

The State of Maine Budget During the Pandemic: An Explainer

Following the bipartisan enactment of the Fiscal Year (FY) 2020-2021 budget, the State of Maine was well positioned entering 2020 with an economy in good shape, an unemployment rate lower than the national average, strong revenues, large reserves, and a Budget Stabilization Fund that Governor Mills and the Legislature had grown. Additionally, the Mills Administration had made meaningful investments to rebuild State government and strengthen programs and services important to Maine people, including access to affordable health care, stronger public health infrastructure, and additional funding for K-12 education, economic development initiatives, and property tax relief.

In early 2020, as the COVID-19 pandemic spread across the globe and into the United States, the Mills Administration recognized that it was only a matter of time before the virus reached Maine and that it would likely harm Maine's economy and impact the State budget, and within days of the Maine CDC reporting the state's first case of COVID-19 in March, the Governor and the Legislature had reached a bipartisan agreement to enact a supplemental budget that focused on responding to the pandemic, reducing spending commitments, and saving money. Additionally, the Governor instructed departments to implement cost-saving measures, including applying an emergency-basis scrutiny to hiring, limiting personnel travel, and restricting access to unencumbered balances.

In July 2020, the non-partisan Revenue Forecasting Committee (RFC) convened off-cycle to assess the financial impacts of COVID-19 and projected that the State of Maine would face a \$528 million revenue shortfall in FY21 as a result of the pandemic, upending the State's balanced budget.

With this information, the Mills Administration developed a strategy to close the budget gap by utilizing a combination of saved monies, shifting initiatives to non-General Fund resources such as improved FMAP reimbursement rates from the Federal government, and implementing a curtailment order to further reduce spending commitments. In the curtailment order, the Governor avoided deep programmatic cuts, thereby protecting Maine's safety net and preserving critical public health, public safety, and education funding that Maine people rely on; avoided layoffs of State personnel; and preserved the Budget Stabilization Fund in its entirety.

Meanwhile, the Governor stayed in close contact with Maine's Congressional Delegation and continued to advocate for additional Federal relief to Maine people. Thanks to U.S. Senators Susan Collins and Angus King and U.S. Representatives Chellie Pingree and Jared Golden, Maine received approximately \$7.6 billion. Of this, \$2.8 billion was passed through State government and \$4.5 billion was awarded directly to Maine people and institutions, including:

- *Paycheck Protection Program grants;*
- *emergency food and housing assistance;*
- *more than \$550 million in grants to Maine small businesses and investments in Maine's Unemployment Insurance Trust Fund;*
- *approximately \$15 million in support of municipal and other local governments;*
- *approximately \$330 million to ensure the safe reopening and operation of Maine's K-12 public education system;*
- *robust investments in public health, including procurement of PPE, laboratory testing infrastructure, and health and safety within congregate settings, among other efforts;*
- *enhanced unemployment benefits*

- *and stimulus checks to Maine families.*

These investments were a lifeline for Maine families and Maine’s economy and, when taken in combination with the Governor’s carefully crafted pandemic response, this bolstered previously bleak monthly revenue reports.

As a result, in December 2020, the Consensus Economic Forecasting Commission improved its economic outlook for the State and the RFC followed shortly thereafter by boosting its previously downgraded forecast. The RFC is now projecting a \$255 million General Fund shortfall for FY21, much less than the \$527.8 million shortfall previously predicted. Similarly, the RFC increased projections for FY22 and FY23, estimating revenues at \$8.1 billion for the biennium. Although still below March’s pre-pandemic calculations, the COVID-19 driven shortfall initially expected in FY21 alone is now, in effect, spread across FY21, FY22, and FY23.

Thus, the Administration’s and Legislature’s supplemental budget of March 2020, the Governor’s cost-saving measures, and the Governor’s curtailment order – when coupled with improved revenue expectations driven by Federal aid – have made it possible to cover the budget gap for FY21. Additionally, when combined with the projected \$8.1 billion in revenue expected across the biennium and the Governor’s commitment to holding the line on new spending, these resources balance the Governor’s budget proposal for Fiscal Years 2022-2023 and allow the State to bolster its pandemic response and maintain critical investments in health care, public health infrastructure, and education, without changing Maine’s tax structure and while adding to – not taking from – the Budget Stabilization Fund.

The State Budget During the Pandemic: A Timeline

- [February 3, 2020:](#) Governor Mills proposes a supplemental budget that invests in bipartisan priorities, including continuing to rebuild state government to protect the health, safety, and wellbeing of Maine people, enhancing workforce and economic development efforts in the face of a tight labor market, and increasing the State’s Budget Stabilization Fund.
- [March 1, 2020:](#) The non-partisan Revenue Forecasting Committee projects that the State of Maine would have a surplus of \$40 million for FY20 and \$34.1 million for FY21, demonstrating the State was in excellent fiscal shape.
- [March 12, 2020:](#) Governor Mills and the Maine Center for Disease Control and Prevention announce the first case of COVID-19 in Maine.
- [March 16, 2020:](#) Immediately recognizing that the pandemic would impact the State budget, Governor Mills and Legislative leaders reach bipartisan agreement on a scaled-back supplemental that left untouched what amounted to \$184 million.
- March 27, 2020: The CARES Act is signed into law. When coupled with similar Federal COVID-19 relief legislation enacted within the same period, the State of Maine received more than \$7.6 billion in Federal funds, of which approximately \$4.5 billion was awarded directly to Maine people and Maine institutions and approximately \$2.8 billion was awarded to or passed through to State government (including \$1.25 billion in Coronavirus Relief Funds). Throughout Calendar Year 2020, Governor Mills harnesses

these resources to improve Maine’s pandemic response, bolster budget stability and stimulate Maine’s economy to the extent possible, and ensure the continuity of programs and services so important to Maine people.

April 27, 2020: Governor Mills announces the non-partisan Revenue Forecasting Committee will convene “off-cycle” in August 2020 to assess the economic ramifications of COVID-19 on State government revenues and announces she has directed all departments to implement cost-saving measures and restricts access to unencumbered balances.

August 1, 2020: The non-partisan Revenue Forecasting Committee projects a shortfall of \$527.8 million for Fiscal Year 2021 and \$883.2 million for the FY22-23 biennium.

August 5, 2020: Governor Mills instructs departments to identify 10 percent cost reductions in their agencies.

September 17, 2020: Governor Mills outlines a strategy to close the remainder of the General Fund revenue shortfall projected for FY21 due to COVID-19, which includes curtailing \$222 million on an emergency basis.

December 1, 2020: The non-partisan Revenue Forecasting Committee revises its previous estimate and projects a \$255 million General Fund shortfall for FY21 (rather than \$527.8 million) and a \$395.8 million General Fund shortfall for FY22-23 (rather than the initial pandemic downgrade of \$883.2 million).

December 11, 2020: Governor Mills announces full commitment of all of Maine’s \$1.25 billion in Federal pandemic relief from the CARES Act’s Coronavirus Relief Funds. As part of its improved forecast earlier in the month, the non-partisan Revenue Forecasting Committee referenced the positive effects of this Federal funding in bolstering state revenues.

December 28, 2020: After months of urging from Governor Mills and her counterparts in the National Governor’s Association, and with the backing of Maine’s Federal delegation, a second-round of Federal COVID-19 relief legislation is signed into law, offering stimulus checks to Maine people, enhancing Federal unemployment benefits, providing renewed funding for the Paycheck Protection Program, and COVID-19 vaccines and testing as well as public education, among other efforts.

January 8, 2021: Governor Mills submits a supplemental budget for FY21 and biennial budget for FY22-23 that covers pandemic-induced revenue shortfalls, invests a record amount in savings, and maintains services important to Maine people , with a focus on combatting COVID-19.

Please note that State revenue projections contained in this document are for the General Fund. Full revenue forecasting details, including forecasts for the Highway Fund, are available via the website of the non-partisan Revenue Forecasting Committee: <https://legislature.maine.gov/ofpr/revenue-forecasting-committee/9609>.