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## Economic forecast still grim

Panel says jobs won't recover until summer

**By Mal Leary**  
Capitol News Service

AUGUSTA, Maine — State revenues continue to fall below estimates, bolstering the position of the state Economic Forecasting Commission that it will be next year before there are solid signs of the economy recovering.

“The good news is that the worst of it is over, in terms of the fall of the economy,” commission Chairman Charles Colgan told members of the Legislature’s Appropriations Committee. “The bad news is the worst was really bad.”

Colgan, an economics professor at the University of Southern Maine, said the decline of 17 percent in personal income in the first quarter of this year is the worst since income numbers have been kept, and that goes back to the Depression era of the 1930s. He said that as federal officials release actual numbers, it’s clear last year’s economic downturn was in many ways unprecedented.

“And we are not out of it,” Colgan said. He said the best estimates of the commission — based on economic models from two national groups as well as its own models — are that the state will not see a growth in jobs until next summer.

“We are not quite sure whether it will be sometime in the early summer or the late summer,” he said. “But that still looks to be the turning point on the employment.”

Colgan told lawmakers that changes made by federal agencies in their measurements of the economy have had a dramatic impact on the commission numbers. For example, he said, the commission thought wages and salaries in Maine had fallen about 1.7 percent in the first quarter of this year, only to find out last month they had dropped 17 percent.

Colgan stressed to lawmakers that the economic recovery, while it may have started, will take a long time to happen in Maine. He said that even after the economy starts to have net job growth next year, it will be several years before employment in the state is back to the level it was before the recession started.

All of the economic data from the commission will be used by the Revenue Forecasting Committee later this month to re-project state revenues. Lawmakers are sure it will not be good news.

Rep. Emily Cain, D-Orono, House co-chair of the Appropriations Committee, said the panel knew Gov. John Baldacci’s use of a projected \$200 million shortfall in revenues was a guess.

“I don’t know how bad it will be, but we are all preparing for a big number,” she said. “We know it will probably be in the \$300 million range.”

Sen. Richard Rosen, R-Bucksport, the only GOP senator on the panel, said Republicans on the panel certainly have expected the revenue shortfall to be higher than the \$200 million level. He said until the forecast committee completes its work, everyone is guessing.

“Our caucus has been focusing on the \$30 million exercise that we gave ourselves,” he said. “We know we will be facing a huge challenge with the supplemental budget, once the governor submits it next month.”

Both Cain and Rosen said the economic bad news from Colgan was not unexpected. They have been hearing from constituents for months about the impact of layoffs and the closing of stores and other businesses across the state.

Finance Commissioner Ryan Low said that while it will be later in the month before state revenue numbers are finished it appears October revenues were “about as bad” as the \$28 million shortfall in September with major revenue sources failing to meet estimates.

“It’s looking bad,” he said. “What we have seen so far is that October is looking more like September, more like May and June. We will have to wait and see what the real numbers are in a few days.”

The Appropriations Committee meets again next month after revenues are re-projected to complete work of finding \$30 million in cuts for the second year of the budget. A few weeks later they will receive the governor’s plan for dealing with the revenue shortfall.