**Consensus Economic Forecasting Commission**
**Summary of Data Gathering Session on October 16, 2020**

For the tenth year in a row, leaders of Maine businesses, industry groups and nonprofits shared economic data and industry-specific information with the Consensus Economic Forecasting Commission (CEFC) prior to the fall forecasting meeting. For this meeting, participants were asked to provide updates on how the COVID-19 pandemic has affected their industries and clients and how it might impact operations in the future. The following document is a summary of those presentations. 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/economic-forecasting.

**Nancy Beardsley, Maine Centers for Disease Control and Prevention**
Ms. Beardsley provided an update on the current operations of the Maine CDC regarding COVID-19 case trends, testing, and contact tracing. Currently, Maine is one of nine states in the United States that is meeting testing targets, as set by the New York Times. Maine is at 630% of its testing target, which is the best in the United States, and the state has a positivity rate of 0.42%. By both internal and external evaluations, Maine is doing well at containing the spread of the virus.

Maine's contact tracing efforts are carried out using the Sara Alert symptom monitoring system. As of October 16$^{th}$, there were over 10,000 individuals enrolled and about 1,100 individuals currently being monitored for symptoms. This system allows case investigators to track symptoms for individuals who have tested positive as well as their close contacts.

Maine has faced large racial and ethnic disparities for COVID-19 infection, although Ms. Beardsley notes that having detailed demographic information has been helpful to inform the policy response. Recently, through the Keep Maine Healthy program, over 100 municipalities received $13 million to help communities respond to the pandemic.

More information and statistics regarding COVID-19 in Maine are available on the Maine CDC's website at:
https://www.maine.gov/dhhs/mecdc/infectious-disease/epi/airborne/coronavirus/data.shtml

**Tae Chong, Catholic Charities Maine**
Mr. Chong provided information about Maine's social safety net and how the pandemic will affect poverty in Maine. He noted that those who were already in poverty are those who will be most affected by COVID-19, as low-wage industries such as tourism and services were hardest hit.

Mr. Chong had three primary policy recommendations:

1. Help women in poverty, particularly those who work in the tourism industry
2. Help individuals stay in place (avoid evictions)
3. Roll back restrictions for general assistance, SNAP, etc.

His greatest concerns are for women and people of color, who are disproportionately employed in tourism and service sector jobs and are leaving the labor force at higher rates. Additionally, he is concerned that rising poverty will lead to other public health crises, such as substance abuse, disruptions in mental health, and food insecurity. Currently 63,000 households in Maine lack adequate access to food; 25,000 of those households have children. While nonprofits are working towards solutions, he noted that hybrid school models interfere with students' access to free and reduced lunch. He also noted that 24,000 Mainers are currently behind on rent, and that SNAP benefits are at their peak enrollment.

**Tara Williams, Maine Association for the Education of Young Children**

The childcare industry has changed greatly since the start of the pandemic. While many childcare providers had to close their doors with the onset of COVID-19, recent data shows that up to 90% of providers have reopened. However, many continue to operate well below capacity, therefore losing significant amounts of revenue. Overall, family-based childcare facilities are much closer to operating at capacity than those that are center-based.

Since the start of the pandemic, 64 licensed childcare facilities have permanently closed, which Ms. Williams notes is relatively few. Of those that have closed, 23 are center-based and 41 are family-based. The loss of center-based facilities accounts for a greater loss of open slots, although family-based facilities are often the only option in rural areas, which have been hit harder by childcare closures.

The financial stability of each business is at stake as they operate under capacity. Ms. Williams cited estimates of $3,000 and $20,000 of average monthly operating loss at family- and center-based facilities, respectively, but notes that the variation between centers is large – some facilities report being close to closing, while some now have waiting lists.

Ms. Williams notes that further research about both providers and parents' needs will prove useful as the industry continues to recover from the COVID-19 pandemic.

**Jennifer Hutchins, Maine Association of Nonprofits**

In Maine, 1 in 6 workers are employed by nonprofits, compared to the national average of only 1 in 10. Every year, nonprofits contribute approximately $12 billion to the Maine economy. Ms. Hutchins noted that in a recent poll that received 376 responses, 87% of 501(c)(3) nonprofits have experienced or expect a revenue shortfall this year, amounting to over $140 million combined, or an average of 25% of operating budgets for the year. One in three of these respondents reported an increase in expenses during the period from April-June, while 44% expect expenses to increase in the next year.

Many nonprofits operate at extremely thin margins, as nonprofits are often discouraged from keeping cash in savings. While 68% of nonprofits in Maine are hospitals or related to health and social assistance, Ms. Hutchins noted that nonprofits in the arts & culture industry are particularly strained, as nationwide attendance at events for these nonprofits has fallen by over 100 million.

Ms. Hutchins' primary concerns are those related to funding for these organizations, which will be strained by several factors including the end of federal stimulus, increased demand for services, state budget cuts, and reductions in private spending as a result of market volatility.

**Tom Cole (Maine Association of REALTORS) & Justin Lamontagne (Maine Commercial Association of REALTORS)**

Mr. Cole and Mr. Lamontagne provided updates on Maine's real estate market, both residential and commercial, to the CEFC.

Mr. Cole reports that the residential real estate market is strong so far through 2020. While the number of transactions fell by 13% in the second quarter, they rebounded to +12% in the third quarter, and price growth has remained strong throughout the year. Sales through September of 2020 were up 2.6% over the same period in 2019. He notes that while sales have historically been concentrated in York and Cumberland counties, that trend has changed to show sales and price growth statewide. The price growth comes on the heels of very tight inventory. Inventory was already tight pre-pandemic and has been exacerbated by COVID-19. In fact, active listings in September were down 39% compared to last year.

That said, Mr. Cole expects good activity in the fourth quarter. He noted that summer sales were bolstered by buyers coming from out of state. In the late summer months (July – September) out-of-state buyers accounted for 28.9%, 33.0% and 32.3% of residential sales, respectively, largely coming from New England neighbors but also stretching as far as California and Florida.

Mr. Lamontagne told a starkly different story about the commercial real estate market, calling the office market "concerning." As employers shift to longer-term work-from-home arrangements, many have turned away from long-term leases on space. For example, Mr. Lamontagne shared that in typical times, there are 10-15 options for a 5,000 square foot space in greater Portland. Currently, there are 70 available. This is also true for smaller retail space. He cautions that the winter will be difficult as he expects many closures in the restaurant industry.

All told, there is some good news for certain types of commercial space: biopharmaceutical companies (namely Abbott) which are contributing to the fight against COVID-19 have seen expansion. In addition, storage, warehousing and distribution space is in high demand, with only 1-2% vacancy in the Portland area. In fact, Gorham plans to expand its industrial park by 150 acres.

**Ryan Wallace, Maine Center for Business and Economic Research, USM**
Dr. Wallace has been studying remote workers for several years and shared some of his findings with the CEFC. Overall, telework (defined as a job that does not require a worker to be bound to a location) keeps people in place, helps companies access wider labor pools, and promotes in-migration. In the last 15 years nationwide, remote work has increased by 180% with many remote jobs in knowledge-based occupations, although growth has been more modest in Maine.

Prior to COVID-19, remote work was more commonly associated with those who were self-employed, though it was often used by employers to attract workers. Overall, remote work is associated with workers who have higher education and higher incomes, who work in STEAM industries, are older, and who migrate further.

Dr. Wallace notes that an estimated 37%-39% of jobs are remote work amenable. Meanwhile, 36%-40% of businesses believe at least 40% of their workforce will be able to remain remote in the long term.

In Maine, implications of growth in remote work are increased in-migration and longer stays for seasonal homeowners. This can have a positive impact on personal income, but a potential adverse effect on housing.

**Steve Lyons, Maine Office of Tourism**
Mr. Lyons updated the CEFC on the state of tourism in Maine following the summer season. For the year 2020 through July, lodging sales were 47% below the same period of 2019. Most of this loss occurred in the early months of COVID-19, and sales have been improving month-over-month throughout the year. Mr. Lyons expects that the industry will end 2020 with year-over-year declines.

Meanwhile, restaurant sales are down 30% for the year through July. Overall visitation is down 32% for the summer (May-August), with most visitors coming from the Northeastern U.S. While a typical season would see more visitors from the mid-Atlantic region, this year it was not so. 90% of visitors to Maine came by car. Additionally, there were more Mainers traveling within the state than usual this summer.

Hotels reported an average 21% occupancy in June, compared to about 60% in a typical June. In August, occupancy was at an average of 63%, while 80%-90% is typical during the late summer. Hotel occupancy for the year through August is down 38% compared to the same period last year, and the average daily rate per room ($) is down 20%.

That said, campgrounds had a strong year as many rural areas of the state benefitted most. Camping in state parks this summer was up 6.8% over last year, with the highest growth being in Aroostook (+45%), Cobscook Bay (+32%), and Mount Blue (+25%) state parks. Meanwhile, more coastal state parks saw declines. For example, Bradbury Mountain State Park saw a 21% decline in camping compared to last year.

Looking to the future, surveys show that 48% of travelers do not plan on traveling for the holidays. Additionally, while 80% of those surveyed have travel plans, 42% do not want to travel right now, with many waiting until late next year to do so.

**Chris Pinkham, Maine Banker's Association**

Mr. Pinkham reported on the state of the Maine banking industry as of June 30th, 2020.

He reports that 2020 has been a strong year for the banking industry. The Paycheck Protection Program led to a surge in footing as banks across Maine massively expanded their lending capacity. Within the last 10 days Maine banks began to be reimbursed for the $2.2 billion lent out through the federal program. Of those who received PPP funding, 71% received less than $50,000, showcasing that the program was well-targeted towards small businesses.

Meanwhile, rising real estate prices have boosted residential equity, leading many to pay off debt. However, commercial and industrial (C&I) loans may hold concern. Mr. Pinkham notes that uncertainty as to what the future holds makes commercial financing complicated.

Many businesses were able to defer loan payments as a result of Congressional aid through the spring and summer. Many of these deferrals were initially for 90 days, although many have turned into 180-day deferrals, and many of those loans are not performing. Mr. Pinkham calls out both good and bad news in this arena: the good news is that these deferrals have allowed many businesses to get back on track; the bad is that Congressional aid expires at the end of the year, and many businesses will struggle to get through the winter.

Mr. Pinkham calls to attention two primary concerns. First, he calls for a third round of PPP assistance to hold businesses through the winter. Second, he calls for regulators to clarify procedure for deferred loans. Without clarification, these deferments have the potential to cause significant harm to bank balance sheets.

**Robert Caverly, Maine Credit Union League**

Mr. Caverly gave a brief update on Maine's credit unions. He mentioned that the Maine Credit Union League has been working closely with the Maine Banker's Association and has had similar experiences as those detailed by Mr. Pinkham. PPP was offered by 17 out of 54 credit unions in Maine. Through the COVID-19 pandemic the credit unions have focused on underserved populations, including regional, industrial, and demographic targets.