

## Maine could lose \$1B by next year due to coronavirus



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Businesses in downtown Ellsworth post closed notices to customers in their front windows in response to the coronavirus pandemic.

**Maine could lose \$200 million by the end of June and up to \$1 billion by mid-2021, according to dire projections concerning the economy.**

By [Caitlin Andrews](#), BDN Staff,  
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**Maine could lose \$200 million by the end of June and up to \$1 billion by mid-2021, according to dire projections showing that nearly a quarter of state revenue could be in danger due to the coronavirus.**

Most states, including Maine, have ordered business closures and social distancing to slow the spread of the new virus. It led to a month-long economic dive in which [1 in 10 workers in the state filed for unemployment](#) accompanied by [steep drops in national retail sales](#).

**It has been clear that the economic crisis would threaten key state revenue streams, but warnings from Maine officials [have so far lacked specifics](#).** The projections made this week by the state and Moody's Analytics are among the first attempts to quantify the effect of the coronavirus on state finances.

“There are some factors we can’t account for,” said State Treasurer Henry Beck, a Democrat. “It’s all speculation at this point. But if someone like Moody’s is going to tell me a revenue projection, I believe it.”

The Moody’s estimates were conducted for all 50 states and are based on projected declines in sales and income tax revenue as well as increased Medicaid spending on Medicaid under different scenarios through June 2021.

**The forecast for Maine aligns with a 2018 state analysis suggesting that the rainy day fund is not equipped to offset a moderate recession.**

Under the baseline scenario, which assumed a peak-to-trough reduction in U.S. gross domestic product of 10 percent, Maine was expected to see a \$865 million fiscal shock. Under a more severe scenario, assuming a 14 percent reduction in GDP, that figure hit \$1.1 billion. Those scenarios included [federal funding provided to the states](#) through two coronavirus relief bills.

The forecasted shortfalls suggest Maine could be worse off than most states. Under the baseline scenario, the fiscal shock is forecasted to be 22.6 percent of state revenue. Only 10 states were expected to see a greater shock as a share of revenue.

**Maine is already seeing drops in revenue**, although economic officials think the impact of the virus will not be apparent until later. **February revenues were down \$4.7 million or 2.2 percent**, according to a Friday memo from Maine’s budget commissioner. That’s about \$2 million less of a decrease than [what the state saw in January](#).

That is a drop in the bucket compared to what Maine may lose between now and the end of the fiscal year. Department of Administrative and Financial Services Commissioner Kirsten Figueroa said in a Wednesday email that the state may be able to cover the \$200 million revenue it is expected to lose between now and the end of the fiscal year.

She said “one of the easiest ways” to pay down the shortfall would be to use \$95 million in money the state planned to spend in prior fiscal quarters but did not. Figueroa also referenced [a \\$193 million fund balance](#) projected by the time books close on the fiscal year on June 30.

Maine ended the 2019 fiscal year with another \$240 million in its budget stabilization fund, known as the rainy day fund. Gov. Janet Mills' [\\$8 billion two-year budget](#) — which was proposed at an [11 percent increase](#) over the previous budget — added [another \\$20 million](#) to the fund. Lawmakers [added another \\$17.4 million to the fund](#) in a spending bill signed last month.

That total is still short of what state economists said would be necessary for the state to weather a moderate recession. A [2018 stress test](#) conducted by a forecasting committee suggested that the rainy day fund should be 18 percent of the general fund, or around \$646 million.

**The Moody's analysis suggests that even when accounting for the rainy day fund, the state is still expected to face a budget shortfall of between 11 percent and 17 percent of revenue.** Beck said the state's revenue forecasting committee is expected to meet in June to make projections.

Members of the Legislature's budget committee said the lag time in revenue data made it difficult to say now how the virus would affect the state. Rep. Amy Arata, R-New Gloucester, said "so much is unknown," but that she expected lawmakers would have to "work together and prioritize" when they eventually return to Augusta and assess the damage.

"It's unfortunate that we don't have more in the rainy day fund," she said. "When we go back and have to adjust the budget, we'll have to make some tough decisions."

Democrats were more optimistic. Rep. Erik Jorgensen of Portland pointed to the state's record-high levels in its rainy day fund and the "strong fund balance" left when lawmakers adjourned early. Still, he said he is watching the economic slowdown's effect on the state's hospitality industry, which [has been hit particularly hard](#), for signs of trouble.

"Things seem to be changing by the day," he said. "It's hard. We're operating a little in the dark."