July 24, 2020

The Honorable Janet T. Mills
One State House Station
Augusta, ME 04333

Dear Governor Mills,

As Maine responds to this unprecedented crisis, we continue to be proud that the shared sacrifices of our people and our businesses, alongside the effective leadership of Maine’s government, has led to a strong response to the pandemic thus far. We are grateful that Maine’s numbers of infections and deaths are comparatively low, and that our state has not seen the spike in infections that other parts of the country are experiencing at this time. Although we must proceed with great caution, there is cause for guarded optimism based on our experience to date.

Nevertheless, the pandemic continues to inflict tremendous hardship across our state. Mainers continue to be at great risk economically, as unemployment numbers remain high and small businesses struggle. Parents are worried about how our schools and institutions of higher learning will adapt. The disparate impacts on people of color are unacceptable and need to be addressed. We are facing a monumental amount of work in the months and years ahead to protect the health of our people and restore our economy.

The Appropriations and Financial Affairs (AFA) Committee has been meeting regularly and soliciting input across sectors regarding the impact COVID-19 is having on Mainers lives and their livelihoods. This could not have been possible without the partnership from your Administration and the information we have received from Commissioner Figueroa, Commissioner Johnson, Commissioner Makin, Director Pingree and others. Their help is invaluable.

Amidst this work, our committee remains aware of your desire to continue to work with us, especially with respect to the allocation of the $1.25 billion in Coronavirus Relief Fund (CRF) that Maine received from Washington in April. Moreover, we understand that you have already
committed or spent a significant portion of these funds on certain immediate efforts, such as replenishing the Unemployment Trust Fund, supporting state-employed essential workers, and helping public schools meet the challenge of safely educating our students.

Additionally, we have been monitoring the work of the Economic Recovery Committee (ERC) and we applaud the commitment and effort that ERC members have contributed to Maine’s path forward. We are in receipt of the July 15 report that the ERC has submitted for your consideration and have reviewed the specific recommendations respective to potential uses of CRF dollars. We wholeheartedly agree with the ERC on the urgent need to determine the best use of these dollars and to allocate these funds as quickly as possible, so that they can be put to the best use in helping struggling Maine people and small businesses.

The recommendations within the ERC report respective to the investment of CRF funds are consistent with what we have heard from Mainers during our recent meetings. They also closely align with the priorities outlined in the recent letter to you from the AFA Chairs. However, there are some notable differences. First, the ERC report does not directly address how Maine will close the gap in the marked disparities in health care and economic outcomes experienced by people of color and indigenous people. Closing this gap should be at the forefront of our efforts to respond to the pandemic in an equitable manner. Second, it does not focus on the specific needs of front line workers who have put their lives on the line to provide essential services to Maine people, especially to vulnerable populations served through contractual arrangements with the Maine Department of Health and Human Services.

The committee has invited the ERC Chairs to meet with AFA on July 27th to present their report and discuss their recommendations. We are also very interested in your plans to implement these recommendations and the proposed timeline. We want to reiterate the urgent need to distribute these funds quickly to bolster our recovery. In addition to the ERC Chairs, we would like to invite a representative from your Administration to determine how we can best facilitate this distribution. On behalf of the people of Maine, let’s continue our work together and agree on a plan for moving forward with the allocation of these funds as soon as possible.

We look forward to your response and for the opportunity to continue to work with you to meet the challenges facing Maine people.

Sincerely,

Senator Cathy Breen
Senate Chair
Joint Standing Committee on Appropriations and Financial Affairs

Representative Drew Gattine
House Chair
Joint Standing Committee on Appropriations and Financial Affairs
July 27, 2020. Good morning. I am Kirsten Figueroa, Commissioner of the Department of Administrative and Financial Services. Thank you, Senator Breen, Representative Gattine and distinguished members of AFA for the opportunity to be here today.

Thank you for the opportunity to discuss the Mills’ Administration’s plans and those actions already taken regarding the Economic Recovery Committee (ERC) recommendations. Governor Mills has been routinely updated by the ERC and well briefed on the specifics of their July 15th report. Additionally, the Governor is in receipt of the July 24th letter from the Democrat members of this committee. As the Governor has pointed out, the data and recommendations gathered from these committees, as well as from each of her Commissioners and department heads from their affected sectors, provides valuable insight to inform decisions made daily to successfully navigate Maine through this pandemic.

Maine’s economy has been affected by the pandemic in different ways attributable to our demographics – our large service sector, our high percentage of older individuals, our proximity to New Hampshire, Quebec and New Brunswick, and our large number of nonprofits, small businesses, and seasonal enterprises. Maine’s agricultural sector and commercial fisheries depend on restaurants, banquets, university cafeterias and school lunch programs which have closed or reduced their capacity to minimize the spread of the COVID-19 virus. Tourism has been and will continue to be impacted by COVID-19’s limits on travel, changing modes of recreation and lower consumer spending. Health care, manufacturing, child care, the arts and higher education all face new pressures and challenges. At the same time, there are opportunities to reimagine how we do everything from business to health care to recreation to education; how we elevate the lives of lower and middle income families; how we eliminate disparities in rural and urban populations; and how we invite new investments in and new models of business, communication and innovation.

The ERC Chairs and committee members, on a volunteer basis and on their own time, have dedicated hundreds of hours to examine the great disruption caused by the pandemic and to report back on the impacts to the Maine economy; to make recommendations for policy changes to address these impacts; and to help our state meet the challenges of the future. The Governor appreciates that it was
nearly impossible to focus on the future part of their charge without also evaluating and recommending immediate action. She thanks them for their thoughtful consideration and recommendations, while also appreciating their conclusion that not all needs will be met and that Maine – like all states – reiterates the urgent need for further federal stimulus action.

As the Administration has consistently stated since the beginning of the pandemic, and as confirmed by the work of the ERC and legislative committees, Maine’s economic recovery and protecting and ensuring public health are interconnected. As we just heard, the ERC has organized this interconnection into categories that support Maine’s workforce; businesses and nonprofits, including Maine’s heritage farming, fishing and forestry industries; education and child care; and creating and ensuring a foundation for future sustainability and growth.

Specifically, to the Administration’s plans and timing in regard to the ERC recommendations.

In supporting Maine people, the Administration, since Governor Mills took office, has worked to rebuild a public health infrastructure that had been defunded and eroded over many years. These efforts better positioned Maine to respond to this pandemic and the Governor thanks Commissioner Lambrew, Dr. Shah and the dedicated staff at CDC for their unwavering commitments to shepherding Maine through this unprecedented time.

As previously reported, and updated weekly in a spreadsheet (and soon to be available pie chart) posted on the Bureau of Budget website, there have been specific uses of the $1.25B Coronavirus Relief Funds (CRF) for public health efforts including:

- $18.6MM for personal protective equipment for the state’s stockpile, which is distributed statewide to Maine’s healthcare network
- $13MM through grants to Maine’s municipalities for the public health campaign, Keep Maine Healthy
- $2.8MM for contract tracing, community supports and contracts to bolster the $52.7 million CARES grant direct to DHHS for testing and related activity.

These efforts are in conjunction with certain federal government action such as PPE via Maine’s Emergency Management Agency and PPE and testing supplies direct to Nursing Facilities.
As highlighted by our Maine Department of Education, supported by the ERC recommendations and now being highlighted at the national level, the education and care of our children is an essential measure to allow families and employers to plan for the future. The Governor appreciates the significant efforts of Commissioner Makin, her committed team and the educator community.

The Maine Department of Education, in close collaboration with school districts’ Collaboration Planning Teams, has created a “Framework for Returning to Classroom Instruction” that provides options, ideas, and considerations for organizing the work of reintegrating back to in-person, classroom instruction. Recently, with the Maine Center for Disease Control and Prevention, MDOE updated this framework to include health and safety precautions that all schools must follow if they decide to return to in-classroom instruction to ensure the safety and well-being of students and staff. MDOE estimates the costs of this statewide effort to be approximately $328 million. The Governor has dedicated up to $165 million in CRF be distributed to school systems across Maine for the first phase of this preparation and that application process has commenced.

Education at all levels - PK-12, higher education and workforce development – is currently being discussed at the federal level. While Maine higher eds received approximately $44 million direct via CARES, much of these funds were required to be distributed directly to the students and don’t go far enough to cover expenses and revenue losses faced by Maine’s higher education system. Maine joins the other 49 states in encouraging the White House and Congress to fund these critical investments in the health and safety of the nation’s children, students and employees.

Governor Mills has dedicated $8.4 million of CRF be paid to more than 1,700 Maine child care providers for the extra costs and challenges of operating during the pandemic. This is in addition to the previously announced $11 million in CARES Act funding for Maine, which is focusing on child care providers that are open and providing care by September 8, 2020. Taken together, these child care investments meet the Bipartisan Policy Center’s recommended amount needed for child care providers to remain open or reopen in the face of the pandemic. Approximately 50% of Maine’s licensed child care providers have remained open throughout. Since May, DHHS/OCFS has encouraged and seen many closed providers reopen and, as of July 17, nearly 80% of all providers are open in Maine. The Administration
will continue to evaluate child care and out of school care based on the reopening of schools and the metrics of the health crisis. Additionally, the Governor has committed $35 million from CRF to assist local and tribal governments, and other entities that qualify for Federal Emergency Management Agency (FEMA) assistance, with incurred COVID-19 expenses. Specifically, the $35 million is intended to provide the 25% match against FEMA’s Public Assistance Program Major Disaster Declaration for COVID-19, which traditionally covers 75% for eligible expenses incurred on or after March 1, 2020 that FEMA has approved by December 1, 2020. Again, as previously stated, the Governor as part of National Governors’ Association, continues to encourage the loosening of restrictions of CRF such that lost revenues could also be an eligible use of CRF.

With the $600 in additional Federal unemployment benefits scheduled to expire, the Governor is deeply concerned about the housing cliff that many Maine people, particularly lower-income Maine people, may face. The Governor recently signed a Financial Order dedicating $2.2 million in Federal Community Development Block Grant funding to address emergency housing needs for low-and moderate-income people as a result of COVID-19. As her Administration evaluates the Economic Recovery Committee’s recommendations around rental assistance, rapid re-housing and eviction prevention, it will continue to work closely with MaineHousing and others to see what actionable steps can be taken immediately to protect people affected by COVID-19 from experiencing homelessness.

Additionally, the Governor appreciates the Committee’s recommendations for bonding in this low interest environment to ensure ongoing investment in Maine’s talent, infrastructure and innovation. She is pleased that Maine citizens also recognize the importance of these efforts and recently voted in favor of Maine’s connections bond, with $15 million for broadband and $105 for Maine’s transportation network. But, as noted, there is an estimated $600 million deficit in broadband internet investment in Maine. Also, COVID-19 related challenges are mission critical for the Maine Department of Transportation (MaineDOT). Without emergency relief, MaineDOT’s 1,800 jobs and/or hundreds of millions of dollars in capital projects are at risk. This in turn jeopardizes safety and operational effectiveness of Maine’s highways and bridge system and thousands more private-sector construction and indirect jobs.
Turning to Maine’s employers. To date, the Governor has approved the transfer of $270 million of CRF to backfill payments made from Maine’s Unemployment Trust Fund through June 30. The Trust Fund is funded by tax payments from 45,000 businesses representing 607,000 employees. Using these CRF funds will minimize future tax increases for these employers (which could be as high as 120%), which means those dollars are available for employers to spend on items such as employee payroll and benefits. It is estimated that another $170 million will be needed for the period of July 1 through September 30. Continuing certain unemployment programs is another topic currently being discussed as part of the federal stimulus effort #4.

Businesses and non profits have been impacted by the pandemic at different levels. The Governor thanks Commissioner Johnson and her small but mighty team at DECD for their unwavering commitment to supporting, communicating and advocating on behalf of Maine’s business community. The Department has been working with organizations directly and compiling data to have more detail.

Federal programs have been helpful, and Maine financial institutions have been working closely with businesses on deferrals. There is still funding in the PPP program and we encourage Maine businesses to utilize that program. Again, the Governor, through the NGA, is encouraging the federal government to expand and extend previously established programs, such as PPP, as these options are running out or too restrictive. For instance, many of our Maine businesses struggle with the fixed costs component that aren’t payroll related.

As for the business supports recommendation by ERC, we know the impact is much larger than any support program we can develop, but the Administration is committed to working closely with businesses to find the best path forward to help as many as possible. The next step is to more specifically quantify the impact of COVID-19 on Maine’s employer community, including our tourism industry and our heritage fishing, farming and forestry industries. This would include understanding the revenue losses, business disruption, resources used, as well as other documented COVID-19 impacts, assessment of need, and future projections. Businesses should have a good sense for their projections now that they have been operating for a couple of months under the COVID protocols. We have drafted a pre-application proposal, which we would like to forward by end of day today to
AFA and ERC, or subcommittees thereof. We would appreciate your review, input and edits hopefully by this Friday, that way the pre-application can be posted online and available to the business community by next Monday. DECD will socialize the plan with businesses and nonprofits this week in preparation. While we haven’t finalized the exact specifications of a business support program, we will continue to work that aspect while gathering this information and keeping tabs on the federal efforts. Once we have the specific business information, we will compile it and bring program outlines considerations to AFA for Legislative input.

The total of the above CRF commitments totals approximately $584 million, not including the second phase of education or additional transfers to unemployment trust fund, or in the case of additional flexibility from the federal government, revenue loss backfill. As touched upon throughout, the Governor, separately and with the NGA, continues to advocate to Maine’s Congressional delegation. She sent a comprehensive letter on May 14th. And, as part of your online documents, you will find her most recent letter dated July 20th. In both, the Governor reminds our delegation that Maine’s economic and fiscal position was solid going into the pandemic. Nevertheless, the overarching and all-consuming pandemic shows an impact of well more than the $1.25 billion of CRF could cover. The most recent letter shows more than $3 billion, but is not all inclusive and for certain items, like business support, still unquantified specifically. The Governor notes that the support Congress has provided to date has been critical to preserving Maine’s health and initial economic needs, but that further action by the Federal government is urgently needed to provide necessary relief to Maine citizens and all sectors of our economy – local and tribal governments, state government, education, business, tourism, health care, nonprofits – through flexibility of the funds already sent to the state as well as with additional funding.

All this to say that Maine has accomplished so much in what feels like years but has been 3 months since the receipt and initial guidance of the CRF monies.

One final note. The Governor wishes to express her appreciation to all Maine citizens for continued patience and cooperation. Maine has kept our COVID-19 numbers low in comparison to other states because we’ve done the right thing. We are and continue to be in this together.

Thank you.