



Maine Consensus Economic Forecasting Commission, Fall 2023  
Information Gathering Session Summary

October 23, 2023



## Abstract

For the thirteenth consecutive year, business leaders, industry groups, state agencies, and higher education professionals shared economic data and industry-specific information with the Consensus Economic Forecasting Commission (CEFC) prior to their fall economic forecasting meeting. Presenters provided their perspectives on trends in their industries and their perspectives on Maine's economic challenges and opportunities. Any economic data, observations or forecasts contained in this summary appear as they were heard and interpreted at the meeting and the CEFC is not responsible for their accuracy. The views described in this summary do not necessarily reflect the views of the CEFC. The current official forecast of the CEFC can be found at <https://www.maine.gov/dafs/economist/economicforecasting>.

## Dan Burgess, Governor's Energy Office

Mr. Burgess provided an overview of Maine's current heating fuel prices, historical price trends, and a summary of the national 2023-2024 Winter Fuels Outlook from the U.S. Energy Information Administration (EIA).

Maine is the most heating oil-dependent state in the country and is the only state to collect data year-round on a weekly basis for heating oil, K-1, and propane. The statewide average price of heating oil as of October 16, 2023 was \$4.06/gallon. Propane and kerosene prices during this period were \$3.01/gallon and \$5.04/gallon, respectively. These prices are lower than the spikes seen following the beginning of the war in Ukraine in 2022, but prices remain higher than trends over the past decade, especially for heating oil and kerosene. Kerosene supplies were particularly constrained last year, and the Governor's Energy Office is continuing to monitor supplies this winter.

The EIA recently released its national Winter Fuels Outlook for 2023-2024. Household fuel costs are dependent on weather, household characteristics, and prices. Prices are likely to decrease this winter relative to 2022-2023, but homes heating primarily with heating oil are likely to spend more this year. While prices per gallon are down, this winter is expected to be colder.

Maine is working to decrease its dependence on oil and has a goal in statute to reduce consumption of oil in the State by at least 30% from 2007 levels by 2030 and by at least 50% by 2050. Maine has reduced its consumption of oil by 43% and has met its 2030 goal. Maine also ranks 5<sup>th</sup> in the country and most improved on state energy efficiency policies according to the 2022 State Energy Efficiency Scorecard. The Governor's Energy Office is currently working on its 2040 energy plan and looking at how to meet its clean energy targets.

## Philip Bartlett II, Public Utilities Commission

Mr. Bartlett provided information on Maine's electricity prices, with a focus on residential prices by component. Components include supply, transmission, distribution, and stranded costs. Supply is the largest component of energy prices and is not regulated in Maine. Transmission is regulated by the Federal Energy Regulatory Commission (FERC) and delivery rates are regulated by the Public Utilities Commission. Stranded costs are public policy costs.

Supply is the largest portion of residential energy prices and also the most volatile component. Volatility is greatest in the winter, due to Maine's significant use of natural gas for electricity generation, which competes with home heating uses. Maine is dependent on LNG supplies in the winter and is subject to international LNG prices. There was a large spike in LNG costs last year due to the war in Ukraine, but current natural gas prices are significantly lower than they were this time last year. Maine procures standard offer services annually and will procure standard offer services again in November. The war in the Middle East does create uncertainty around prices and could have impacts before November, but it is currently anticipated that new standard offer rates will be in the range of \$0.12-\$0.13/kwh, well below current standard offer rates.

There are anticipated distribution rate increases for both Versant and CMP customers. These reflect distribution investments and maintenance/replacement of aging systems. CMP's proposed rate increases are relatively small (average monthly impact of \$1.40/customer in January 2024). Versant's increases (average monthly impact of \$5.23-\$5.33/customer in January 2024) are higher due to a large investment in smart meters that will provide significant benefits over time.

Stranded costs are public policy costs and these are expected to increase through 2026, peak around \$160-170 million and then flatten out after that.

### Hannah Pingree and Joseph Marro, Governor's Infrastructure Implementation Committee

Ms. Pingree and Mr. Marro provided an overview of several significant federal infrastructure funding laws and their likely impacts on Maine's economy. These laws include the 2021 American Rescue Plan Act (ARPA), the 2021 Bipartisan Infrastructure Law (BIL), the 2022 Inflation Reduction Act (IRA), and the 2022 Chips & Science Act (CHIPS).

ARPA funding supports workforce development, business supports, and infrastructure upgrades and nearly \$1 billion is designated for the Maine Jobs and Recovery Plan. Maine was 1<sup>st</sup> in New England and in the top four nationally to allocate 100% of these funds and 75% have been spent or committed. News and updates on the Maine Jobs and Recovery Plan are available at [Maine.gov/jobsplan](https://www.maine.gov/jobsplan).

The BIL is coordinated by the Governor's Infrastructure Implementation Committee. The committee meets quarterly and has several working groups focused on funding access for disadvantaged communities, natural resource/resiliency projects, broadband infrastructure, and workforce needs. It is anticipated that Maine will receive \$2.5 billion in formula funds and will also be competing for other grant programs. To date, \$1.5 billion has been awarded to 161 projects in Maine, with the largest share going to transportation projects. There is also significant funding for broadband, resilience and environmental protection, and energy efficiency projects from BIL and the Maine Jobs and Recovery Plan. News and updates on the BIL are available at [Maine.gov/bil](https://www.maine.gov/bil).

The IRA was signed in August 2022. While many IRA programs have not yet opened, the State of Maine is developing applications for several, including climate pollution reduction grants and Solar for All grants.

The CHIPS program passed in July 2022 and aims to build the supply chain for semiconductor chips and support U.S. scientific and technical research. Maine was recently designated as one of 30 tech hubs in the country for a forest bioproducts technology hub. Many of the CHIPS projects are just coming online and have longer spending timeframes.

While the exact dollar amount of funding deployment for Maine is not readily available, 2024 will have significant deployment of infrastructure funding.

### [Nate Cloutier, Hospitality Maine](#)

Mr. Cloutier provided an overview of trends in the restaurant and lodging sectors, with a focus on the period from 2021 to 2023. Taxable restaurant sales were up 11.9% between August 2021 YTD and August 2022 YTD and lodging was up 15% during that period. 2022 was a very strong year for both restaurants and lodging.

Growth from 2022-2023 has been slower, particularly in the lodging sector. Taxable restaurant sales were up 7% YTD in August 2023 and lodging sales were up 2.05% YTD. Occupancy rates were down 8% for September YTD in 2023 compared to the year prior and revenue was down 4.2%. Meanwhile, New England had modest growth in both occupancy and revenue during this period.

Mr. Cloutier identified weather conditions, workforce shortages, inflation, supply chain issues, and debt incurred by businesses during the pandemic as challenges facing the industry. Summer 2023 weather was especially challenging for the lodging sector. To address workforce challenges, Hospitality Maine has implemented registered apprenticeship programs with culinary and lodging tracks.

At the national level there is some evidence that fast food is making a comeback for consumers relative to sit-down dining. Business travel has also recovered to pre-pandemic levels at the national level.

### [David Daigler, Maine Community College System](#)

Mr. Daigler provided an overview of trends in Maine's workforce and the role of community colleges in preparing Maine workers for the changing economy. Maine's population is aging and the supply of new skilled workers is not sufficient to replace workers who are reaching retirement age. Post-pandemic unemployment rates have reached record lows and many of those who are not currently in the workforce lack job skills or face other barriers to employment.

The role of work is also changing, new technologies are emerging, and there is a need for a more skilled workforce. Many jobs currently in demand require the skills and education provided by

community colleges. Some of the industries that will be most impacted by shifting spending patterns, new technology, and demographic trends include healthcare, defense, clean energy, and technology. Maine's community colleges are working to address skill needs in each of these industries.

Enrollment at Maine's community colleges reached a record high of 19,477 students this fall, an increase of 16% from 2022. The Free College initiative for recent graduates has been an important driver of this growth, with 11,543 students enrolled to date, far surpassing the goal of 8,000 students by the end of the 2023-2024 academic year. Early college enrollment for Maine high school students has also reached a record high of 5,054 in the 2023-2024 academic year.

Maine community colleges have also significantly expanded their short-term training platforms, though collaborations with employers throughout the state. They are on track to meet their goal of 8,500 employees receiving pre-hire training and have exceeded their goal for incumbent training (training for those already employed with Maine businesses). Community colleges are also working to engage the 137,000+ adults in Maine who started, but did not complete, a postsecondary degree and to counsel them on degree completion options and offer financial and academic support.

#### [Jeffrey Austin, Maine Hospital Association](#)

The Maine Hospital Association represents all of Maine's hospitals except for the two state-run psychiatric hospitals. Mr. Austin provided an update on financial conditions for these hospitals with particular focus on workforce, inflation, and expense challenges.

All of the hospitals in the Maine Hospital Association are nonprofit organizations. Operating margins are usually low, but 2022 was a particularly bad year for Maine hospitals. 64% had negative operating margins in the second quarter of 2022 and the total aggregate margin was -7% for the quarter. In 2023, financial conditions have stabilized but are still weak. 43% of hospitals had negative operating margins during the second quarter of 2023 and the total aggregate margin was 1.7% for the quarter. Bigger hospitals made up the majority of hospitals with negative margins. Hospitals nationally have had similar experiences in 2022 and 2023.

Expense and not revenues are driving the current challenges. Growth in labor costs is slowing down, but labor costs remain quite high. Meanwhile, labor shortages are leading to a decline in workers per patient. During the pandemic, hospitals increased their reliance on travel nurses, but this reliance has steadily declined. The need for workers remains, but hospitals lack the ability to continue to pay high travel nursing rates and costs have come down nationally. Other challenges facing the industry include strained relationships with carriers and limited capacity in nursing facilities. When nursing facilities cannot accept patients, hospitals face a backup in discharges of patients who would otherwise be transferred to these facilities.