicated their lives to public service.

Nationwide, states are expected to see a $650 billion drop in revenues by the end of the 2022 fiscal year.

As Congress considers the next coronavirus relief package, it must include relief for state fiscal needs to make up for lost revenues and cover rising costs. The following elements are critical:

- Additional support for states beyond the existing Coronavirus Relief Fund to offset the expected $650 billion in revenue losses.
- A further increase in the Federal Medical Assistance Percentage (FMAP) for Medicaid, beyond the 6.2 percentage point increase enacted as part of the Families First Coronavirus Response Act. For example, the bipartisan National Governors Association recently recommended that states' base FMAP be increased by 12 percentage points. An FMAP increase should also continue until the economy further recovers and automatically adjust to meet need based on the depth of the downturn, apply to people with coverage through Medicaid expansion, and continue protections prohibiting states from cutting coverage. Such an increase in FMAP would assist health costs arising from the current pandemic and free up state dollars to be used in other areas.
- Flexibility for new funding and previous funds so that states can use the dollars to effectively meet their needs.
- Fiscal relief aimed at shoring up the economy and protecting Mainers should be linked to economic conditions, not arbitrary deadlines or public health emergency status. Automatic triggers can ensure relief continues for as long as it is needed and expires only when the crisis is over.

After the Great Recession, federal aid to state and local governments ended too soon, leading to additional job losses that set full employment back for years. In Maine, it took 9 years to return to full employment. Inadequate relief slowed economic growth when consumer spending was at its lowest.

Robust federal support now will protect jobs, ensure help is available to those who are laid off, and safeguard investments in our infrastructure and economy when they are needed most.

We hope MECEP's analyses gives you sound footing for your decision-making. We are ready to assist with other data and information that may be helpful. Please contact me with any questions you may have.

Sincerely,

Garrett Martin
Executive Director
Maine Center for Economic Policy
207.622.7381