

## Janet Mills estimates pandemic's impact on state at \$3B — and that's a low-ball estimate



Robert F. Bukaty | AP  
Maine Gov. Janet Mills talks about social distancing at a news conference where she announced new plans for the stay-at-home order and other measures to help combat the coronavirus pandemic, Tuesday, April 28, in Augusta.

By [Caitlin Andrews](#), BDN Staff • May 18, 2020 | [Click here to view online.](#)

The state of Maine could need at least \$3 billion to make up for the revenue it expects to lose from the coronavirus pandemic and to cover the costs of fighting it, according to estimates released by Democratic Gov. Janet Mills' office as [the state advocates for more federal aid](#).

And that estimate is low, the governor wrote in a letter to members of Maine's congressional delegation.

The list of effects from the pandemic includes a **projected \$725 million loss in state revenues through next June and \$125 million in lost highway fund revenues through next September.** The \$725 million figure is [unlikely to encompass](#) the full scale of the pandemic's effects, Mills noted in the May 14 letter. Rather, it's a figure the state has used to account for a severe, yet conventional recession.

Although the expenses related to COVID-19 for personal protective equipment, cleaning, testing and other services are "significant," Mills said they will "pale in comparison to the impacts for loss of state revenues and increases in state costs of countercyclical programs like Medicaid."

The list of expenses includes estimates of what it could take to combat the virus in terms of additional testing, reconfiguring the state's primary education system and providing unemployment benefits. The combined revenue losses and costs of adapting to the pandemic add up to more than double the funding Maine has received so far under the \$2.2 trillion CARES Act.

Estimates include \$325 million in costs for staffing the unemployment benefits system and providing an average of \$22 million per week in payouts for 16 weeks; \$14 million to reconfigure the state's judicial system and expedite electronic filing; and \$28 million in overtime, hazard pay and public safety costs. It also includes the \$1.2 million [expanded testing partnership with IDEXX](#).

The list of cost estimates does not include the costs related to covering the state's uninsured or increased need for [state assistance programs](#). The Mills administration said it was still developing those estimates.

Without federal aid, Mills wrote, a \$725 million loss in revenue would require budget reductions of more than 17 percent across state government.

[Some of the losses to state and local governments](#) are already visible. **Mills pointed specifically in the letter to the Department of Transportation, which could lose \$125 million in revenue over the next 18 months as fuel tax revenue drops as a result of decreased traffic.** She also said municipalities have had to renegotiate their contracts for solid waste and recycling at substantially higher costs, resulting in \$90 million more in costs collectively.

The \$1.25 billion Maine expects to receive under the CARES Act is supposed to be used only to [cover the costs of responding to the pandemic](#). It provides no wiggle room for the state or local governments to offset revenue shortfalls, and no Maine cities are large enough to qualify for other federal dollars.

A U.S. Senate bill co-sponsored by Maine Sen. Susan Collins, a Republican, could provide at least [\\$2 billion in aid to state and local governments](#) and more flexibility for CARES Act money. It's an alternative to the \$3 trillion bill put forward by House Democrats, support for which was [split](#) among Maine's House representatives.

## Maine sees half of expected April revenue, saying recession 'will be one for the record books'



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Main Street in Ellsworth.

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The state collected barely half of the revenue it had projected last month as the economic effects of the coronavirus pandemic set in, pointing to the budget challenges the state can expect in the coming months as an economic downturn continues.

The state saw less coming in as sales in hard-hit sectors such as restaurants, lodging and auto sales declined. But most of the revenue plunge was because of the delay in the state's income tax filing deadline to July 15, according to the state's revenue report for April, which projected the state's unemployment rate for the month would be 14.7 percent.

Financial experts have projected Maine could see revenues **plunge by \$1 billion** through the middle of 2021, when the state's current two-year budget of about \$8 billion expires. **Gov. Janet Mills' administration this week projected that the result of substantial revenue losses and the costs of responding to the coronavirus pandemic could add up to a more than \$3 billion price tag for the state through mid-2021.**

Income tax receipts usually boost state revenues in April, but [Mills extended the filing deadline](#) to July 15 in line with the federal government's current deadline due to the pandemic. That delay in individual and corporate income tax revenue translated to \$264 million less than projected in those categories. When balanced out with revenues that came in above projections, the state's revenue shortfall for April was \$248 million.

That drop was expected, and income receipts should rebound in July, Administrative and Financial Services Commissioner Kirsten Figueroa wrote in a May 18 memo to Mills and lawmakers.

Even accounting for that, Figueroa said, "it's becoming apparent that the swift and deep COVID-19 related recession will be one for the record books," pointing to high unemployment nationally and falling sales. And even if state's reopening leads to a rebound, "recovery is expected to be slow," she said.

Overall, revenues for April were 47.8 percent below the state's previous forecasts for the month and off 8 percent so far for the year.

Because sales tax figures for April reflect sales that happened in March, Figueroa wrote that the more serious effects of the pandemic are likely to show up in April data released next month.

The state's sales and use tax collections were off only \$16.2 million — down 13.3 percent from projections. Those figures reflect sales that happened in the first two weeks of March before the state's economy started to shut down in response to the coronavirus pandemic.

Some categories of sales saw double-digit bumps, such as online shopping and food and building supply stores. Meanwhile, other sectors suffered sizable losses. Lodging and restaurant sales, among the hardest-hit industries of the pandemic, decreased by 45.5 and 33 percent respectively compared to a year ago. Auto sales also dropped 27 percent after a strong winter.

State officials have said they expect to have enough cash to cover this year's expenses through various channels including the rainy day fund and the [general fund balance](#). Mills has also asked state departments to [freeze spending and hiring except in emergencies](#), which could save up to \$250 million.

Even as things appear grim, state Rep. Drew Gattine, D-Westbrook, who co-chairs the Legislature's budget committee, said it is too early to get a sense of the size of the loss the state will weather.

The report "doesn't give us a clear picture" because of its focus on March — and the state may not have a better idea of longer-term effects until its revenue and economic forecasting commissions meet this summer.

"In the meantime, all we can do is monitor and watch," he said.