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February 8, 2019

**To:** Senator Chenette, Representative Mastraccio  
Members, Government Oversight Committee

**From:** Danielle Fox, Director *DF*

**RE:** Pine Tree Development Zone Evaluation (Part II) – pursuant to 30-A MRSA §5250-P(2)

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Following the OPEGA report on Pine Tree Development Zones, presented in August of 2017, the Legislature enacted LD 1654 An Act To Protect Economic Competitiveness in Maine by Extending the End Date for Pine Tree Development Zone Benefits (P.L. 2017 c. 440). The PTZD program, which provides benefits to qualifying businesses for 10-years, was set to stop accepting applications in 2018 from new businesses seeking to qualify. Chapter 440 extended that date to 2021, meaning the benefits under the program would end in 2031 rather than 2028. Additionally, the law requires OPEGA to perform a (additional) review of PTZD and lays out the parameters for that work. The law requires that the report be submitted to the GOC and TAX committee by January 15, 2021. (See 30-A MRSA §5250-P attached) Our understanding is that this review is intended to include an economic analysis that was not included in the first report and that this report will inform future legislative decisions about potentially extending PTZD beyond 2021.

Information used to conduct the review will include new data that chapter 440 requires PTZD participants to start reporting this year (June 2019). In order for OPEGA to complete a review by January 15, 2021, we would have to begin the project this summer. We would have one year's worth of data to begin and then would have an additional data from PTZD reports after reports from participants are submitted in the summer of 2020. It may be helpful for the GOC to consider whether 2 years' worth of data from these reports will be useful in showing trends and providing the information necessary for evaluating future decisions about PTZD.

Given the data considerations described above, the amount of OPEGA resources available to dedicate to tax expenditure reviews and the current schedule of full reviews for which review parameters have been approved by the GOC in accordance with 3 MRSA §§997-1001 (BETR/BETE and MCIC), it may be helpful to have a discussion (at a future meeting) regarding the requirement in 30-A MRSA §5250-P. Please let me know what information you would like me to provide if you decide to add this discussion to a future agenda.

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**Maine Revised Statutes**  
**Title 30-A: MUNICIPALITIES AND COUNTIES**  
**Chapter 206: DEVELOPMENT DISTRICTS**

**§5250-P. ANNUAL REPORTING; EVALUATION**

*(WHOLE SECTION TEXT EFFECTIVE 12/13/18)*

**1. Annual reports.** A qualified Pine Tree Development Zone business, the State Tax Assessor and the commissioner each shall report annually in accordance with this subsection.

A. On or before April 15th annually, beginning in 2019, a qualified Pine Tree Development Zone business shall file a report with the commissioner for the immediately preceding calendar year, referred to in this subsection as "the report year," that contains the following information with such additional information and on forms as the commissioner may require:

- (1) The total number of Maine employees and total salary and wages for those employees for the report year;
- (2) The total number of qualified Pine Tree Development Zone employees and total salary and wages for those employees for the report year;
- (3) The number of qualified Pine Tree Development Zone employees hired within the report year;
- (4) The amount of investments made during the report year at the qualified Pine Tree Development Zone business location or directly related to the qualified business activity; and
- (5) In aggregate, the estimated or total value of Pine Tree Development Zone benefits received or claimed in the report year. [2017, c. 440, §5 (NEW) .]

B. On or before October 1st annually, beginning in 2019, the State Tax Assessor shall report to the commissioner and to the joint standing committees of the Legislature having jurisdiction over taxation and economic development matters the aggregate revenue loss to the State for the most recently completed state fiscal year resulting from Pine Tree Development Zone benefits under section 5250-I, subsection 14, paragraphs B, C and D. [2017, c. 440, §5 (NEW) .]

C. On or before June 1st annually, beginning in 2019, the commissioner shall report to the joint standing committees of the Legislature having jurisdiction over taxation and economic development matters information on qualified Pine Tree Development Zone businesses, including, but not limited to:

- (1) The names of qualified Pine Tree Development Zone businesses for the report year;
- (2) The estimated or total aggregate amount of Pine Tree Development Zone benefits received by qualified Pine Tree Development Zone businesses in the report year; and
- (3) Aggregate information for each of the most recent 3 report years on:
  - (a) Employment levels for all Maine employees and for qualified Pine Tree Development Zone employees and associated salary and wages for both groups of employees;
  - (b) Average annual salary and wages and access to health insurance and retirement benefits for all Maine employees and for qualified Pine Tree Development Zone employees; and
  - (c) Amount of investment associated with the qualified Pine Tree Development Zone business locations or directly related to the qualified business activities. [2017, c. 440, §5 (NEW) .]

[ 2017, c. 440, §5 (NEW) .]

**2. Evaluation; specific public policy objective; performance measures.** The Pine Tree Development Zone program established by this subchapter is subject to ongoing legislative review in accordance with Title 3, chapter 37. In developing evaluation parameters to perform the review, the Office of Program Evaluation and Government Accountability, the Legislature's government oversight committee and the joint standing committee of the Legislature having jurisdiction over taxation matters shall consider:

A. That the specific public policy objective of the Pine Tree Development Zone program established by this subchapter is to create and retain quality jobs in this State by reducing the tax burden experienced by businesses and thereby making this State's business tax burden more comparable to other states, encouraging location and expansion of businesses in this State and improving the competitiveness of this State's businesses; and [2017, c. 440, §5 (NEW) .]

B. Performance measures, including:

- (1) Change in employment levels of qualified Pine Tree Development Zone employees;
- (2) Amount of investment directly related to a qualified business activity;
- (3) Comparison of business tax burden in this State to other states;
- (4) Comparison of other cost burdens in this State to other states;
- (5) Comparison of the amount of public incentives received from the Pine Tree Development Zone program to the amount of public incentives received from other incentive programs in the State;
- (6) Measures of industry competitiveness for businesses receiving Pine Tree Development Zone benefits;
- (7) Measures of fiscal impact and overall economic impact to the State; and
- (8) Other measures as may be relevant to the evaluation of program outcomes. [2017, c. 440, §5 (NEW) .]

The Office of Program Evaluation and Government Accountability shall provide a report of its evaluation of the Pine Tree Development Zone program established by this subchapter in accordance with Title 3, section 999 by January 15, 2021 and shall also provide this report to the joint standing committee of the Legislature having jurisdiction over economic development matters, which may report out a bill to the First Regular Session of the 130th Legislature in response to the report's recommendations.

[ 2017, c. 440, §5 (NEW) .]

#### SECTION HISTORY

2003, c. 688, §D2 (NEW) . 2017, c. 440, §5 (RPR) .

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