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Testimony of Representative Kristi Mathieson presenting

LD 2102, An Act to Clarify and Strengthen the Government Shutdown Loan Guarantee Program

Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services

Senator Bailey and honorable members of the Committee on Health Coverage, Insurance and Financial Services. I am Representative Kristi Mathieson, and I represent House District 151, the seaside community of Kittery. I am here to present **LD 2102, An Act to Clarify and Strengthen the Government Shutdown Loan Guarantee Program**.

This bill builds on the program created through LD 874, which established the State and Federal Shutdown Loan Guarantee Program administered by FAME. The program encourages Maine lending institutions to voluntarily offer interest free loans to eligible state and federal employees during shutdowns lasting more than seven days.

Federal and state employees in Maine are the backbone of essential public services, from public safety, transportation and education to, in my district, maintaining our Navy submarines and protecting our aviation, infrastructure and borders. When these workers are furloughed or required to work without pay, they face immediate financial strain. They are not responsible for government shutdowns, yet they bear the consequences.

In Kittery, nearly 7,700 federal workers at the Portsmouth Naval Shipyard are deeply affected when they are required to work without pay as essential employees. During the recent 43-day shutdown, I heard daily from employees, who could not afford gas to get to work, to pay for child care or keep up with mortgage payments. Some were unable to travel beyond the mandated 50-mile workstation radius required when stationed out of town, which meant they could not return to Maine to apply for assistance. Most were ineligible for unemployment because they were still required to work full time, were not available for additional work and were not seeking other employment, criteria necessary for unemployment eligibility. Others were frustrated that their on base credit union did not offer a small emergency loan without the 3% interest charge. Several workers also reported confusion because financial institutions applied the program's

requirements inconsistently, resulting in mixed messages about eligibility and what was needed at the time of application.

LD 2102 works to clarify these issues to help ensure the program functions as intended:

- **Clarifying eligibility:** The bill specifies that employees are not required to apply for unemployment benefits, undergo a credit check, be a member of the lending institution, or appear in person if they can verify Maine residency while stationed out of state. This clarification is especially important for deployed service members who are prohibited from traveling more than 50 miles from their duty station during a furlough.
- **Strengthening the fund:** The bill increases the program's funding pool to ensure stability and to support the expanded and clarified eligibility provisions.
- **Clarifying repayment and removing the termination clause:** The bill strikes the existing language that could be interpreted as limiting lender repayment to 10% of total loans issued. It clarifies that lenders are repaid 100% of any defaulted loan, and removes the statutory requirement that FAME cease honoring claims once payments reach 10%. With increased funding, this termination clause is no longer appropriate.
- **Emergency preamble:** The bill includes an emergency preamble so the clarified program is available immediately should another shutdown occur.

Although the program launched only weeks before the most recent 43-day shutdown, it still provided some meaningful support. Three Maine lenders, cPort Credit Union, Kennebunk Savings Bank and Franklin Savings Bank, issued 151 loans totaling \$758,602, including 84 loans to Portsmouth Naval Shipyard (PNSY) employees. This clearly met an important need, but with nearly 7,700 workers at PNSY, the potential to reach more people is significant.

Not all employees need assistance during a shutdown, but these highly skilled professionals who maintain the U.S. Navy's submarine fleet deserve our unwavering support. During a shutdown, they are required to keep working while their pay is withheld until Congress resolves the impasse. Their bills do not stop. Their families' needs do not pause. The stress is immense.

LD 2102 strengthens a program that has already proven its value and ensures that the workers who keep our state and nation functioning are not left without support during circumstances entirely outside their control.

Thank you for your time and consideration.