



**Testimony by William Norbert
Governmental Affairs and Communications Manager**

Neither For Nor Against L.D. 874

***An Act to Provide Relief to Federal or State Employees Affected by a Federal
Government or State Government Shutdown***

April 8, 2025

Joint Standing Committee on Health Coverage, Insurance and Financial Services

Senator Bailey, Representative Mathieson, and Distinguished Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services:

My name is Bill Norbert. I am the Governmental Affairs and Communications Manager at the Finance Authority of Maine (FAME). I am testifying today Neither For Nor Against L.D. 874, *An Act to Provide Relief to Federal or State Employees Affected by a Federal Government or State Government Shutdown*.

FAME is a quasi-independent state agency whose mission is to enrich business and educational outcomes through relevant, timely financial support to Maine's people. Our vision is a Maine where all people have access to improved economic outcomes through business growth and education attainment.

This bill would establish the Government Shutdown Loan Guarantee Program. The program, which would be administered by FAME in partnership with the State Treasurer and local lending institutions, would provide access to voluntary, no-interest loans for certain federal employees located in Maine and for state government employees affected by a partial or full shutdown of the federal government or the state government that lasts for longer than seven consecutive days. FAME would, in the event of a borrower's failure to repay a loan, guarantee up to 10% of the overall loans eligible credit unions and financial institutions make to affected employees. Under the bill, affected employees would be eligible for up to three loans during a shutdown, each equal to their monthly after-tax pay, less unemployment benefits, up to a maximum of \$6,000. Eligibility must be proven by the employee based on certain requirements. The creditworthiness of an employee may not be used as a factor to determine eligibility for the program.

We hope that a federal or state shutdown never happens, but if one does, we would be pleased to be part of the relief. Should the Legislature and Governor agree to enact this concept, we can develop and administer the program so long as sufficient funding for the program's effective operation is provided and our reasonable administrative costs are met.

The bill provides for initial appropriations of \$250,000 in FY 25-26 to fund the program, with a provision allowing the Legislature to periodically review program funding needs. By our estimates, \$250,000 would allow for the repayment/guarantee of 41 defaulted or "bad" loans out of a potential pool of 416 overall program loans. (Note: \$250,000 represents 10% of \$2.5 million in overall assumed voluntary loans. 416 loans at \$6,000 each = approx. \$2.5 million). Would this amount be enough considering participants could take up to three loans of \$6,000 each? The committee may wish to consider increasing the fund balance from \$250,000 to \$350,000 or even \$500,000 since state workers and federal workers are included in this proposal. Increasing the fund to \$500,000 would permit for the repayment of 83 defaulted or "bad" loans out of an overall assumed pool of 830 program loans. It is difficult to estimate how many employees would participate in such a program, but there is potential for there to be a significant number.

FAME would experience some administrative costs if and when the program is operated. The bill would require FAME to guarantee loans made by lenders that they are unable to collect after making reasonable efforts. We would then submit lender claims for payment to the Treasurer who would in turn pay FAME from the established fund. FAME would then distribute the loan guarantee payments (so long as they last) to the lenders. FAME would also need to continue any unsuccessful collection efforts from borrowers that the lenders were unable to collect. We would need to maintain and review program records. We also would need to monitor and terminate loan guarantee payments if and when such payments exceed 10% of the total of all loans issued. Additionally, we would need to set up the program and educate our lending partners on the program parameters. We also would likely need to engage in rulemaking.

We respectfully request that the bill be amended in Section 1 to allow for FAME to submit reasonable administrative expenses to the State Treasurer for reimbursement from the overall fund to be kept with the Treasurer. This would be in addition to the existing bill language in Section 2 of the bill (§ 1100-LL(4)) allowing us to take some administrative expenses from recovered loans during the collections process. Finally, the committee may want to consider not leaving the fees and interest rates for loans under the program uncapped.

Thank you for your consideration of my comments. I would be happy to answer any questions you might have.