



FACT SHEET

Congress must act boldly to protect Maine families, communities from harm

Just two months after the coronavirus pandemic's first ripples were felt in the economy, forecasters say unprecedented state revenue shortfalls could jeopardize state and local budgets. In Maine, revenue losses will total roughly \$1.2 billion in the fiscal year ending on June 30, 2021. Maine will likely face further losses in the subsequent budget cycle, as state revenue shortfalls nationwide are projected to total \$650 billion by the end of fiscal year 2022.

Those projections represent the steepest revenue drop on record. Without fiscal relief, states will be forced to lay off teachers and other workers, cut important services like health care and education, and take other actions that will ultimately make the recession and its recovery longer and more painful.

The best solution lies with the federal government, which has unparalleled power to backfill state budget shortfalls, thereby protecting jobs, essential services, and other public investments when they are needed most.

Congress has created a Coronavirus Relief Fund that provided some relief to states. Those funds are a start, but more is needed to prevent an unprecedented state budget catastrophe, that would harm Mainers' health and economic security. Congress and the president must increase and extend the Fund and give states more flexibility in using relief funds to cover rising costs and make up for lost revenues.

Figures in Focus

\$1.2 billion

Expected Maine state revenue shortfall in fiscal year 2021.

108,500

Unemployment claims filed by Mainers in the six weeks since the pandemic began — more than five times the jobs lost during the great recession.

1 in 6

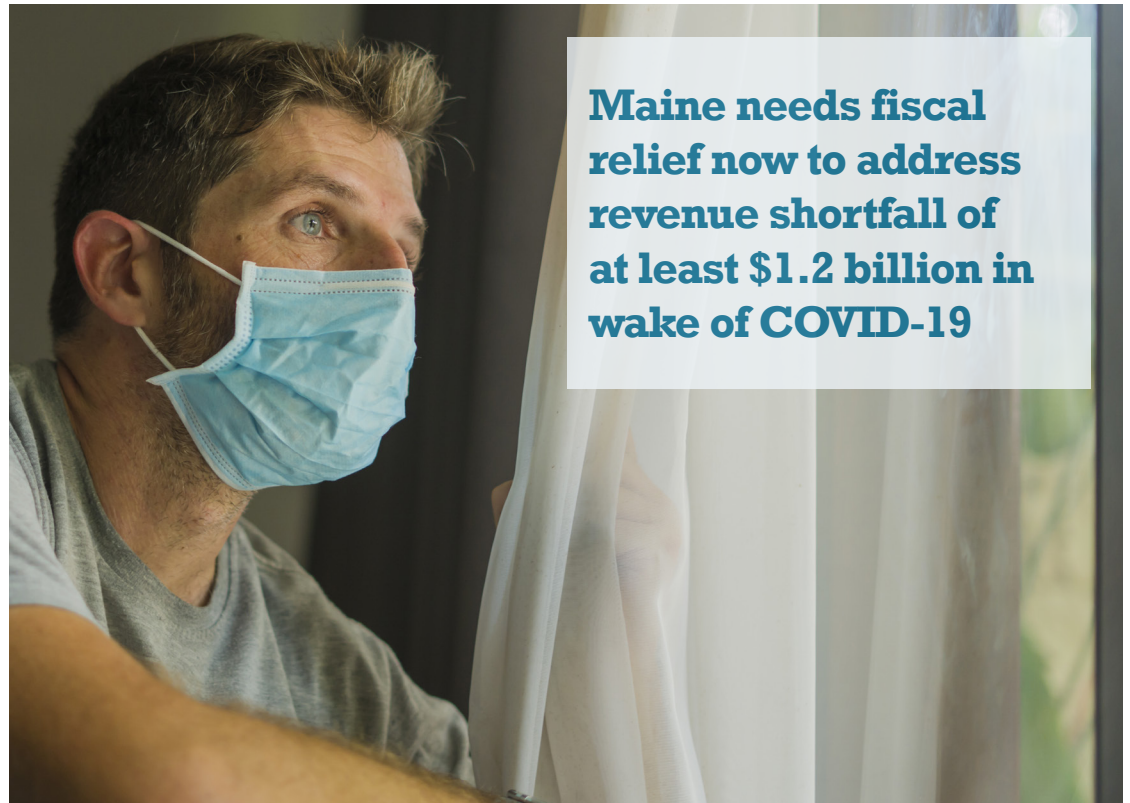
Share of Maine jobs in the public sector, where revenue shortfalls could spur widespread layoffs if Congress doesn't act.

47,800

Estimated number of unemployed Mainers who lost their health insurance as a result of a layoff.

-39.6 percent

Projected national GDP decline for the second quarter of 2020.



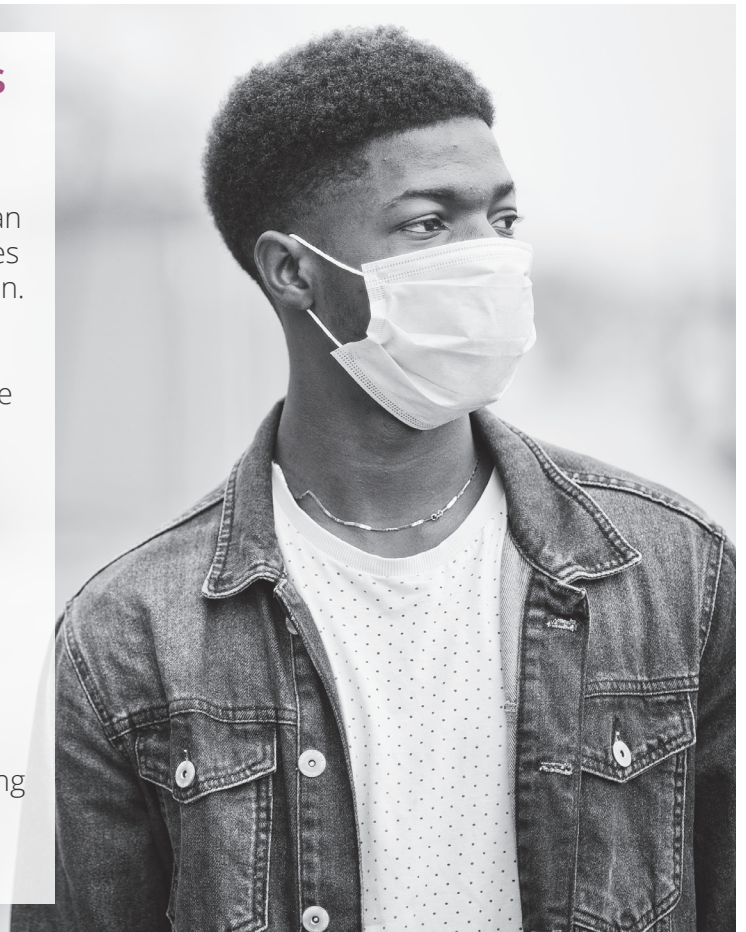
Maine needs fiscal relief now to address revenue shortfall of at least \$1.2 billion in wake of COVID-19

Coronavirus is hurting Maine's workers and our economy

The first six weeks of the pandemic in Maine saw more than 108,500 new unemployment claims — more than five times the number lost during the 18-month-long Great Recession.

This unparalleled spike in joblessness is also causing tens of thousands of Mainers to lose their health insurance. The Economic Policy Institute estimates that roughly 47,800 of the newly unemployed Mainers lost their employer-sponsored health plan. This figure does not include children, spouses, or other dependents who had been covered by plans terminated during a layoff.

The pandemic has caused a downturn in economic activity unlike any we've ever seen. Most of the country began feeling the effects of the pandemic only in mid-March, but the impact was so swift that first quarter GDP this year dropped by 4.8 percent. The second quarter, encompassing the months of April through June, is expected to register a staggering 39.6 percent drop in GDP.



Economic slowdown hurts state revenues as costs increase

This economic downturn threatens Maine's budget at a time when the state is taking on new costs associated with fighting the pandemic and reducing harm from the recession. State revenues are taking a hit because Mainers incomes have declined as a result of unemployment or reduced hours, families have reduced spending, and businesses have closed their doors or limited services.

New analysis from the Center on Budget and Policy Priorities anticipates that states will see a \$650 billion drop in revenues through the end of the 2022 fiscal year. Under this scenario, Maine would lose 30 percent of its annual revenue next fiscal year — a record shortfall that will put a hole in the current two year budget of at least \$1.2 billion.

Despite continued uncertainty about the trajectory of the public health crisis and the future of the economy, the scale of the problem facing Maine is clear. Without substantial fiscal relief from the federal government, states will be forced to consider deep cuts in education, health care, and other investments that are critical not only to Mainer's health and economic security, but to the overall recovery effort.

Congress must do more to limit harm to families, communities

The federal government has unparalleled borrowing power, which it can use to stabilize state and local budgets. Congress can lead by taking bold action to prevent state budget collapse.

But so far, fiscal aid to states has been too little and too limited. Congress enacted the CARES Act in March, which created a Coronavirus Relief Fund for states. Maine received \$1.25 billion from this fund.

Maine can use these funds to cover new costs it has taken on to fight the pandemic. However, federal restrictions prevent the state from using these dollars to backfill revenue shortfalls. So they won't help cover holes in the budget for jobs education, health care, or other critical investments.

After the Great Recession, federal aid to state and local governments ended too soon, leading to massive job losses that set full employment back for years. Inadequate relief slowed economic growth.

The clock is ticking for states facing mounting shortfalls, but it is not too late for Congress to act.