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Testimony of Maine AFL-CIO Legislative & Political Director, Adam Goode, in support of LD 2102, "An Act to Clarify and Strengthen the Government Shutdown Loan Guarantee Program"

Senator Bailey, Representative Mathieson and members of the Health Coverage, Insurance and Financial Services Committee, my name is Adam Goode. I am the Legislative and Political Director of the Maine AFL-CIO. We represent 40,000 working people in the state of Maine. We work to improve the lives and working conditions of our members and all working people. We testify in strong support of LD 2102.

Last summer Governor Mills signed LD 874 into law. That legislation, which earned a 12-0 vote out of this committee, created a loan guarantee program offering interest-free loans to help cover lost income for essential state and federal employees during government shutdowns lasting more than seven days. Under the new law, workers who are working and without pay during a government shutdown or who are furloughed can receive up to three individual loans per shutdown, with repayment delayed until the shutdown ends or 90 days later, and no interest charged for 180 days after that.

When the state or federal government shuts down due to political brinksmanship, it's not politicians that have to face real consequences, it's working families. Federal and State employees in Maine are the backbone of essential services. They provide health care, maintain roads, provide public safety and protect our most vulnerable.

LD 874 went into effect in early October and we immediately started the longest federal government shutdown in history. During that shutdown we heard from firefighters, carpenters, TSA workers, painters, social security workers, people that work at Portsmouth Naval Shipyard and many other dedicated federal workers who were forced to work without receiving their normal paycheck. Many of these workers struggled to pay for heat, buy groceries and pay bills for basic necessities.

Many workers were grateful for the few lenders that participated in the program and their ability to access loans. That said, there were just three lenders who participated in the program that had loan options for people who were not members of that institution prior to the shutdown, and some of those lenders had county specific geographic residency requirements. For the vast majority of federal workers there was no lender willing to participate in the program. We feel strongly that the intent of this committee was to have an option available for federal and state workers who are providing essential services during a government shutdown. For the 43 day shutdown in 2025, that was not the case.

There were many challenges for working people in accessing this program. One of the two lenders that participated was totally overwhelmed with inquiries from workers seeking loans. This is because most people didn't already have membership at institutions that were offering options. That lender had to pause applications because they just couldn't keep up with the demand.

The lender that many federal workers in York County use was not participating in the program and was offering loans at 3% interest. Other lenders entered the program and then left after just a few days. Some clearly were not well educated about the program. Two initially stated that applicants for loans needed to apply for unemployment first. There is no way that we would tell federal workers who we know are not eligible for unemployment to apply for it as that could potentially trigger benefit overpayment recovery and disqualification from future benefits.

We heard from many lenders that did not seem to understand that federal workers who were forced to work without pay would absolutely be paid back once the shutdown was over. Federal workers who were not deemed essential and were not working during the shutdown may have faced that situation, but the people who were being expected to pay for gas for their vehicles to get to work were certainly going to be paid when the shutdown ended.

We also want to remind the committee that these workers must pay back loans in order to maintain federal security clearance. These are reliable people who have workplace requirements that they not default on loans. They should absolutely not be expected to rely on community members donating gas cards so they can get to and from work.

We fear we will face this situation again if there is not a policy change that makes it more likely that lenders participate in the program. Based on our experience working with lenders, unions and workers attempting to access loans, we feel that line 28 and 29 in LD 2102 is the best idea to help get more participation in this program during subsequent shutdowns.

We spent a lot of time working to communicate with union members about how to access the program. We also talked with lots of lenders and very much want this program to be something that lenders feel good about participating in. We want to work with the committee, FAME and the lenders to try to make this a realistic option for federal workers to keep up with rising costs when they are working without pay.

We ask that you support LD 2102 and are happy to answer any questions.