

# **COVID-19 Pandemic's Effect on Maine's Small Businesses**

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# COVID-19 Pandemic's Effect on Maine's Small Businesses

## Introduction

In early 2020 the COVID-19 virus spread quickly across the globe. In addition to the vast amount of concern regarding public safety and healthcare during a global pandemic, COVID-19 has also had an effect on local economies all over the country and abroad. In the state of Maine, small businesses have been hit particularly hard with over one hundred permanent closures throughout 2020. The majority of closures were due to loss of income resulting from pandemic restrictions put in place to protect the public. This report will detail the various mandates that contributed to these closures as well as the programs put in place by the state administration to help save Maine's small business economy.

## Causes

Both the restrictions that were put in place in order to keep the public safe and the unavoidable effects of the pandemic itself had a devastating effect on small businesses in Maine. Some of the causes for the vast decreases in income are outlined below, including (1) quarantines, (2) business restrictions, (3) travel restrictions, (4) unemployment, and (5) lack of goods.

Governor Janet Mills' administration created and enforced several state-wide restrictions throughout 2020 that had a direct impact on the operation of small businesses. Table 1 provides a timeline of these decisions:

<b>Table 1. Timeline of Maine's COVID-19 Mandates in 2020</b>	
<b>Date</b>	<b>State Mandate</b>
3/12/20	Limits indoor gatherings to 250 people or less
3/15/20	Limits indoor gatherings to 50 people or less
3/18/20	Restaurants and bars statewide close to dine-in customers for 14 days

Date cont.	State Mandate cont.
	Limits indoor gatherings to 10 people or less
3/24/20	Non-essential businesses close physical locations
	Essential businesses limit number of customers in store
3/31/20	Residents must stay home through 4/30/20 unless for an essential job or obtaining food or medicine
4/3/20	Travelers to Maine must self-quarantine for 14 days
	Suspends lodging operations including hotels, inns, and campgrounds
4/29/20	Salons, barber shops, auto dealerships, and religious services reopen
5/8/20	Retail stores and restaurants reopen in all counties except York, Cumberland, and Androscoggin
5/14/20	Lodging providers can accept future reservations for arrivals after 6/1/20
5/27/20	Restaurants reopen for outside dining, pick-up, and delivery services in York, Cumberland, and Androscoggin counties
6/4/20	Bars reopen for outside service in all counties except York, Cumberland, and Androscoggin
	Gyms and fitness centers, nail salons, and tattoo and piercing parlors reopen
6/8/20	Allows non-residents a negative COVID-19 test result as an alternative to quarantine requirement
6/15/20	Indoor dining resumes in York, Cumberland, and Androscoggin counties
7/8/20	Retail businesses, restaurants, outdoor bars, and lodging establishments must enforce face-covering requirement
10/6/20	Limit on indoor seating increases to 50 percent of capacity or 100 people
11/5/20	Face coverings required in all public settings statewide
11/19/20	All businesses that provide seating food and drink services must close by 9pm

Source: "Response Timeline," State of Maine Office of Governor Janet T. Mills, last modified December 4, 2020, <https://www.maine.gov/covid19/timeline/>

Note: This list is not exhaustive of all executive orders, mandates, or state procedures put in place by Governor Mills during this time period, but rather includes only those directly related to the operation of small businesses.

**Quarantine.** Early in the pandemic there was a state-wide mandate for the public to quarantine, which prevented residents from patronizing any non-essential businesses in-person. Quarantine had a great effect on the economy as shopping, dining, and

entertainment outside of the home became a non-option. Even after this mandate was lifted and businesses began to reopen, many people continued to quarantine due to sickness or personal preference. This lack of patrons created an overwhelming loss of income to many businesses.

**Business restrictions.** When businesses were able to reopen, there were several restrictions put in place to help keep the public safe. These included indoor capacity limits, strict cleanliness procedures, social distancing and mask mandates for patrons, and often special hours specifically for elderly and high-risk individuals, and shortened operating hours in general.

The restaurant industry was the most affected by these limitations and also had its own set of additional restrictions. Many restaurants were forced to close indoor dining during the majority of the pandemic and had to rely on outdoor seating and take-out and delivery options. The limited capacity they were allowed, along with the extra time and expense required to adhere to their safety checklists (including mandatory signage, personal protective equipment, and cleaning supplies) made it difficult for many restaurants to bring in enough income to sustain them, let alone recoup any losses.

**Travel restrictions.** Many of Maine's small businesses make the majority of their income during the tourist season in the summer months. Unfortunately, this became very difficult as travel restrictions were put in place across the country to prevent the spread of COVID-19. In Maine specifically, the Mills administration suspended lodging operations (including hotels, inns, and campgrounds) in April. Later in the summer they were allowed to reopen, but a travel advisory that was put in place required any out-of-state residents to self-quarantine for two weeks after their arrival to the state or provide a negative COVID test result upon their entry. Some states were deemed exempt from the travel advisory when their pandemic levels lowered and then added back when they became hot spots. Travel across the country dropped significantly throughout the summer of 2020 due to sickness, quarantines, personal preference, and other states' travel regulations.

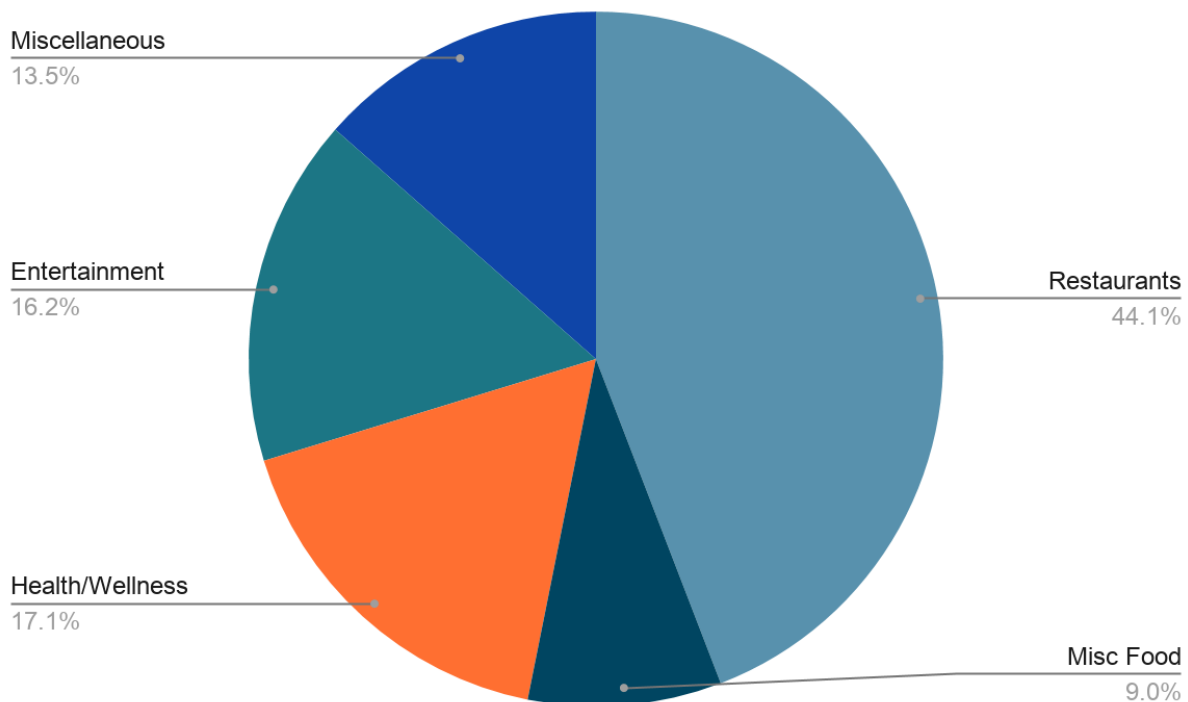
**Unemployment.** Due to increased unemployment caused by the pandemic, many Maine residents suffered a significant decrease in income and were therefore less likely to spend money in stores and shops than they normally would. When businesses were forced to close their doors during this time, either temporarily or permanently, their staff then joined the ranks of the unemployed, perpetuating a cycle of economic loss. Additionally, much of the public transitioned to working-from-home during this time. While still employed, these workers were far less likely to leave their homes and spend money recreationally than they would be during normal spring and summer months.

**Lack of goods.** Another issue became apparent to some businesses during this time when they were suddenly unable to stock their shelves due to shipping delays or lack of product. Widespread shut-downs and limited production capacity in manufacturing and shipping companies across the country and overseas created gaps in many supply chains that contributed to a loss of income for many businesses even if they were able to open their doors to shoppers.

## Closures

Due to loss of income created by the effects of the COVID-19 pandemic, there were a total of 111 small businesses in Maine that permanently closed throughout 2020, and that number continues to grow in the new year [1].

Figure 1 shows the percentage breakdown of the types of business that were forced to close during this time:



*Figure 1: Types of small businesses permanently closed in Maine in 2020.*

Source: "Response Timeline," State of Maine Office of Governor Janet T. Mills, last modified December 4, 2020, <https://www.maine.gov/covid19/timeline/>

**Food and beverage.** Of the total number of closures, 49 were bars and restaurants (including breweries and cafes) and an additional 10 were miscellaneous food and beverage facilities (including bakeries, coffee shops, ice cream shops, donut shops, candy shops, and delis). Combined, over fifty percent of all closures were related to the food and beverage industry.

**Health and wellness.** The health and wellness industry had the next highest number of closures at 19. This category included salons, barber shops, tattoo parlors, gyms, yoga studios, and other athletic centers.

**Entertainment.** The entertainment industry was on par with health and wellness with a total of 18 closures. This category included music venues, movie theaters, bookstores, art galleries, theaters, indoor gaming centers, and pottery shops.

**Miscellaneous.** Finally, there was an additional assortment of 15 businesses across the state that were also forced to close their doors. Many of these were gift shops, antique stores, and other related businesses that were affected by the lack of tourism in coastal areas of the state.

## Resources

Despite the hardships that came about during this time, Governor Mills and her administration took many steps to try and save small businesses and bolster the economy as much as possible. These measures included (1) working with the Small Business Administration, (2) creating a rent relief program, (3) establishing an economic recovery committee, and (4) creating the Maine Economic Recovery Grant Program.

Table 2 provides a timeline of the conception and implementation of these efforts:

Table 2. Timeline of COVID-19 Relief Resources for Small Businesses in Maine	
Date	Resource
3/15/20	Support from the Small Business Administration requested
4/16/20	Rent Relief Program for residents and small business announced
5/6/20	Economic Recovery Committee convened
8/4/20	Rent Relief Program expanded



Date cont.	Resource cont.
8/20/20	Maine Economic Recovery Grant Program announced
9/21/20	Second phase of Maine Economic Recovery Grant Program announced
10/15/20	Distribution of grant funds begins
11/20/20	Distribution of second phase of grant funds begins
11/30/20	New Economic Recovery Grant Program announced

Source: "Response Timeline," State of Maine Office of Governor Janet T. Mills, last modified December 4, 2020, <https://www.maine.gov/covid19/timeline/>

**Small Business Administration.** Early in the pandemic, the Small Business Administration (SBA) announced that it would provide loans to small businesses impacted by COVID-19 upon the request of their state's governor. In March Governor Janet Mills asserted the need for this assistance and Maine became one of the first states to be approved for the SBA's economic injury disaster loans. These loans offer up to \$2 million in total funds to be dispersed between businesses and can be used toward fixed debts, payroll, accounts payable, and other bills that can't be paid due to the impact of the pandemic [2].

**Rent Relief Program.** In April 2020 Governor Mills and the Maine State Housing Authority announced a \$5 million COVID-19 Rent Relief Program that allowed homeowners and small business owners experiencing financial hardship to apply for funds to help them stay in their homes and storefronts. The program began as a one-time monthly payment of \$500 directly to the landlords of those approved for assistance. In August the program was expanded to allow for up to \$1000 monthly payments for up to 3 months [3].

**Economic Recovery Committee.** In May Governor Janet Mills signed an executive order convening a thirty-seven member Economic Recovery Committee to assist in developing solutions to the Maine's economic struggles created by COVID-19. Members of the committee included representatives from small businesses, non-profits, financial institutions, unions, municipalities, tribal and immigrant communities, hospitality and tourism industries, educational institutions, and bipartisan legislators [4].

**Maine Economic Recovery Grant Program.** In August, Governor Mills announced the Maine Economic Recovery Grant Program to help support Maine businesses and nonprofits affected by the pandemic. This program was backed by \$200 million from the

Federal CARES Act Coronavirus Relief Funds (CRF). A second phase of the program was announced in September, which would make available the remaining funds from Phase 1 and increase the number of eligible businesses [5].

In November, Mills announced a new phase of the Maine Economic Recovery Grant Program that would be backed by \$40 million in CRF funds and focus specifically on supporting the service sector, such as restaurants, bars, tasing rooms, lodging, and retail shops [6].

Table 3 details the distribution of funds through this program:

Table 3. Funds Distributed through the Maine Economic Recovery Grant Program					
	Amount of Funds	Number of Awards			Average Amount Per Award
		Small Businesses	Nonprofits	Total	
<b>Phase 1</b>	\$105 million	2072	257	2329	\$45,000
<b>Phase 2</b>	\$53.6 million	1107	115	1222	\$43,000
<b>Phase 3</b>	\$40 million	Yet to be distributed			

Source: "Response Timeline," State of Maine Office of Governor Janet T. Mills, last modified December 4, 2020, <https://www.maine.gov/covid19/timeline/>

## Public Opinion

The impact that the COVID-19 virus has had on small businesses affects everyone including owners, employees, consumers, state government, and the public at large. There are differing predictions among these groups as to how so many closures will change the commercial landscape of the state, but most are able to find some sort of silver lining in the face of the unknown.

**Business owners.** According to a survey conducted by the Maine branch of Small Business Development Centers (SBDC) in August of 2020, 92% of businesses surveyed expected to survive into the new year, despite the fact that 70% of businesses had already experienced a temporary shutdown. Additionally, 80% of businesses who

implemented new innovations including delivery services, new products or services, and e-commerce options intend to retain these changes in the future [7].

Due to the unpredictable nature of the pandemic, continued closures in Maine after this survey was conducted, and the fluctuating availability of resources, it is nearly impossible to predict the actual percentage of all the small businesses that might be forced to close due to COVID-19 or the full economic impact that could have.

**Local experts.** Many local urban planning and development experts are concerned with how Maine's economy will bounce back after such a major disruption. A considerable worry is that the closing of so many small businesses will put a halt to the downtown renaissance that many cities were previously experiencing, including Portland, Lewiston, and Bangor [8]. Additionally, these closures create an opportunity for bigger businesses to move in and renovate, thus making it more difficult for small establishments to return in the future due to bigger spaces and higher rents. While potentially damaging the "downtown feel" of these locations, other experts think this could provide an opportunity for small businesses to move elsewhere and grow other neighborhoods [9].

**State government.** Governor Janet Mills and her administration have worked diligently during this time to help stem the economic impact of the pandemic while keeping health and safety of the public as their highest priority and they feel optimistic about the future.

In referencing the 3rd phase of the Maine Economic Recovery Grant Program focused on supporting Maine's hospitality sectors, Governor Mills said, "In the face of this unrelenting pandemic, many of these businesses have adapted with classic Maine grit and resilience but still face historic and unprecedented challenges. I hope these funds will help provide at least a small amount of financial support to sustain them through these difficult times." Curtis Picard, the President and CEO of the Retail Association of Maine concurred: "With a vaccine on the horizon, this added support will help get us to the finish line" [10].

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