Maine State Economic Recovery Committee  
Health, Nonprofits, Child Care + Support Services Subcommittee  
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Recommendation: Relief for Maine’s Nonprofit Businesses

Part A. The Maine Nonprofit Business Economic Relief Fund - $45 Million

1. Which sector does this recommendation support, and/or which barriers does it address?

This recommendation supports the nonprofit sector in Maine, which employs one in six Maine workers (98,000) and pays over $4.7 billion in wages, which translates into an estimated $271 million of personal income tax revenue for Maine’s state and local governments and over $809 million in federal tax revenues. Nonprofits are a big part of Maine’s small business community; 89% have annual budgets under $500,000.

Many of these organizations are at the forefront of the COVID crisis providing essential services to Maine citizens and residents and most have had an economic setback due to closures and/or lost revenues.

As a state, we can’t afford to overlook the nonprofit sector. Right now, cities and states are relying on nonprofit partners as a buffer against the worst impacts of the outbreak. We will continue to rely on the expertise and experience of these community-based institutions in the recovery effort that lies ahead.

Any government relief addressing the immediate needs of Maine workers, families, and businesses during this crisis needs to acknowledge the unique circumstances and contributions of nonprofit organizations, which are a sizable portion of the workforce AND on the frontlines of essential service delivery.

2. What is the recommendation?

To meet the Economic Recovery Committee’s business, public health, and child & family priorities effectively, this recommendation proposes a $45M Nonprofit Relief Fund to address costs and losses incurred by nonprofit businesses as a direct result of COVID-19, and provide resources to help them meet important health, economic, and social needs that directly result from COVID-19, particularly of those communities experiencing disproportionate impacts of the pandemic.

To come through this crisis, we need partnerships, policies and relief measures that respond to varying—and inequitable—health, social, and economic situations. The nonprofit sector, which is made up of hundreds of community-based organizations representing a diverse array of Maine people, is uniquely poised to be a pivotal node in solutions that promote equitable communities and economies.
The Fund would be administered through a partnership among state agencies, philanthropic foundations and nonprofit entities to ensure that organizations foundational to Maine’s economy and community support infrastructure aren’t inadvertently left out of the State’s prioritized relief efforts. We also recommend that communities disproportionately impacted by the pandemic be prioritized as voices in this partnership.

3. How urgent is this recommendation? (i.e. should it move forward immediately)

Nonprofit businesses differ from traditional small businesses in that our society demands they operate on very small margins, investing most revenue back into their missions. Because of this, most do not have the financial reserves to remain in operation during major economic downturns. Year after year, the Nonprofit Finance Fund’s State of the Sector report has revealed that the majority of nonprofits had less than three months of operating reserves on hand.

Immediate relief is necessary for nonprofits meeting ever-increasing demands on the front lines as essential service providers while also experiencing lost earned revenue due to the COVID-19 outbreak. Since March, most nonprofit businesses have lost an unprecedented amount of earned revenues through cancelled program enrollment and service delivery, as well as a big drop in charitable donations due to cancelled fundraising events.

In a July 2020 Maine Association of Nonprofits’ (MANP) membership poll, 376 responding organizations (approximately 40% of MANP’s membership) estimated a total revenue shortfall of more than $141 million due to the COVID-19 crisis. 86% report service/program disruptions (cancellations and postponements) over the past 3 months, with the vast majority of these expecting the disruptions to continue over the next year. Looking ahead to the next 12 months, more than half anticipate increased demand for services and even more expect demand for new services. One in five expects layoffs. Almost half expect increased expenses.

In addition to these alarming statistics, we know that certain sub-sectors of the nonprofit community are experiencing severe economic hardship due to the COVID-19 outbreak.

- **Community nonprofits are necessary to the State’s response to critical public needs and demand for services is increasing.** Nonprofits are stepping up during this crisis to serve the most vulnerable, often with fewer staff and significant loss of revenue. The recent MANP poll indicated that more than 1/3 of respondents are experiencing increased demand for their services, and more than ½ expect increased demand in the coming 12 months. Nonprofits are helping translate and disseminate public health guidance and supplies to New Mainers, treating the sick, feeding those who have lost jobs, delivering meals to seniors, caring for kids whose parents are essential workers. Nonprofits shelter people experiencing homelessness, care for those with disabilities, counsel people experiencing addiction and mental illness.

- **In particular, organizations led by black, indigenous, immigrants, refugees and other people of color** are on the front lines. For example, New Mainers Public Health Initiative (NMPHI), based in Lewiston, is a public health institution focused exclusively on Maine’s immigrant, refugee, and asylum seeker communities. When the first case of coronavirus appeared in Maine, the NMPHI team quickly identified vulnerabilities in their community and leapt into action. In the absence of a state public health presence in Lewiston, a coordinated response was critical. NMPHI quickly convened a New Mainers COVID-19 Task Force made up of immigrant-led and immigrant-serving community-
based organizations in the Lewiston/Auburn area. With NMPHI at the helm, the Task Force identified health risk factors (such as prevalence of chronic diseases, poor nutrition, and lack of health education) and overlaid them with community barriers (including lack of translators, low literacy, and persistent distrust of the mainstream health system) to develop a culturally appropriate public health response to COVID-19, which has exacerbated health inequities in these communities that result from long term systemic biases and lack of community attention.

Centered around trusted Community Health Workers, who come from the communities they serve, NMPHI is supporting more than 500 families in navigating the COVID-19 crisis with wrap around public health support that includes work on food security, housing advocacy, and education support in addition to a coordinated public health campaign in five languages using innovative strategies to solve the complex health needs of Lewiston’s multicultural New Mainer community.

- **Public libraries**, 58% of which are nonprofits, are facing decreased municipal support. Libraries are a cornerstone of communities: educationally, socially and civically; people turn to them to nurture their minds and feed their aspirations. In some communities, the library is the only point of Internet access, and people rely on this resource to take GED classes, get help with resumes and job searches, check in with their doctors through tele-health, build language and literacy skills (at all age levels), and apply for state services. No other institution, public or private, does a better job of reaching people who have been left behind in today’s economy, have failed to reach their potential in our public school system or who simply need help navigating an increasingly complex world. **For every dollar spent on Maine public libraries, the return on investment for towns is $4.59**, according to Jennifer Alvino, President of the Maine Library Association. A strong library equals a strong community.

- **Nonprofit performing arts organizations** are critical drivers of our year-round economy yet due to their in-person audience exposure, they are likely to be among the last to reopen. Attending live performances such as concerts and plays may not be possible until a vaccine is readily available to the public, which could be many months away, if not longer. These organizations need support to make the necessary changes to their facilities and to keep their staff employed, while innovating programs.

  Performing Arts venues are entertainment hubs, providing important economic multipliers to local economies. Every $1 spent at nonprofit arts organizations results in $46 spent in the local economy. Arts and cultural organizations add a value of $1.5 billion to Maine’s gross state product and provide upward of 17,000 jobs. Failing to act now to support these organizations will put Maine at risk of losing cultural resources that make Maine communities vibrant and attractive to families and tourists.

- **Maine’s summer camps and environmental and outdoor education organizations** are providers of much-needed childcare and drivers of economic activity; we need to ensure that Maine’s youth camps are able to weather this storm.

  Summer camps contribute roughly $200 million to the state’s economy each year in terms of what camps spend, and what parents spend when traveling, according to Ron Hall, Executive Director of Maine Summer Camps, which represents more than 140 overnight and day camps. The vast majority of overnight camps are closed due to the pandemic and the reasons are many: the overwhelming expense of restrictions and
guidelines, lack of campers to pay for the expense and the uncertainty of providing a safe environment. Most of Maine’s camps, whether closed or open, are wondering how they are going to pay their bills.

A sample of organizations who responded to a recent Census of Community-Based Environmental Learning in Maine reported that collectively they serve between 60,000-100,000 youth each year. Findings include: 73% of organizations are not running fee-for-service youth programs this summer; only 4% of organizations are running a full schedule of in-person programs; only 12% of organizations will be bringing on their usual number of summer staff; and 71% of organizations will not be hiring summer staff.

4. What are the benefits?

Grants would enable nonprofit organizations to maintain—and potentially meet new demands for—services to tens of thousands of residents impacted by the coronavirus epidemic, and would help address lost revenues allowing nonprofits to retain key staff, and/or cover the direct expenses of delivering services to respond to the effects of the COVID-19 crisis. This support would enable critical organizations to serve through and after the crisis. Maine relies on the nonprofit sector—to support those most in need, to drive the creative economy, to develop community leaders, to care for our children, and much more—and without these funds, many nonprofit organizations will not be able to deliver the public benefits of their services now or in the future.

Also, the resources we allocate now must align with our vision for the future: a fairer, more just Maine. Our response will only be effective if it includes the places, people and organizations too often left out by our current systems. The work done by nonprofits—and their relationships with our communities—helps keep issues of equity front and center as we chart Maine’s future together.

5. What are the costs?

This $45M Fund is based on an estimate of providing grants between $10,000-$50,000 to approximately ⅔ of Maine’s nonprofit sector. $45 million would be designated for a community-based granting process administered by foundations, and approved and allocated by the State.

6. When should implementation begin and when is an outcome realized?

Implementation should begin immediately.

7. Will any populations, communities, or industries be disadvantaged by this recommendation?

We do not believe so. Not acting will have a negative impact on many populations, communities and types of nonprofit organizations.

8. Is there an existing model for this, in or outside of Maine?

Yes. This recommendation is modeled on the Nonprofit Relief and Recovery Fund established by Governor Sununu and administered through a partnership between the New
Hampshire Charitable Foundation, the New Hampshire Community Development Finance Authority, and the New Hampshire Center for Nonprofits.

Other states have adopted similar relief funds dedicated to charitable nonprofits given their unique position as both employers and public benefit organizations.

**9. What additional data or information is needed, if any?**

We look forward to partnering with the Mills’ administration to determine how best to implement this Fund.

**10. What else should be considered to evaluate this recommendation?**

The primary focus of this Fund will be to support the many small nonprofits in Maine that provide key economic and community supports to Mainers, yet are being left behind in relief efforts. It would be considered a complement to other supports involving nonprofits that provide safety net services.

**Part B. Relief for Nonprofit Businesses that Self-Insure Unemployment Claims**

**1. Which sector does this recommendation support, and/or which barriers does it address?**

Under Maine law, charitable nonprofits (501c3) are given the option to forgo contributions to the unemployment compensation fund, and instead, to reimburse the fund for benefits paid to their employees (“self-fund their unemployment”) (26 MRSA 1221). Nonprofit employers often elect this reimbursement option because they rarely have a large number of layoffs. During the unprecedented COVID-19 crisis and through no fault of their own, many nonprofits have had to or will have to lay off or furlough employees.

Currently, there is a crisis facing Maine’s charitable nonprofits that have elected to self-insure and reimburse the state unemployment insurance trust fund for the amount of benefits any terminated or laid off employees claim.

The CARES Act provided for 50% relief for these unemployment claims, but the remaining 50% has proven an unbearable burden for many of these nonprofit employers. (Current US DOL guidance says states must require self-insured nonprofits to reimburse their UI trust funds for 100% of their COVID-19 related UI claims upfront and then seek reimbursement from their already overburdened state UI trust funds of 50% of those payments.)

Under normal circumstances, nonprofits might use their operating reserves to provide the capital for this payment. However, this process will be particularly problematic during and after the COVID-19 crisis, since many nonprofits have already exhausted any operating reserves they may have had to mitigate immediate financial losses (otherwise, they may not have had to lay off or furlough staff in the first place).

**2. What is the recommendation?**

We recommend a fund of $5 Million to address the needs of this segment of the nonprofit sector.
Any recommended solution will accompany our ask that the state follow the original guidance suggested in Section 2103 of the CARES Act, which says the states should offer maximum flexibility in payment options for self-insured nonprofits.

3. How urgent is this recommendation? (i.e. should it move forward immediately)

Nonprofits generally do not keep much in operating reserves as it is expected that they reinvest revenue into mission delivery. Therefore, these organizations do not have the reserves to pay these costs and wait for reimbursement. We know that there are nonprofit organizations in our state that are getting invoices for hundreds of thousands of dollars a month - right now.

For example, for the nine YMCAs in Maine that self-fund their unemployment benefits, the total estimated cost of directly reimbursing their claims is nearly $500,000 per month. If the Maine YMCAs that self-fund must directly reimburse all their unemployment claims during this crisis, there is a significant possibility that many will not be able to survive. The Maine YMCAs serve 130,000 Mainers each year; their demise would have a significant negative impact on their communities. Other examples include the Goodwill of Northern New England, the Community Dental centers in Maine, the YWCA of Central Maine, Southern Maine Area Agency on Aging, the Boys and Girls Clubs and many, many more. As of this writing, the current liability we are aware of is nearly $6 Million.

4. What are the benefits?

By stabilizing these organizations, they will be able to bring back employees who serve our communities.

We know that having to pay these claims will delay the rehiring of some or all of their staff, which will harm Maine’s economy by slowing recovery from the COVID-19 crisis. It could result in making further cuts to programs and services, which in turn will harm communities, since they will have reduced access to health care, childcare, food assistance, affordable housing, domestic violence and homeless shelters, and other critical services. Our fear is that it could ultimately result in vital organizations going out of business altogether.

5. What are the costs?

The costs inherent in providing relief to the self-insured organizations will be dependent upon the recommended solutions. Our hope is that the Maine Department of Labor will be a resource in determining the fiscal impact to the state by providing a list of nonprofit self-insured organizations and the totals associated with the COVID-related unemployment claims.

6. When should implementation begin and when is an outcome realized?

Implementation should begin immediately. The sooner the organizations are stabilized, the sooner they can bring employees back to work.

7. Will any populations, communities, or industries be disadvantaged by this recommendation?

We do not believe so. Not acting will have a negative impact on many populations, communities and types of nonprofit organizations.
8. Is there an existing model for this, in or outside of Maine?

The following list of states hold nonprofits harmless for unemployment claims: Illinois (awaiting governor’s signature), Iowa, Louisiana, Montana, Nebraska, New Hampshire, North Carolina and New Mexico. (LA, MT, NE and NH governor’s issued executive orders to be able to do so.)

Orders and guidance in Delaware automatically defer payments for nonprofits and other reimbursable organizations by 90 days.

The broad language in emergency rulemaking in Georgia appears to include nonprofits in the declaration that employers “not be charged certain benefits paid for unemployment.”

In Utah, guidelines eliminated one of two rates normally imposed on employers and greatly reduced the remaining rate during the pandemic. Nonprofit and for-profit employers in Kentucky with fewer than 100 employees are held harmless for their reserve ratio.

9. What additional data or information is needed, if any?

It would be useful for this sub-committee to have from the Maine DOL a list of nonprofit organizations that self-insure their unemployment benefits and the total dollar amount of Covid-related claims made - perhaps from March 15 until the present day.

Anecdotal evidence has been gathered and can be provided from large Maine employers such as Goodwill NNE, Maine's YMCAs, the four Community Dental programs, as well as from the Unemployment Solutions Trust (UST), the country's largest private unemployment trust and others. The National Association of Nonprofits is currently conducting a nationwide survey on this issue.

10. What else should be considered to evaluate this recommendation?

To be clear, without a solution, the impact of these claims will be devastating for many nonprofits. Organizations like Spurwink, Sweetser, YWCA of Central Maine, Kidspeace, Girl Scouts of ME, Boys and Girls Club of Southern ME and potentially hundreds more significant nonprofit employers will need to delay the rehiring of laid-off or furloughed workers, make further cuts to essential programs and services, and, in some cases, close their doors altogether.