SEN. ROGER J. KATZ, SENATE CHAIR
REP. CHUCK KRUGER, HOUSE CHAIR

MEMBERS:

SEN. CHRISTOPHER K. JOHNSON
SEN. DAVID C. BURNS
SEN. PAUL T. DAVIS, SR.
SEN. BILL DIAMOND
SEN. STAN GERZOFSKY
REP. MICHAEL D. MCCLELLAN
REP. RICHARD H. CAMPBELL
REP. ROBERT S. DUCHESNE
REP. ANNE-MARIE MASTRACCIO
REP. DEBORAH J. SANDERSON

MAINE STATE LEGISLATURE
GOVERNMENT OVERSIGHT COMMITTEE

MEETING SUMMARY
February 26, 2016

CALL TO ORDER

The Chair, Sen. Katz, called the Government Oversight Committee to order at 9:08 a.m. in the State House.

ATTENDANCE

Senators:	Sen. Katz, Sen. Johnson and Sen. Diamond Joining the Meeting in Progress: Sen. Davis and Sen. Gerzofsky Absent: Sen. Burns
Representatives:	Rep. Kruger, Rep. Duchesne, Rep. Mastraccio and Rep. Sanderson Absent: Rep. McClellan and Rep. Campbell
Legislative Officers and Staff:	Beth Ashcroft, Director of OPEGA Etta Connors, Adm. Secretary, OPEGA Julie Jones, Sr. Legislative Analyst, Office of Fiscal and Program Review Janet Stocco, Legislative Analyst, Office of Policy and Legal Analysis
Legislators:	Members of the LCRED Committee: Sen. Volk, Rep. Herbig, Sen. Patrick, Rep. Austin, Rep. Gilbert and Rep. Lockman Members of the Taxation Committee: Rep. Goode

INTRODUCTION OF GOVERNMENT OVERSIGHT COMMITTEE MEMBERS

The members of the Government Oversight Committee introduced themselves for the benefit of the listening audience.

NEW BUSINESS

None.

82 State House Station, Room 107 Cross Building
Augusta, Maine 04333-0082
TELEPHONE 207-287-1901 FAX: 207-287-1906

UNFINISHED BUSINESS

- **GOC Work Session on Potential Legislation Regarding DECD's Evaluation of Economic Development Programs**

Chair Katz noted that the GOC had just finished an effort to get their hands around tax expenditures and how to better evaluate all of Maine's tax expenditures to see if they are working and if the Legislature wants to continue them. He explained the GOC is now looking at the ways in which economic development programs in Maine, some of which are tax expenditures, are evaluated pursuant to existing statute and whether there might be changes they want to make to improve those evaluations. Chair Katz said that the GOC had reached out to stakeholders seeking input on ideas currently being considered and that the Committees would like to hear their comments.

Director Ashcroft noted that OPEGA did a review of economic development programs in Maine in 2006 and made a number of recommendations with one being that the Legislature should better evaluate economic development programs. She said there had been some starts around that over the years, but it has never come to a full implementation. She said after OPEGA released its Report the Department of Economic and Community Development (DECD), in conjunction with the then Business, Research and Economic Development (BRED) Committee, looked at a number of changes to accomplish both evaluation of the programs and the reporting of data and information that was being received from businesses. Director Ashcroft said statute currently requires DECD to hire an independent consultant to do two biennial evaluations, one of research and development programs, and one of the remaining comprehensive economic development programs, and to produce reports that are provided to the Administration and Legislature.

Director Ashcroft said at the time DECD was developing what the evaluation process would be, they had someone on their staff who had experience in evaluation, in particular, economic development evaluation, who helped design the process. She said since that time, the GOC and OPEGA, as well as the LCRED Committee and others, have been part of the process in getting the results of the evaluations that have been coming out. It has been OPEGA's observation over time that the comprehensive economic development evaluations have not been hitting the mark on providing the information legislators seem to want to use in its policymaking. She said there are also real concerns around the data that is able to be captured through the evaluation process, as well as funding issues. OPEGA has also observed a lack of action on any of the recommendations that have been contained in the reports that have been produced, either on the part of the Administration, or the Legislature. She thinks there is confusion about whose responsibility it is.

Director Ashcroft said the goal is to look to see if there are ways to make the current evaluation process that DECD is using more effective and efficient in terms of the results it is producing. She referred everyone to the current actions that the GOC is considering taking.

Sen. Volk asked if the information collected would include tax returns and, if so, how would that information be kept secure. She understands that tax information is kept very private and Maine Revenue Services (MRS) is extremely reluctant to make that information accessible for valid reasons. Director Ashcroft said it was first important to try to get more defined understanding of what information the Legislature wants from these evaluations. She said that will drive what data needs to be collected to answer those questions. In terms of these evaluations, she said what had been envisioned from the beginning was primarily a collection of data through a self-reporting process on the part of the businesses. Therefore, these evaluations have included a survey that goes out to the businesses asking for the particular pieces of information that the evaluators feel they will need to do the evaluation. Director Ashcroft thinks that is still envisioned to be the largest component although there has been a fairly low response rate. She said to the degree that there is data that cannot be collected from the businesses or where it would be important to use something that is not self-reported data in terms of credibility and accuracy that is where there may be additional data at MRS that could be brought in. From OPEGA's own experience she can say that does not involve taking someone's entire tax return, but what it means is defining the specific piece of data, or data sets, that is needed and asking specifically for those.

Director Ashcroft said there would be a process for maintaining the data as confidential as possible, she was not certain the degree that data would be needed from MRS for the DECD evaluation if there was a separate, well defined and designed data collection process.

Chair Katz said the evaluations being talked about at this meeting are currently being done through the Department and they have traditionally hired a vendor to conduct the evaluations. He said the vendor is the entity that designs the request for information that they think is appropriate. Director Ashcroft said that was correct.

Chair Katz asked if the business community had concerns in that there is less comfort bearing their soul to a private entity, or vendor, than they would have in giving information to MRS or OPEGA. Director Ashcroft said that was a good question, but she did not know the answer. She said someone from DECD and representatives from the business community were at the meeting who might be able to speak to that.

Sen. Volk's other concern was the issue of funding and asked if they were talking about a general appropriation or would it be money that came out of DECD's budget. Director Ashcroft said currently there is a funding mechanism set up in statute for both the Research and Development (R&D) evaluation and the Comprehensive Economic Development Evaluation. Her understanding from DECD is that the funds from those combined nearly cover the costs of doing a combined evaluation. She said the current funding mechanisms might be sufficient for doing what they want to do, the problem would be that most of the funds that come through those established assessments are related to the R&D programs. Director Ashcroft said it is difficult to take an assessment on some of the other kinds of programs, many of which are tax expenditures, so the question would be one of fairness if you stayed with the current funding streams. She said that is why it deserves discussion and she would look to DECD to fill the Committees in on what that looks like and what they need that they currently do not have. DECD has been supplementing it a little with other appropriations that are made to them.

A copy of OPEGA's Economic Development Programs in Maine Recommendations / Issues Identified for Potential GOC Action as of February 2016 is attached to the Meeting Summary.

- **Stakeholders' Comment Period**

Yellow Light Breen, President and CEO, Maine Development Foundation (MDF) and **Ryan Neale**, Program Director for MDF, who also supports the Maine Economic Growth Council (MEGC). (A copy of their testimony is attached to the Meeting Summary.)

Mr. Breen said MDF is designed to be nonpartisan and is charged to work on long-term economic growth strategies and to specialize in bringing the sectors together. He said MDF staffs MEGC, but the MEGC is independent, even from MDF. MDF tries to build their work off of the Measures of Growth reports in terms of the curriculum of their Leadership Program.

Mr. Breen referred to #5 listed in OPEGA's Recommendations / Issues that speaks to the question of can you better leverage the Measures of Growth and the work of MDF and MEGC in the dialogue the Committees are having. He said the answer is probably maybe. MDF has over 21 years of experience wrestling with the issue of data and, despite their best efforts, they are looking at data that is several years out of date by the time they are able to use it, but that is an endemic problem for everybody.

Mr. Breen said economic and development programs are complex and you will never be able to legislate, or design, the inherent need for well-informed judgment calls by whoever is doing the evaluations. He said even selecting what is measured implies an extremely high degree of informed, but subjective, judgments. Mr. Breen said you have a complex multi-variate economy, you cannot create a laboratory to assess the programs where all companies are held equal, "but for" the State Economic Development Program. At best you will get a loose sense of correlation, though it may be a higher or lower correlation for any one program.

Mr. Breen noted the other thing you will never be able to avoid is how to establish a baseline of what that sector or company would have done "but for" a specific incentive or program. He said that is extremely hard to do in the face of economic cyclicality, as well as many other things going on, and there will be no way of getting out of the challenge of knowing what the baseline would have been for that sector or company.

Mr. Breen said whether you have DECD evaluate, a third party, OPEGA, or an entity like MDF or MEGC, they will all be faced with those serious challenges of design and judgment. He said what has helped the MEGC over the years has been hopefully the reality, but definitely the perception, of objectivity in those determinations. When you are faced with a lot of difficult judgment calls about design and data, certainly who is making those judgment calls can play into how the work is perceived and received. Mr. Breen said the MEGC's work has been received well over the years because of its inclusive, broad-based, a-political nature, the trust it has been able to build and the fact that a lot of different perspectives are at the table. He said that MDF and MEGC can, by design and structure, help in some way in this process.

Mr. Breen next discussed whether the Measures of Growth can help the Legislature and whether there is even an economic development strategy, or plan, to measure against. He said in talking with one of the founding members of MEGC, there often was incredible debate about where Maine stands as a State economy before Measures of Growth was developed and put in place in the mid-90s with a lot of stakeholders. He said the Measures of Growth report is not a strategy, action plan, or a list of new economic development programs. Rather, the report states a vision for Maine's economic future goals to achieve that vision and performance measures to determine what is being accomplished. The statute for the MEGC does direct them to develop a long range 5-7 year economic development plan for the State, but they have never, over their lifetime, successfully taken that next step and translated the goals and measures of growth into an actual set of strategies and action plan for the State. It is MEGC's intent, after the Legislative session and after they get their 2016 report issued, to reconvene to talk about how they can move beyond just putting out a report to helping the State use that report to have impact on moving the State's economy forward. Mr. Breen did not know where that discussion was going to go within MEGC, but he thinks it is a healthy development to take that next step.

Mr. Breen said MDF has a $55,000 contract with the State, that the Legislature appropriates, that funds MDF's support for MEGC. He said that is barely enough to produce MEGC's report each year and any of the outreach, education and use that they get out of the report today is really subsidized by the general membership of MDF.

Mr. Breen said the undertaking of creating something that looks like a comprehensive economic development plan is eluded to in both the MDF and MEGC statutes, but not something they have really been able to do over the years. He said they were very interested in being a part of that conversation. He does not think it will help the Legislature's efforts over the next 12 to 24 months to evaluate where they are at, but he thinks it is an important discussion to have as a State.

Mr. Breen said MDF did not have the in-house capacity to even consider taking on a new mandate like the kind of evaluation work the Committees are discussing. They would need resources and would also need to outsource the grunt work of any such evaluation. But, if there is a role for MEGC, MDF or its staff to be a sounding board, a participant in the development of an RFP, or design of vendors' work, that is something MDF is willing to take on and to have further dialogue with these committees about.

Mr. Neale said one of the areas MEGC is focused on is getting the complete information out there as much as possible, but it has avoided being overly prescriptive. He gave the example of R&D spending and said the MEGC has tracked that for a number of years with the idea of doing more in R&D spending. Where that money comes from and how it is funded has always been left to the political process and that might be part of the next step that Mr. Breen referenced as moving forward with something that looks more like an economic development plan than what they currently have.

Rep. Mastraccio asked how often they thought their report is used for the development of economic policy, or any kind of policy development. Mr. Breen said MDF is prohibited from either lobbying, or taking a position on an express referendum issue, but they are allowed to promote and educate what they think the right strategies and direction are. MDF has been through a lot of leadership turnover over the last 3 years and he thinks that has reduced their ability, in recent years, to make sure they are leveraging outreach to the media, Maine citizens, as well as with policy leaders like the Legislature so they know and appreciate what is in the report. He noted he has had recent conversations with some legislators who suggested that MDF should do something more tangible and there is some energy to create some sort of Measures of Growth caucus, which he believes existed in the past for a brief period of time, or to somehow crosswalk pending legislation and proposals to whether those legislative proposals move the needle on certain measures of growth. Mr. Breen was not sure that was a role for MDF, or if that was a role for certain legislative staff working to create that intersection on behalf of interested legislators, but MDF would certainly try to support that any way they can.

Rep. Mastraccio asked if Mr. Breen thought there was a place for more of an independent group that is tied to the legislative and executive branch that would be responsible for developing that economic long-term strategy such that it might be insulated more from the political instability that can exists every 2 or 4 years. Mr. Breen said yes and he thought that was one of the few unique attributes that MDF offers. They view their role largely as creating broad consensus around these directions so that over a decade, or so, they do transcend the inevitable variability of the electoral and budget cycles. He said in any difficult work it is always two steps forward, one step back type of endeavor and you are constantly trying to assess your effectiveness. He said one of the things that can be most challenging about the political process is how difficult it is to admit failure in political venues, or maybe not failure, but that we are not achieving everything we want to achieve and to have that used as a political weapon, or political football, versus saying how can we all make a given program better. Mr. Breen said that is an ongoing challenge and nothing MDF says is going to make that challenge go away, but if they, and others outside the political process, can help people focus on objective data and say no program or strategy is perfect, but here is where we are trying to go over the long haul if you can get there in steps and persist in that work. Persistence is the key to this work and one substantive thing that has come out in some of the evaluations, which he thinks is critical to stay focused on, is that consistency matters for the business community as well when they are making a 7, 15 or 40 years capital investments. He said that consistency of policy direction is probably the single most important thing to them than exactly what the policy may be.

Sen. Diamond said MDF has always done wonderful research, but he is not sure it has reached its potential. He asked where MDF's source of funding came from. Mr. Breen said MDF has unrestricted membership that is about 20% of their budget depending on the year, a little less than 20% in the aggregate is from State sources. Those State sources are the modest contract he referenced earlier to support the MEGC, some modest appropriation from the State to support the Real Lives Maine Young Professional Network, which works on attracting and retaining young professionals in the State, about a $100,000 allocation from the State-allocated CDBG federal programs, and the Downtown Program where MDF supports several dozen communities in their downtown work. He said MDF writes a lot of grants, has corporate sponsorships and has a fairly sizeable earned revenue from the tuition of the Leadership Program. He said it is a diverse set of revenues of which a little less than 20% comes from the State.

Sen. Diamond referred back to Mr. Breen's statement of MDF not being allowed to take sides with referenda and that they can educate, but can't promote, and asked if that was an accurate description. Mr. Breen said the involvement in referenda and initiated issues is absolute prohibition and technically the language around lobbying says MDF cannot do anything that would require them to register as a lobbyist under State rules, but they are allowed to educate and promote around those policies and strategies. He said it is not a hard and fast thing, but he thinks historically and, in his view of the role, MDF can education around the need for certain kinds of policies and investments, but staying out of any specific LD may be where they draw the line. Sen. Diamond said he was trying to find a way to maximize MDF's resources and how they can participate in the economic development programs process. He thinks MDF is now hampered in doing that and the Legislature should take a look at that.

Chair Katz said the focus at the GOC meeting was not whether the State should or should not have an economic development strategy and plan long-term, but noted while on the subject that Maine does not. He asked if Maine was unique among other States, whether other States have a document people can look at and say this is the direction we want to go. Mr. Breen said the answer to that question depends on perspective and he suspects in most states the Governor, or the Governor's administration, has something that they clearly consider to be the plan and the strategy for the executive branch's work. Whether that is considered to be something that is broadly embraced in the State and transcends a specific administration, he thinks is a different story and suspected it was pretty rare, but MDF has not done a formal scan of that. He said MDF has looked at the Making Maine Competitive strategy that the Commissioner has promulgated and substantively it is not very different, in terms of the array of issues discussed, than MDF's work with the State Chamber on Making Maine Work or Laurie Lachance's prior work when she was at MDF around the Maine Investment Imperative. Mr. Breen said the cluster of issues discussed are very similar and you should focus on that commonality. He suspects, however, that who is saying it matters, so often times MDF is asked to get involved in issues, not because no one else is doing the right work, but because they feel MDF has a unique voice to bring to the table and to convene not just the business community, government, NGOs, but everybody who is passionate about the Maine economy.

Mr. Neale noted that in 2012 the Legislature tasked the MEGC with developing a report called the Maine Prosperity Action Plan and the idea is exactly what Mr. Breen talked about previously. He said there have been a lot of reports over the years from a variety of sources across the political spectrum, but the themes did not differ much. A lot of the same common areas were hit, but sometimes that was lost in the voice that was spouting opinions so MEGC was tasked with reviewing those and putting them together into something comprehensive. Mr. Neale said that Report was handed out to the Committees earlier.

Rep. Sanderson referred to the 5-7 year growth plan that has never really been achieved and that MDF does have the Prosperity Action Plan for Maine. She said MDF also worked on the Making Maine Work Report in collaboration with the Maine State Chamber of Commerce and asked how far outward looking were those reports. Mr. Breen said they are long-term, 5 – 10 year perspective and one of the things MDF is talking with the State Chamber about is actually doing an assessment and some kind of score card of where they have come since the 2010 Making Maine Work Report. He said their feeling is that too often they put these reports out and then never circle back, as the GOC is doing, to determine what progress they made. MDF's commitment is to put together a process to assess their own work. Mr. Breen said all of those plans and the Measures of Growth itself probably lies at a level that is more general than the kind of program evaluation the GOC is seeking to do. He said these are probably reports and documents that inform the Legislature in what programs and policies they want to put in place as opposed to the performance measures of those programs once they exist.

Rep. Sanderson said the MEGC was created in 1993 and now in 2016 they are self-admitting they have not been able to achieve that statutory directive and asked, other than resources, what else is prohibiting MEGC from actually accomplishing a directive that the Legislature could find helpful in moving Maine into a more prosperous direction. Mr. Breen said there is always a certain amount of pragmatism about if you, for example, spend a year of effort and a substantial amount of public and private donations, moving a project like that forward of will it have any lasting impact. He said sometimes people feel it will just become the latest political football to become a target to get shot at. MDF has seen efforts from outside government over the years, from Grow Smart Maine and other entities that have had sometimes a relatively short political shelf life. His personal predilection is that if it is worth doing, no matter how controversial it is, or how many years it will take to persistently advocate for it, we should do it. He will have to work with the MDF and MEGC Boards to get their take on the challenge of can they put out a product that is meaningful enough to have an impact. It cannot make everyone happy, but can they apply their judgment in a way that is defensible and is it something they can persistently advocate for years ahead even though the political receptivity to it may lack in length depending on what other issues are jockeying for priority. Mr. Breen said his personal answer to Rep. Sanderson question is yes, they should if it even has a remote chance of success.

The members of the Committees thanked Mr. Breen and Mr. Neale for the information they provided.

Linda Caprara, Maine State Chamber of Commerce (Chamber). (Ms. Caprara did not provide written copies of her testimony.)

Ms. Caprara said she did not have any comments specifically, but thinks there are some good things happening and the Chamber agrees there is a need to coordinate efforts on behalf of DECD and OPEGA. She thought DECD just came out with a report that contained some good stuff and could potentially be used. She said the Chamber did not see a problem with changing the reporting cycle to every four years.

Ms. Caprara said the Chamber has a serious concern with the data and what type of data is going to be used. The Chamber was involved with the Taxation Committee and OPEGA in designing LD 941 which led to the review of tax expenditures and she thinks it is going to be a good process. She said they do not feel that tax return data is going to be of use for economic development programs because that data is profit and loss and when you evaluate these programs the real crux is how do businesses use, or why they take a specific program and what difference it made. She said to get that kind of information you will have to interview the businesses. Ms. Caprara said there is potential competitive risk on company patterns, R&D, etc. if that data was to fall into third-party hands and that is why the Chamber would be opposed to a consultant getting information from MRS or IRS.

Ms. Caprara said the Chamber stands ready to work with everyone and wants to see that companies in Maine stay competitive.

Sen. Volk said that businesses are unlikely on their own to reach out, even to their local legislators, and talk about the programs they have taken advantage of, but if we go to them they are forthcoming. She asked if the Chamber documented and compiled information on the interviews they do with businesses or if Ms. Caprara knew if anyone in State government was actively reaching out on a personal level to businesses. Ms. Caprara said the Chamber does not document everything. They spend a lot of time when the Legislature is not in session meeting with their members, asking them for feedback, for example, on what issues are of importance to their business. She said there is some good feedback in DECD's report regarding interviews they had with companies.

Chair Katz said the Committees are trying to understand if certain investments would have been made anyway, or whether they would not have been made "but for" a particular tax expenditure, or economic development program. He said the Legislature has no choice but to take the word of the businesses and asked if Ms. Caprara had any thoughts about how the Legislature could get information more systematically and objectively. Ms. Caprara did not, other than doing interviews with the businesses and she said they will tell you why they invested.

Rep. Duchesne said his observation is the State has a tendency to spray and pray, which is to put a lot of incentives out there hoping it attracts business, but we do not do a particularly good job of attracting the businesses that have ties to Maine for some reason and that would have a difficult time leaving. He was talking about industries that are tied, for example, to natural resources. Rep. Duchesne said Maine has a difficult time prioritizing efforts to get to those industries that would stay in Maine and asked Ms. Caprara's point of view of whether they are targeting well. Ms. Caprara said that is why she thinks you need an economic development strategy, and you need to have folks that understand what is going on in the business community and some of the competitive issues with respect to certain industries. She said you need to get folks together that understand what is going on in the market place, what the challenges are that they have, how they can overcome those challenges, and what is needed. She thinks the Legislature in 1993 when creating MEGC was struggling with the same issues the Legislature is currently struggling with.

Rep. Lockman referred to predictability in the tax code, particularly with reference to a high tech tax credit that went away in the budget. He asked if Ms. Caprara could talk about predictability, particularly in the tax code and how big a factor it is. Ms. Caprara said businesses need to have predictability when they invest.

Rep. Sanderson referred to MEGC's booklet which showed Maine's benchmarks of where they currently are and noted the 5-7 year plan that has not been able to be achieved. She asked Ms. Caprara if she felt a more focused effort on that versus just showing where Maine is now would be beneficial to Maine businesses so the Legislature would have a better directive when they are making policy decisions. Ms. Caprara said that should be part of the whole strategy discussion.

Rep. Sanderson said MEGC has done a good job in showing where Maine is right now and where it came from, but does not have a plan of action moving forward. She said Maine needs to look forward. Ms. Caprara agreed and thought that was part of the whole process in identifying a State's overall economic strategy.

Sen. Patrick said the impediments he has always heard from businesses are energy costs first, second was transportation costs, third was usually health care costs and fourth is the lack of educated workforce or taxes. He said he also always heard that stability and predictable was important. Looking from the standpoint of economic and community development and tax incentives in the future he said the Legislature had to have a holistic approach of taking care of the needs of the economy through everything, not just from one aspect. Ms. Caprara said absolutely and that energy costs were important to folks, attracting a qualified and trained workforce are all issues and that is something the MEGC did. They looked and focused on various issues, not just taxation. She would urge the Committees to get a copy of MEGC's report because it focused on different issues and is part of the whole economic strategy for the State.

Sen. Patrick thought Maine had to figure out what it had to offer businesses and how to package that. Ms. Caprara thought you needed to look at what the issues were. You do not have to do everything at once, but you need to understand from an economic sense how to position Maine's economy to be competitive, so businesses will want to come. Maine needs to identify what the issues are for business attraction, retention of the companies Maine has, and the jobs in the State. She thinks the Legislature has to understand what the issues are and develop a plan.

Rep. Goode said the Measures of Growth Report told the Legislature what they do well, what they don't do well, and what they could do better, but it doesn't say anything about what we should do to fix those problems or where to direct resources.

Rep. Duchesne said the Legislature should be evaluating what the current programs are doing and learn from that. He asked if the Chamber could bring the GOC some written recommendations on which of the 9 Potential Actions the GOC is considering could be improved or better studied. Ms. Caprara said she would do that and will provide that information for the GOC's March 11, 2016 meeting.

The Committees thanked Ms. Capara for answering their questions.

David Clough, State Director, National Federation of Independent Business (NFIB). (A copy of Mr. Clough's written testimony is attached to the Meeting Summary.)

Mr. Clough said, when asking for data to evaluate programs, the State should be sensitive to the fact that small businesses do not have the same capacity to respond to demands for information and to fill out paperwork that larger companies may have. He also said there is a de minimis factor there of what they are receiving in the benefit may not warrant the kind of scrutiny that would come from both the compliance and administrative aspect.

Mr. Clough said he noted from some of the earlier comments there is a gap between perception and reality. He said there are 33,000 businesses in Maine, according to the US Bureau of Census Statistics of Business, that employ 486,000 people. He said when the Legislature is talking about what they can do to attract business and what can be done to make Maine more attractive to the people coming to the State, you will hear a lot of talk about that, but when you look into the data of where do the jobs come from you will see that most of the jobs are going to come from people and businesses already in Maine. Mr. Clough said a lot of attention

is paid to recruitment and attraction, but the results are really what Maine has here and what they do in creating an economic system to foster business development. He said the growth from within is often the most overlooked potential that there is and it should be something that is taken into consideration.

Mr. Clough said businesses do marketing research and want to know who their customers are and why they buy or do not buy at a business. That kind of approach is not taken to businesses in the State. What does Maine have for businesses, why are they here and when somebody decides to close or leave, why they closed or left. He did not know if there was much done in the way of exit interviews that go on with businesses that leave. He would not be surprised if you find that regionally people had an understanding of how many businesses were created in the past year, where they were created and how many businesses closed.

Mr. Clough said he hears from a lot of people that there is a lot of focus on attracting businesses and helping small businesses, but there is often a missing focus on helping existing businesses grow to the next level.

Sen. Volk asked if there was any one thing the businesses he comes in contact with are looking for or would appreciate from the State, whether it is an economic incentive or services to businesses that are not being provided. Mr. Clough said it was very common to hear small business owners say thank you very much, but I would actually be better off if you did not try to help me with my business. He said there are things like the quality of the labor force, and policy and predictability can be a challenge, so the more you can inject predictability the better that is for planning. He said it is very qualitative, but what he often hears from small business owners is that they are not asking so much for a specific program, but would welcome legislators getting in touch with them and just talking with them to hear about what they are trying to deal with.

Sen. Johnson asked if Mr. Clough had any thoughts around the importance of resiliency, flexibility and innovation to think about businesses succeeding in the longer term and making sure the Legislature is supporting them in collaboration with the university systems to provide the capable workforce. Mr. Clough did not think that education can be over emphasized in terms of helping prepare the work force and that post graduate education and centers of excellence are a huge breeding ground for economic growth. Graduates provide a way of transferring knowledge to business owners.

Sen. Diamond said it seemed to him that the organizations like the Chamber and other groups really miss small businesses. Small businesses are out there on their own, fly under the radar and there is not a good way to get to them. He said Mr. Clough is the link that is able to do that and said the GOC, LCRED and Taxation Committees needed to find a way to touch the small business group because they are a huge part of the Maine economy. They employ nearly 500,000 people, but the Legislature often times focuses on bringing businesses to Maine, working with larger business, etc. He asked how the Legislature could, rather than just randomly talking with their local small businesses, do a better job assisting small business. Mr. Clough said there was a time when there was organized opportunity provided by either the Legislature, or the Executive Branch, or in combination, to hold forums for example, at the Civic Center for statewide, or to do regional sessions in different parts of the State. That would give small business owners in particular, an opportunity to attend and tell you what is on their mind. He said it was too bad that fell out of favor because it is important news for legislators and, regardless of what they do with the information, they would know what people see as impediments.

Sen. Diamond knew there was only just so much each organization can do, and they all make an effort, but thinks there is a lot of businesses left out and they need to find a way to make that connection because their message may not agree with the more known businesses in Maine. He was still frustrated after all these years that still has not been done either by DECD, the Legislature or anyone.

Rep. Austin asked if there was a high rate of out-of-state businesses acquiring businesses already in Maine. Mr. Clough did not know what the rate was and it would be challenging to speculate because it would require a certain amount of research that is not done. He said large, medium and small businesses are all important, but often the larger ones receive disproportionate attention compared to what the potential payoff is at other levels.

Rep. Austin asked if Mr. Clough could quantify how many Maine businesses got to a level of comfort with what they do, can adequately provide for what staff they have and then because of the lack of Maine's policies, they fall in the grid and do not go to the next level. Mr. Clough said he has never seen quantified data on that, only anecdotal information.

Rep. Lockman asked if the typical NFIB member was 3-5 employees including the owner of the business and if that was the bulk of the membership. Mr. Clough said that was a typical membership, although there are a few all the way up to 100.

Rep. Lockman said his recollection was that self-employed people - contractors, electricians, fisherman, etc.- said they were paying higher Maine State Income Tax than Federal Income Tax because of both the high rate and lack of conformity. He asked if that was still a big issue for self-employed people. Mr. Clough said predictability of the tax code, among other things, is still a big issue and will probably always be an issue. They are hopeful that things will get resolved in a way that is satisfactory before the end of the session. He said one of the important aspects of the federal change was all of the turmoil in the last several years of not knowing until the end of December what the tax situation was going to be for the year closing at the end of December. That was disruptive in many respects, but predictability and stability is a big issue.

Mr. Clough said there is a lot of information that is potentially available. Some you may find through the US Small Business Administration, Office of Advocacy, and there is information kept at the Federal level to give the Committees an idea to evaluating economic and tax incentives.

Nancy Smith, Executive Director of Grow Smart Maine. (Ms. Smith did not provide written copies of her testimony.)

Ms. Smith was a former House Chair of the BRED Committee and a former member of the MEGC. She wanted to touch briefly on what she had heard at the meeting. She said listening to the MDF speak about the Measures of Growth, she wanted to highlight how powerful that tool is and that it is a score card for the State of Maine. She has used it in her testimony over the past few years, as a barometer to decide how much or deeply she will engage in an issue and to also look at interpreting what she sees as a desired outcome of a piece of legislation. Ms. Smith said there is incredible value there even though it is simply a score card and not an action plan. She would encourage the legislators to look at it for the value it has.

Ms. Smith noted the MEGC is down 3 members and these are appointments that need to be agreed upon by the House, Senate and Administration and it is important to have full membership.

Ms. Smith said Grow Smart's connection to economic development is that their mission is to build lasting prosperity across the State without sacrificing the quality of life that defines Maine. She said what that means is they need a strong economy, but cannot give up on the future of Maine that either drew us here or kept us here.

Ms. Smith referred to Charting Maine's Future, the Brookings Report that Grow Smart Maine commissioned in 2006. She said 10 years ago there was an action plan in that Report and in 2012 an update was released on what happened with it since, what the success stories are and what needs to happen. She said it goes to two points that she heard at the meeting. She referred to Rep. Duchesne's comment about what is in the economy that is tied to Maine and she said a lot of it is the natural resource space and she would include the hospitality industry in that. The fish and game and moose have value both as a food source and a sporting source, but also to the people who love to take pictures of them.

Ms. Smith referred to Mr. Clough's point about growth from within and said Grow Smart Maine and Charting Maine's Future Report are very much focused on that. Maine's power and potential is in diversity, having small businesses and having a mix of industries. She said MDF is a wonderful and credible resource and she thinks any way the Committees can use them beyond what the Legislature already does, would strengthen the

State. She said there was also talk about whether Maine has an economic development plan and said in their 2012 update of Charting Maine's Future, Making Headway, they brought attention to the 2010 Science and Technology Plan that was produced in the Office of Innovation that is housed in DECD. It has not been updated since, but it deals with a lot of the issues being talked about for targeted sectors.

Ms. Smith hoped the Committees considered Grow Smart Maine to be a resource as the Committees are doing this work because of the organization's focus and with the background she can bring. In addition to her legislative background, she has been a farmer, forester, and business owner.

Ms. Smith referred to Sen. Diamond's question about gathering data and said statewide conferences are important, but some business owners are not going to speak into a microphone about their business struggling. She said if there was some way legislators could offer a simple questionnaire when talking to the businesses in their district, and then develop a way to gather and structure that information somehow, that would be a powerful addition to the effort.

Ms. Smith referred to Rep. Austin's question about acquisitions and, as much as it is a struggle to see Maine owned businesses bought out, it is a success for that business if they choose to sell. She said one of the best pieces of advice she got while on the BRED Committee was from a woman who said you need to understand the difference between a small business and a start-up. Small businesses are what they want to be and start-ups start with the intention to be acquired and then can go on to the next level.

Ms. Smith asked that the Committees not forget the connection between economic development and community development.

Chair Katz asked if there was anybody at the meeting from DECD. Director Ashcroft said there was earlier, but she did not see anyone currently. Chair Katz suggested taking a break to check whether anyone from DECD was planning on coming back to the meeting.

RECESS

Chair Katz recessed the Government Oversight Committee at 11:03 a.m.

RECONVENED

Chair Katz reconvened the GOC meeting at 11: 27 a.m.

Director Ashcroft reported that there was no one currently available from DECD to attend the meeting. The Committee continued with the **Work Session on Economic Development Programs**.

Director Ashcroft referred to the list of 9 potential action items in OPEGA's Recommendations/Issues document that the GOC is considering. She said she had talked a while ago with DECD's Deputy Commissioner Garland, who then talked with Commissioner Gervais, and said DECD is in agreement with the potential action items listed. She said she also had additional information from DECD about the funding mechanism and where they felt that stood in terms of providing adequate funds for the evaluations.

Director Ashcroft commented briefly on each of the nine potential OPEGA's Economic Development programs in Maine Recommendation / Issues actions listed.

1. Director Ashcroft thinks it is a matter of working through how to change the language in a couple of sections in the statute. She said DECD is in favor of doing that.

2. Director Ashcroft said DECD is in agreement with Recommendation 2.

3. Director Ashcroft said DECD thinks there is a need to reconsider what the funding mechanism is again because of the issues she mentioned earlier about fairness of how much the R&D Programs might be contributing versus the other economic development programs. However, DECD does not think that has to be done right away and it could wait until next session to be considered. DECD does think the funding they have at this time is adequate to get them through what is required of them. Director Ashcroft thought it was going to take some creative thinking to come up with what might be a better way to put together a funding mechanism for them so it is going to require a few more conversations. She said #3 is something that does need to be addressed, but it is not something that needs to be done in the short term this session.

4. Director Ashcroft thought 4 and 5 went together so those two were discussed together.

5. She thinks the recommendations and issues in 4 and 5 will take some thinking time to do. Once that is done, those thoughts would need to get into statute so there are clear expectations.

   Rep. Mastraccio asked if the GOC was going to continue the discussion about whether those evaluations stay within DECD, or is it something that the Committee wants to put under one big umbrella. She said obviously that would take a lot more discussion in terms of how you would do that in statute and she assumed they really never had the other discussion. Chair Katz said the criteria the GOC set out in statute in respect to the tax expenditure reviews got fairly definite about what OPEGA was going to measure. He asked Director Ashcroft if that was what she was anticipating under this section. Director Ashcroft thought that could be a good place to start. She thinks the GOC could go through the objectives being used for the tax expenditure reviews and decide which of the same kinds of questions they would like to see answered in this evaluation. She reminded the Committees that DECD's evaluation is a more macro level evaluation so there are additional questions, like how is the State's portfolio of programs working in terms of driving toward their strategies or goals around economic development. She said that is not a question that is going to be answered in OPEGA's reviews, but it would be an appropriate question for the DECD evaluation.

   Chair Katz said given the time constraints that would not be something that could be dealt with in this Legislative Session. Director Ashcroft said she would be willing to give time and thought to making some recommendation to the GOC in working with DECD around the scope of that evaluation, of what the objectives might look like that are put in statute, but said she thinks that might take more time than they have left this Session.

   Sen. Johnson said one of the challenges for him is having what the economic development strategy is that you are trying to measure these against. He did not get from DECD a sense that there is that overall strategy. Director Ashcroft said there are different parts to a strategy for her. What she thought she heard was that we do not have the action steps part of the strategy maybe as well defined as we have the goals and objectives that are trying to be achieved. She thinks that in its current form some of the goals and objectives spelled out in the documents given to the Committees today would be sufficient places to start even without an action plan that is fully developed and tied to them. In terms of the evaluation, the Director thought it could serve as a set of goals similar to how the Committee has been talking about goals for the tax expenditure programs to help guide what the evaluation work would be.

   Sen. Johnson said the information the Committees received at the meeting was not something from DECD or the Legislature, but rather the independent MEGC assessment. He liked what they had done in looking at how well Maine is doing with those measures of growth and the fact that it was being generated with a little bit of independence from both the Administration and the Legislature and would serve their purpose well. Director Ashcroft said maybe the question to be answered is does the Legislature feel value exists in the work that has been done, such that they would want to direct that as what would be used to measure against, not that it would have to be the whole story, but it would be something consistent that could be used as a part of the context in which they are going to try to evaluate the programs. She thinks that is the question the Committee would need to answer. Is that something you want to use, or direct that the evaluations should be using, as context and benchmarks?

Chair Katz noted that it was almost March and questioned what portion of this is the GOC going to be able to act on in the remaining weeks of the Session and what, by definition, is going to have to be put off to the next Legislature. Director Ashcroft thought there were some easy changes the GOC could do now like combining the reviews and changing the cycle. She thought those would be fairly easy statutory changes that could be drafted and brought back to the GOC at their next meeting. She said the other recommendations that require more thought are probably going to have to wait. Director Ashcroft said it was a matter of whether the Committee wanted to split the recommendations up or wait and do them all at once.

Rep. Sanderson wanted to confirm her understanding that there was a consensus that the Committee agreed with #1- to make that combination, and #3 to recognize that there may be an extra level of funding needed to create these pieces and the time line change to make it easier for DECD. The other recommendations talked about so far is something that the GOC still needed to flush out. Director Ashcroft agreed.

Rep. Mastraccio referred back to #4 regarding the scope and expectations for the DECD evaluation. She noted that even though the current statute specifies there should be recommendations, but what if there are no recommendations. She said she has a Report from 2 years ago and she did not recall seeing any recommendations that came to the Legislature or the LCRED Committee. Rep. Mastraccio said now they have a Report from 2 years ago that has yet to be presented to the LCRED Committee and asked if it was going to be presented to the 127th. She wanted to know what could be done in statute that will say this Report will go to the committee of jurisdiction, there will be recommendations or state there will be no recommendation because they are doing wonderfully and nothing is needed. Director Ashcroft said that would be addressed in #9 on the Recommendations/Issues document and if there were one other potential action that she would pick out to get done now that would be the one. She said the rest of them would need more thought, but it seemed you could easily come to ideas about where you would want that report to go and who should be responsible for making sure it gets considered, etc.

6. Director Ashcroft said this recommendation is also one that everybody agrees would be a good idea, but it is going to take a lot of thought about how to implement it well and what kind of resources DECD would need if they were going to be the ones to do it. She did think it was necessary to establish what the scope of the evaluations are going to try to include before we know what data DECD should even be trying to collect. Director Ashcroft saw it as something that cannot be done well until we know what we are striving for in the other pieces.

   Rep. Sanderson asked if this would be something that OPEGA would collaborate with DECD on, because you would want to make sure that we are gathering all the information that is needed, but you don't want to be asking for something that DECD can never attain. Director Ashcroft said she would. She envisioned that, over the remainder of time this GOC will be sitting, evaluation of economic development programs would be one of the issues that they would work on regularly to come up with proposals and decide what to move forward in the next legislative session.

7. Director Ashcroft said this should be thought about along with #6. If that can be accomplished, then providing some extra incentive or penalty if they are not going to cooperate would be the next thing to think about.

   Chair Katz thought that needs to be in the statute at some point, but will not be done in the next month. He asked if Director Ashcroft had received any feedback with respect to #7. Director Ashcroft said she has not received anything, but thinks it is needed before setting something out there that might not be effective as leverage.

   Rep. Duchesne said whenever this is talked about someone always says if you are receiving a benefit from the State you should be able to report back the information it takes to assess whether the benefit

helped the State and if they do not do that, they should lose that benefit. He asked if that was part of the conversation Director Ashcroft would have with interested parties. Director Ashcroft said yes and that could be one of the approaches, but she thinks there are other approaches as well.

Sen. Johnson suggested saying if you file your paperwork you can qualify for the next year.

8. Director Ashcroft thinks #8 derives somewhat from what is decided about the scope of the DECD evaluation as then you will know what data and information can be shared and which objectives are going to be covered in which evaluation. She noted that this is something OPEGA will already be doing even without it being in statute, but thinks it would be helpful to make sure it was spelled out. This would be another piece the Director would be looking to bring the Committee a proposal on sometime between now and November.

9. Talked about earlier.

Director Ashcroft said what she would like to know from the GOC before their next meeting on March 11th is would they like her to draft some potential legislation that at least covers points 1, 2 and 9. She can put together a proposal of what #9 might look like and the GOC can work it from there, or does the Committee want to work all 9 recommendations as one bill for next year.

Chair Katz said the two choices are take the easiest pieces now and the rest next year or try to do an overall bill that the GOC develops over the Interim and would be proposed to the next Legislature. He asked what the Committee members' thoughts were.

Rep. Sanderson asked if #3 would necessarily be rolled into #1. Director Ashcroft said if they were going to get rid of one section of statute and put those together, there would be a need to put the funding pieces together also, but it could be done without changing what the mechanism is. She said the answer to Rep. Sanderson's question would be yes.

Rep. Duchesne would favor doing what the Committee could do this year because if it fails, then they can bring it back next year.

Rep. Mastraccio said the GOC/OPEGA had a big workload so asked how the work on economic development programs would fit in and if the work was doable for OPEGA. Director Ashcroft thought it would be doable and thinks staff in the other nonpartisan offices might be willing to help. Rep. Mastraccio said in that case she would vote to do what could be done now and then spend more time getting something drafted for the rest for next session. Sen. Johnson agreed.

Chair Katz asked for Rep. Herbig's thoughts because the GOC's work will be referred to the LCRED Committee.

Rep. Herbig said anything that could be done this year would be good. She said the LCRED Committee oversees a lot of professional regulation. Sometimes they know they cannot necessarily accomplish it all, but at least if they put in an effort it will help pave the way for the following year even if you do not get everything out of it that was hoped. Rep. Herbig said she would suggest doing what can be done this session.

Chair Katz asked if there were any contrary thoughts. Hearing none, he said it was the consensus of the group to move ahead with draft legislation for the recommendations that can be done now.

Chair Katz noted that the GOC was meeting again on March 11 and will continue the work session on Economic Development Programs in Maine and will make sure to invite members of the LCRED and Taxation Committees or let them know they can weigh in in writing.

REPORT FROM DIRECTOR

- **Status of Current Projects in Progress**

Director Ashcroft said OPEGA was underway with the 3 **Tax Expenditure Evaluations** and is in the stage of planning the work and also doing fieldwork. OPEGA is meeting with the agencies that are involved with those in some way, looking at legislative histories on the programs, etc. and getting a better sense of what data exists and, if it does not exist, how they are going to proceed.

OPEGA has also started its work on the **Special Project on Tax Expenditure Expedited Reviews** to provide information to the Taxation Committee by July 1st.

OPEGA is still on track to deliver the **Riverview Psychiatric Center Report** to the GOC on March 25th and are working through the end of the process, which includes exit conferences and review of draft reports with DHHS and Riverview Psychiatric Center.

OPEGA has begun the planning process on **State Lottery, Northern New England Rail Authority and Licensing and Regulation of Child Care Providers**.

Director Ashcroft also wanted to mention that she did hear that the LCRED Committee is working to get a presentation on the most recent Economic Development Evaluation report before the LCRED Committee and DECD has expressed an interest in trying to get the 3 committees together for that presentation. She said she will make the Committees aware of the date once she knows when the consultant can present the results of that most recent DECD evaluation report.

Director Ashcroft reminded the Committee that they sent a letter to Commissioner Head, Department of Professional and Financial Regulation asking for that Department to review some of the decisions made on complaints filed with the Board of Land Surveyors. She said the Commissioner has sent a communication back and that will be on the next Agenda.

Sen. Gerzofsky asked how the work on NNEPRA was doing. Director Ashcroft noted that before OPEGA did any work they develop a definitive work plan for what work they need to do and that was in progress. OPEGA would then be entering preliminary research around NNEPRA. In that phase of the review, OPEGA gathers a lot of basic information to help them understand the organization and the general areas that have been picked out for focus.

- **Staffing**

Director Ashcroft said OPEGA has closed the recruitment on the last position they have open and will be conducting interviews in the next week or so.

NEXT GOC MEETING DATE

The next Government Oversight Committee meeting is scheduled for **March 11, 2016 at 9:00 a.m.**

ADJOURN

Chair Katz adjourned the Government Oversight Committee meeting at 11:58 a.m. (Motion of Rep. Mastraccio, seconded by Rep. Duchesne, passed unanimous vote.)

MAINE DEVELOPMENT FOUNDATION

127th Maine Legislature

Government Oversight Committee

February 26, 2016

The Maine Development Foundation is pleased to be here today to offer our perspective on some of the issues before the committee. MDF is a statewide non-profit, non-partisan membership organization uniquely established by the Legislature and the Governor in 1978 to provide an objective, respected, long-range vision for Maine. We do this in a number of ways, through programs like the Policy Leaders Academy, Leadership Maine, Next Step Maine Employers' Initiative, the Maine Downtown Center, and the Realize Maine Network, as well as through our valuable and trusted economic research. MDF is proud to provide objective, non-biased, and relevant research and analysis on key issues affecting Maine's economy and the well-being of Maine's people.

MDF administers the Maine Economic Growth Council, an independent body created in statute in 1993 to develop a long-term vision for Maine's economic growth and a broad range of indicators to assess our progress toward that vision. The Council produces the annual *Measures of Growth* report, an objective, data-driven, reliable, and trusted assessment of Maine's progress on these key indicators. Council members are jointly appointed by the Governor, Speaker of the House, and President of the Senate, and represent a broad and diverse cross-section of leaders across Maine's key constituencies, including the public, private, and non-profit sectors.

The Council's vision of "a high quality of life for all Maine people" includes a vibrant and sustainable economy, thriving communities, and a healthy environment. Accordingly, *Measures of Growth* includes indicators within each of these spheres. While past *Measures of Growth* reports have had up to 60 separate indicators, the Council has made a deliberate effort in recent years to call attention to those indicators it believes should be the focus of our collective efforts. Each year, the Council carefully examines the existing indicators and other topic areas to ensure that the report addresses the most pertinent issues and uses the best and most reliable data. The 21st *Measures of Growth* report was released in April of 2015 and the 2016 edition will be released this spring.

MDF and the Growth Council have from time to time addressed long-term economic development strategies. In 2012, the Legislature tasked the Growth Council with reviewing a number of reports on Maine's economy from a variety of sources, identifying common themes and recommendations, and synthesizing their major findings into a single *Prosperity Action Plan for Maine*. The plan established long-term goals and recommended immediate actions in seven major sectors: health and wellness, energy, government reform, taxation, education, connectivity, and innovation and entrepreneurship.

Since 2010, MDF has partnered with the Maine State Chamber of Commerce on the Making Maine Work series of reports. The original report, *Making Maine Work: Critical Investments for the Maine Economy*, identified policies and investments in a range of areas to support long-term economic growth in the state. This was accompanied by *Maine's Investment Imperative II*, which reviewed and summarized the key findings in over 100 previous reports on Maine's economy. Subsequent reports explored the role of the state's public universities in supporting economic development and the critical need to invest in early childhood development as a lead economic development strategy. Finally, two companion pieces, *Making Maine Work: Growing Maine's Workforce* and *Making Maine Work: Preparing Maine's Workforce*, looked at the urgent need to address both the quantity and quality of Maine's workforce.

Economic research and analysis are specifically enumerated in the statutes of both MDF and the Growth Council. Per MRS Title 10, Chapter 107, Section 917-A (2)(A), MDF may "Develop and propose new ideas and recommend changes to State Government and others for the growth and development of the State's economy, including development strategies and economic development programs to best meet the economic needs, problems and conditions of the State." Regarding the Growth Council, MRS Title 10, Chapter 107, section 929-B empowers the Council to "Develop and recommend a long-range plan, goals, benchmarks and alternative strategies for a sustainable state economy", and to monitor progress toward and recommend changes to the plan.

MDF has a strong history of providing relevant, timely, and objective analysis to Maine's political, business, and civic leaders. MDF and the Growth Council both have limited capacity at this point and further resources would be required to perform additional functions. It is the hope of MDF that any additional economic strategies and plans will be developed in conjunction with the Department of Economic and Community Development's existing strategies and plans.

We look forward to continuing to be a valuable and trusted partner in the future.

Respectfully submitted,

Yellow Light Breen, President & CEO, Maine Development Foundation, yellow@mdf.org

Ryan Neale, Program Director, Maine Development Foundation, rneale@mdf.org

MEASURES OF GROWTH +

Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine

2015

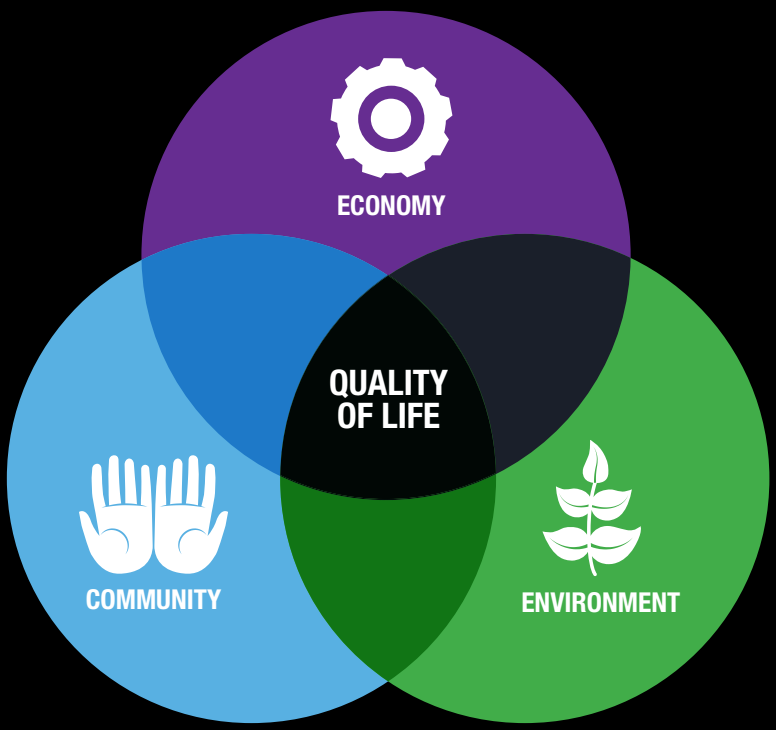
MAINE DEVELOPMENT FOUNDATION

MEGC
Maine Economic Growth Council

21ST REPORT OF THE MEGC

VISION

A HIGH QUALITY OF LIFE FOR ALL MAINE PEOPLE



AT THE HEART OF IT ALL, IT'S ABOUT OUR PEOPLE.

Achieving our vision requires a vibrant and sustainable economy supported by vital communities and a healthy environment.

A REPORT CARD ON MAINE'S ECONOMY

Welcome to the 21st annual *Measures of Growth*, presented by the Maine Economic Growth Council and the Maine Development Foundation. While this report represents a departure in style from the previous 20 editions, it remains rich with information and data that provide a meaningful and valuable overview of Maine's economy. As is made clear by the Growth Council's vision of "a high quality of life for all Maine people," the key consideration is the impact on Maine's people. We hope that this new layout reinforces that point and makes the information and findings more accessible and easier to understand without sacrificing any of the relevant data.

The indicators represent the specific areas the Council believes are most relevant to Maine's long-term economic growth. Each indicator is assigned a benchmark that is aspirational and potentially attainable, and our progress is measured against these benchmarks. Based on the judgment of the Council, Maine is compared to itself over time or to U.S., New England, or Experimental Program to Stimulate Competitive Research (EPSCoR) averages. The EPSCoR program focuses on 28 mostly large and rural states, including Maine, and offers a helpful comparison in assessing Maine's performance.

Overall, since the last report, Maine made progress on four indicators, lost ground on seven, and saw no significant movement on twelve. Four gold stars were assigned to areas demonstrating exceptional performance: Cost of Doing Business, Cost of Energy, Air Quality, and Water Quality. Five red flags, signifying areas that need particular attention, were assigned to: Wellness and Prevention, Research and Development Expenditures, High Speed Internet Subscribers, Transportation Infrastructure, and Fourth Grade Reading Scores.

PDF available for download at mdf.org

Key to Symbols

GOLD STARS & RED FLAGS

Gold Stars and Red Flags are determined by consensus of the Council based on consideration of the data and the experienced perspective of Council members. The general criteria are:

EXCEPTIONAL PERFORMANCE
Very high national standing and/or established trend toward significant improvement.

NEEDS ATTENTION
Very low national standing and/or established trend toward significant decline.
The indicator may show improvement but is still viewed as needing attention.

PROGRESS SYMBOLS

Progress Symbols reflect movement from year to year and/or recent trends toward or away from the benchmarks established by the Council. No grade may be assigned to new indicators, indicators with a new data set, or indicators for which updated data is not available. The general criteria for grades are:

Movement toward the benchmark since the last available data.

No significant movement relative to the benchmark since the last available data.

Movement away from the benchmark since the last available data.

FUNDAMENTAL PERFORMANCE INDICATORS

This report is about the status of Maine's economy and how it impacts the lives and livelihood of Maine's people. Each indicator represents a key area the Growth Council believes influences our economy, environment, and community. These are the leverage points which, if acted upon, will help determine the direction of our economy and, ultimately, our quality of life in the years ahead.

There are also a few fundamental performance indicators that speak to the overall health of Maine's economy as seen from the 30,000 foot level. They are, in a sense, the culmination of what we collectively do in many areas and are often influenced by forces beyond our borders.

These high-level indicators include: Gross Domestic Product, Per Capita Personal Income, Value Added per Worker, Employment, and Poverty.

1 - Gross Domestic Product

Benchmark: The growth of Maine's gross domestic product will outpace that of New England and the U.S.

Maine's total economic output as measured by our gross domestic product declined by roughly -0.5% from 2008 to 2013, while New England's grew by roughly 3.3% and the nation's by approximately 5.4%. (See figure 1a)

Real Estate, Government, Health Care and Social Assistance, and Manufacturing continue to account for approximately half of Maine's total output. Identifying and capitalizing on opportunities in other areas that show significant potential for growth is critical to growing our economy in the years ahead. (See figure 1b)

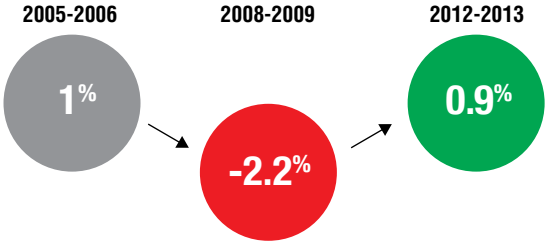
2 - Per Capita Personal Income

Benchmark: Maine's per capita personal income will exceed the EPSCoR state average by 2020

Maine has consistently trailed the U.S average and our New England neighbors in per capita personal income. In 2014, Maine's per capita personal income of $42,100 ranked 31st in the country and trailed the EPSCoR average by just under $900, the U.S. average by $4,100, and the New England average by almost $14,600. Maine's 2014 per capita income ranked last among the New England states; Connecticut was at $62,500, Massachusetts $59,200, New Hampshire $53,100, Rhode Island $48,800, and Vermont $47,300. (See figure 2)

On a positive note for Maine people, Maine's per capita personal income grew by over $1,100 from 2013 to 2014, and was up by 14% from 2009 to 2014.

Fig 1a: Maine's GDP Growth Rates 2006-2013



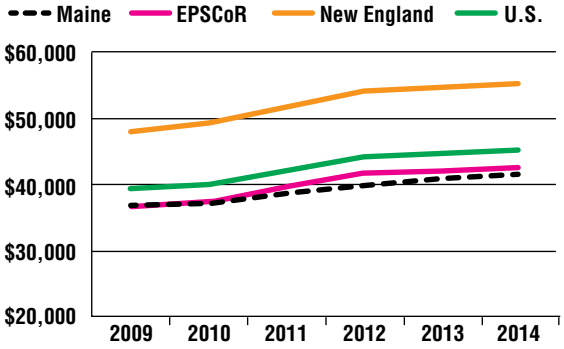
Source: Bureau of Economic Analysis

Fig 1b: Maine's Real Gross Domestic Product By Major Industry Sector 2013

Industry Sector	GDP Millions of Dollars	% of Total	%Change 2012-13
Real Estate	$7,954	16%	1.6%
Government	$7,053	14%	-1.8%
Health Care and Social Assistance	$6,013	12%	1.5%
Manufacturing	$5,300	10%	-0.8%
Retail Trade	$4,298	8%	1%
Finance and Insurance	$2,783	5%	3.8%
Prof., Scientific & Technical Services	$2,637	5%	2.6%
Wholesale Trade	$2,646	5%	1.4%
Construction	$2,218	4%	-1.2%
Accommodation & Food Services	$1,812	4%	1.8%

Source: Bureau of Economic Analysis

Fig 2: Per Capita Personal Income 2009-2014



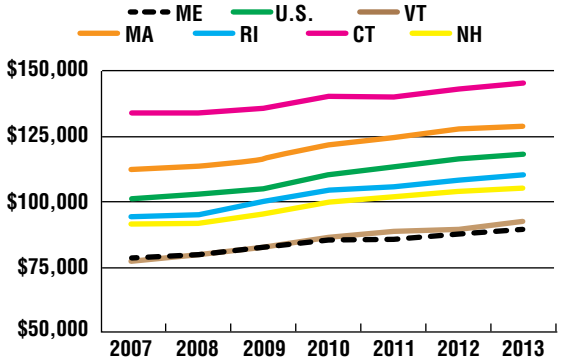
Source: Bureau of Economic Analysis

3 - Value Added per Worker

Benchmark: Maine's value added per worker will improve to within 15% of the U.S. value added per worker by 2020

The value added to products by workers depends on many factors, including the makeup of our industrial base, the skills and education of our workforce, the costs associated with doing business, and our infrastructure. There is no single action we can take, no single lever we can pull, that will improve the value added of Maine workers. Maine has improved almost 13% on this measure since 2008, to an average of $88,795 of output per Maine worker in 2013. Yet this number placed Maine last among the fifty states and the District of Columbia in 2013 and was 24% below the U.S. average of $117,472 and 28% below the New England average of $123,909. (See figure 3)

Fig 3: Value Added per Worker 2007-2013



Source: U.S. Department of Commerce and Bureau of Economic Analysis

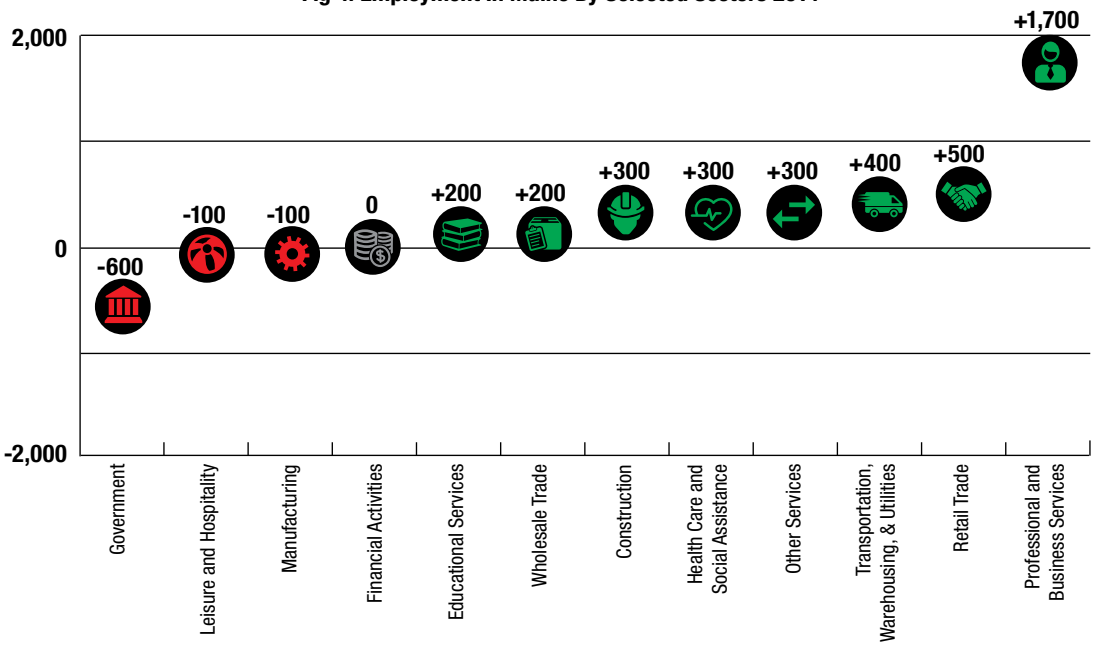
4 - Employment

Benchmark: The total number of jobs in Maine will increase each year

Maine's nonfarm payroll jobs have grown fairly steadily in recent years and grew from 601,700 to 604,400 from 2013 to 2014. Nonfarm jobs have grown by 11,400 from the low of 593,000 in 2010 but are down -13,300 from the high of 617,800 in 2007, due primarily to the decline in our working age population since the 2007 peak resulting from a lower birth rate after the 1980s. If current trends continue, our GDP and per capita income growth are also likely to be slower than the nation because a rising share of our population will not be working. Addressing this situation will need to be a high priority in the years ahead.

Government, Health Care and Social Assistance, Retail Trade, Leisure and Hospitality, and Manufacturing together account for nearly two-thirds of Maine's total employment. While total employment has declined in recent years, the aggregate numbers do not tell the whole story. The Health Care and Social Assistance sector continues to add jobs. Manufacturing jobs continue to decline, but the sector still accounts for a substantial share of our economic output due to improving productivity in this sector and the changing nature of manufacturing in Maine. Understanding the changes in Maine's economy is important to helping Maine people find jobs and to ensuring that Maine employers have an adequate supply of skilled workers. (See figure 4)

Fig 4: Employment In Maine By Selected Sectors 2014



Source: Maine Department of Labor, Center for Workforce Research and Information

5 - Poverty

Benchmark: Maine's poverty rate will decline and remain below the U.S. rate through 2020

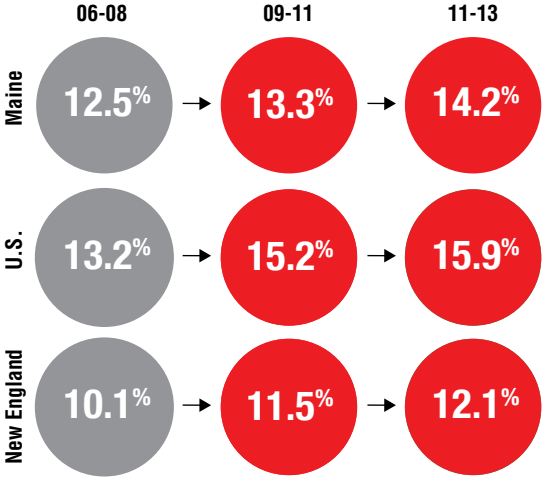
For a number of years, Maine's poverty rate has been below the U.S. average and above the New England average. Poverty rates have been on the rise in all three areas since the early 2000s. (See figure 5a)

Poverty rates vary widely by region in Maine and tend to be highest in the central and rim counties. Poverty rates declined from 2012 to 2013 in some of the counties with the highest rates: Penobscot declined from 17.5% to 15.9%, Oxford from 17.8% to 15%, Franklin from 18.8% to 15.5%, and Piscataquis from 20% to 17.6%. (See figure 5b)

Poverty rates for Maine children under 18 and under 5 both declined from 2012 to 2013 (to 21.2% and 18.2%, respectively) and remain below the U.S. averages (24.8% and 22.2%, respectively, in 2013). For more information about childhood poverty in Maine, see the Maine Children's Alliance's Kids Count Project at www.mekids.org/kidscount.

Poverty rates are both a reflection of Maine's overall economic performance and a key to improving our performance. Bringing our poverty rates down is critical to helping create a solid foundation for Mainers so we can improve other outcomes like educational attainment, food insecurity, health status, and employment levels. Like the other fundamental performance indicators, there is no single measure that will reduce Maine's poverty levels. Improving these outcomes will require a concerted effort to improve in the other critical areas addressed in this report.

Fig 5a: Poverty Rates 2006-2013
3-year Moving Average



Source: U.S. Census Small Area Income & Poverty Estimates

Fig. 5b: Poverty Rate By Maine County 2013

	County	Poverty Rate
Coastal Counties	York	11.4%
	Cumberland	12.1%
	Sagadahoc	12.1%
	Lincoln	13.3%
	Knox	14.1%
	Waldo	16.8%
	Hancock	14.3%
Central Counties	Androscoggin	16.5%
	Kennebec	14.8%
	Penobscot	15.9%
Rim Counties	Oxford	15%
	Franklin	15.5%
	Somerset	17.8%
	Piscataquis	17.6%
	Aroostook	16.4%
	Washington	18.8%

Source: U.S. Census Small Area Income & Poverty Estimates

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8 - High Speed Internet Subscribers pg **12**
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Maine's entrepreneurial index fell from 0.35% in 2012 to 0.29% in 2013.

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ENVIRONMENT

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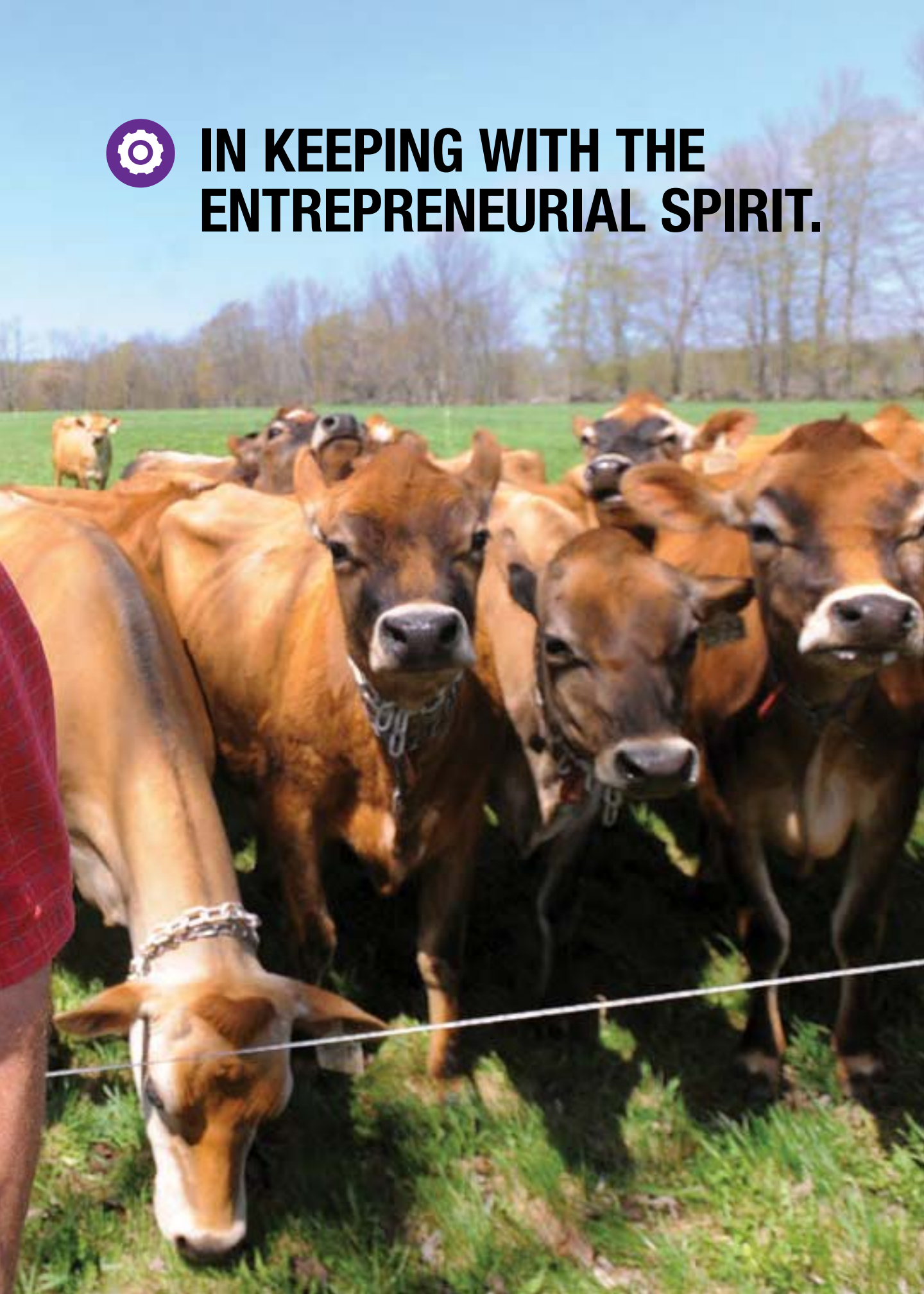
27 - Water Quality pg **36**
Approximately 95% of Maine's assessed rivers and streams and 91% of Maine's assessed lakes continue to meet the Category 1 or 2 standard.

IN KEEPING WITH THE ENTREPRENEURIAL SPIRIT.



ECONOMY

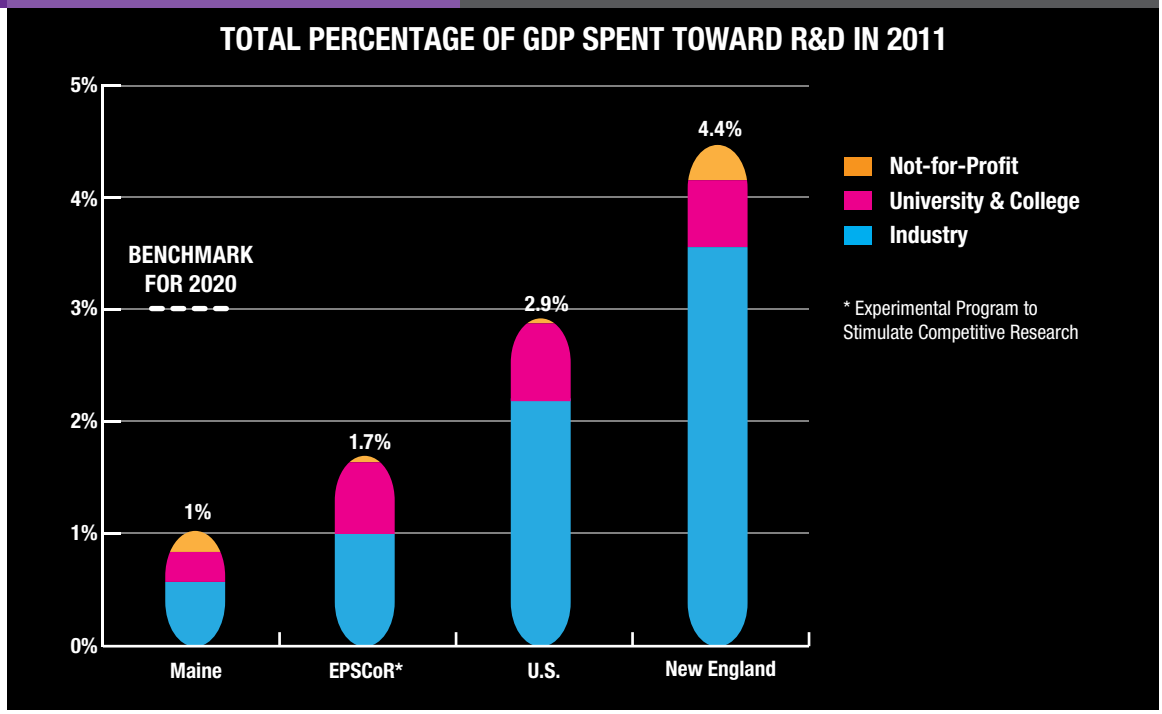
6 - Research and Development Expenditures

NO GRADE

Greater R&D Investment Can Support Innovation and Grow Economy

Benchmark: Maine's total spending on research and development will reach 3% of the state's total GDP by 2020.

Source: Camoin Associates



Background: This indicator compares total R&D spending as a percentage of a region's total gross domestic product. Maine's 3% benchmark is consistent with the state's 2010 *Science and Technology Action Plan* and is regarded by the Growth Council as necessary to expand Maine's innovation economy and improve competitiveness. Unfortunately, the National Science Foundation has not updated the underlying data set, the most reliable and complete available, since 2011.

What the Data Shows:

- Maine's total R&D investment of $535 million in 2011 represented approximately 1% of the state's total GDP
- Maine's ratio ranked 41st in the nation and was below the EPSCoR average (1.7%), approximately one-third of the U.S. average (2.9%), and less than a quarter of the New England average (4.4%)
- Approximately $1 billion of additional investment was needed to reach Maine's 3% benchmark in 2011
- In 2011, Maine's percentage of total R&D from the Private sector (58%) trailed the U.S. (81%), New England (80%), and EPSCoR (68%) averages, while Maine's percent from the Non-Profit sector (15%) was well above the New England (5%), U.S. (2%), and EPSCoR (2%) averages
- National Science Foundation data shows that R&D spending at the University of Maine was $77.6 million in 2013

Why It Matters: Research has shown that approximately 80% of economic growth comes from innovation, and investment in R&D is important for supporting an innovation economy. R&D spending in the state has shown a high return on investment, including a 6 to 1 return on investment at the University of Maine, and state spending has helped to leverage other funds, such as $100.7 million in non-state government funds through the Maine Technology Asset Fund. It is important that we find an appropriate mechanism to provide sufficient funds for research and development, and equally important that our R&D activities generate meaningful economic activity for the state. Concentrating on Maine business and industry and the growth and expansion of R&D and innovation-oriented private sector companies is imperative.

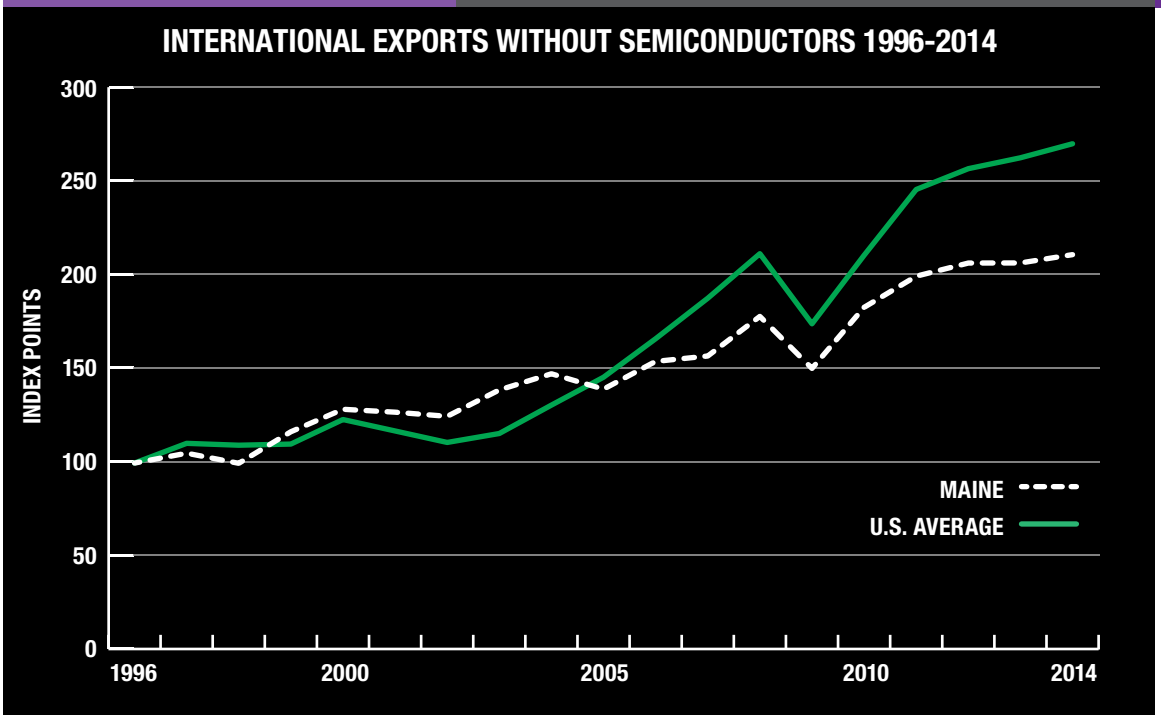
The April 2014 Battelle Technology Partnership Practice report prepared for the Maine Technology Institute provides further discussion on Maine's innovation and technology-driven economy and is available at: www.mainetechnology.org/docs/Full_Report-Maine-Innovation-Ecosystem_final5.pdf.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Higher Degree Attainment, Fourth Grade Reading Scores, Eighth Grade Math Scores, New Business Starts

7 - International Exports

Maine's Exports Show Modest Improvement in 2014

ECONOMY



Benchmark:. Maine's international exports will grow at a faster pace than U.S. international exports.

Source: Maine International Trade Center

Background: The chart understates total exports in both Maine and the United States. Although the two Maine manufacturers of semiconductors indicate there has been no loss of production or change in exports, there are concerns about the integrity of the data for this sector. The chart, therefore, excludes semiconductors from both Maine and U.S. export numbers.

What the Data Shows:

- Excluding semiconductors, Maine exports increased 2.1% in 2014 to $2.65 billion, an increase of 40% since the low in 2009
- Excluding semiconductors, U.S. exports increased 2.8% from 2013 to 2014 and were up almost 55% since 2009
- International exports of Maine's food and seafood products have increased 115% since 2009
- An ongoing, five-year surge in the lobster industry, bolstered by substantial growth in Asian markets, made it the state's single largest exported commodity for the first time ever and set an all-time record for the sector at $456 million
- Other sectors showing significant recent growth include blueberries, processed foods, and ingredients
- In total, Maine businesses sold products to 182 foreign destinations in 2014
- Canada remained the largest single market at $1.5 billion (a record); $363 million was exported to the 25 countries of the European Union; and China, Japan, and Korea all remained within the top 5

Why It Matters: Approximately 178,000 Maine workers rely on our international trade. We need to continually be looking for new markets for Maine products in order to grow our economy. International markets present opportunities for Maine businesses to grow customers and revenue. Diversifying our markets also improves our economy's sustainability over time. Keeping our costs of doing business competitive and ensuring the quality and quantity of our workforce can help Maine businesses compete internationally by delivering a quality product at a competitive price.

Related Indicators: Per Capita Income, Gross Domestic Product, Employment, Research and Development Expenditures, High Speed Internet Subscribers, New Business Starts, Value Added per Worker, Higher Degree Attainment, Workforce, Cost of Doing Business

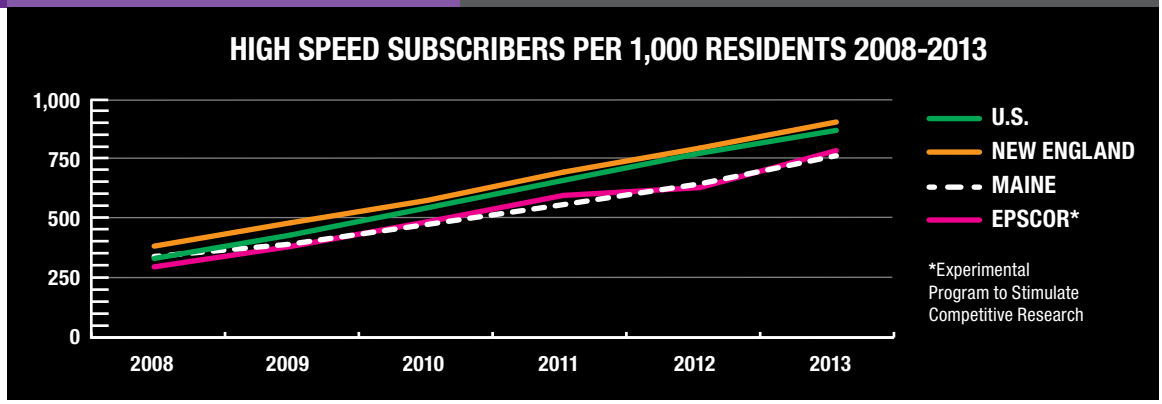
ECONOMY

8 - High Speed Internet Subscribers

Maine Gains Ground but Continues to Trail New England Average

Benchmark: Maine will reach the New England level of high speed internet subscribers by 2020.

Source: Camoin Associates



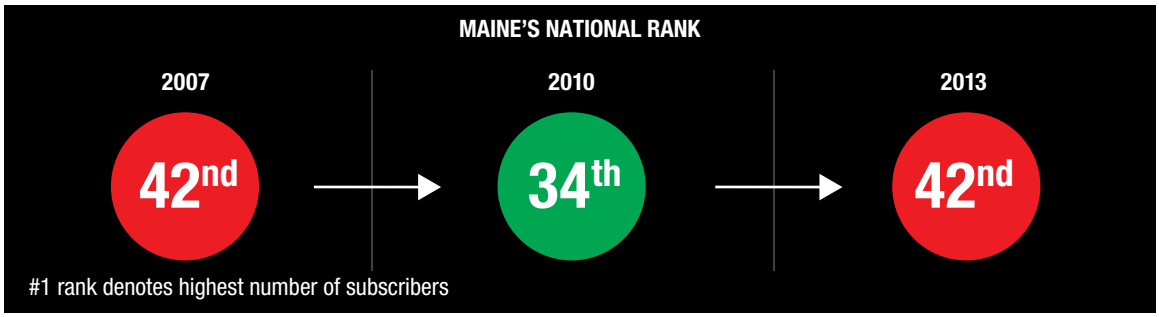
Background: This indicator has compared Maine's number of high speed internet subscribers per 1,000 residents to the New England and U.S. averages for a number of years. New this year is the comparison to the Experimental Program to Stimulate Competitive Research (EPSCoR) state average. This data reflects both access and the choice to subscribe, which may depend on price, speed, and quality.

What the Data Shows:

- Maine had 765 subscribers per 1,000 residents in 2013 (an average ratio of 76.5%); the EPSCoR average was 786, the U.S. average was 871, and the New England average was 906
- Maine added 118 subscribers per 1,000 residents from 2012 to 2013 (an 18% increase), while on average New England added 109, the U.S. added 96, and the EPSCoR states added 93
- The gap between Maine's rate and New England's rate was 150 in 2012 and 141 in 2013
- From 2008 to 2013, Maine added 423 subscribers per 1,000 residents, compared to the U.S. average of 537, the New England average of 521, and the EPSCoR average of 488

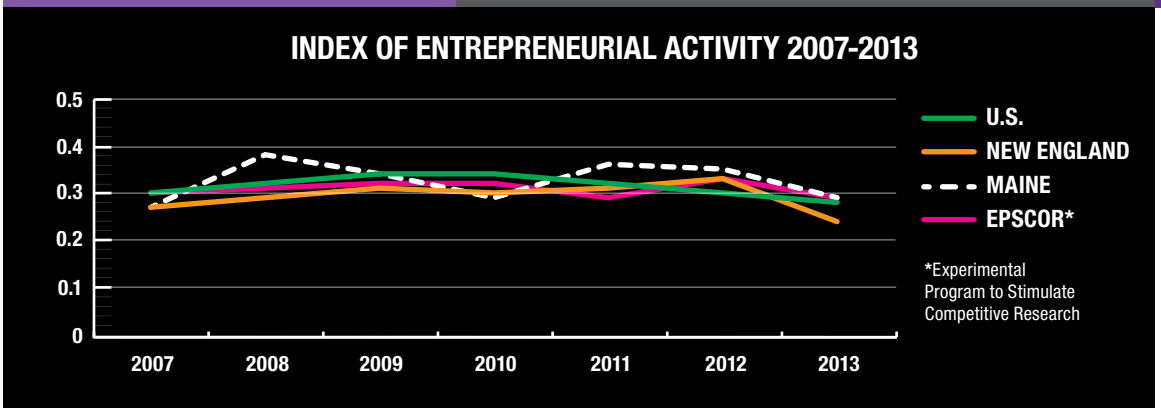
Why It Matters: Adequate internet access is important to our state's economic development and quality of life, allowing Maine residents and businesses throughout the state to connect to each other and the world beyond. Access can expand educational opportunities for Mainers and improve the accessibility and quality of health care while helping to control costs. Yet expanding internet access can be a challenge, particularly in the state's rural areas, which may lack the density to be cost effective for private service providers. Even areas of southern and coastal Maine, which generally have better access than the state's rural regions, lack adequate bandwidth or access altogether. Reaching the benchmark is likely to require a significant policy change or public sector investment. Additionally, Maine needs to be mindful of the rapidly changing technology and speed requirements to effectively address this issue.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Research and Development Expenditures, International Exports, New Business Starts, Value Added per Worker, Cost of Doing Business, Cost of Health Care



9 - New Business Starts

Support for New Businesses Vital to Growing Maine's Economy



Benchmark:. Maine's entrepreneurial index will reach 0.50% by 2020.

Source: Camoin Associates

Background: This indicator speaks to the level of entrepreneurship and the importance of small businesses in Maine. The index measures the percentage of individuals from ages 20 to 64 who did not own a business in the first survey month that start a business in the following month at 15 or more hours per week.

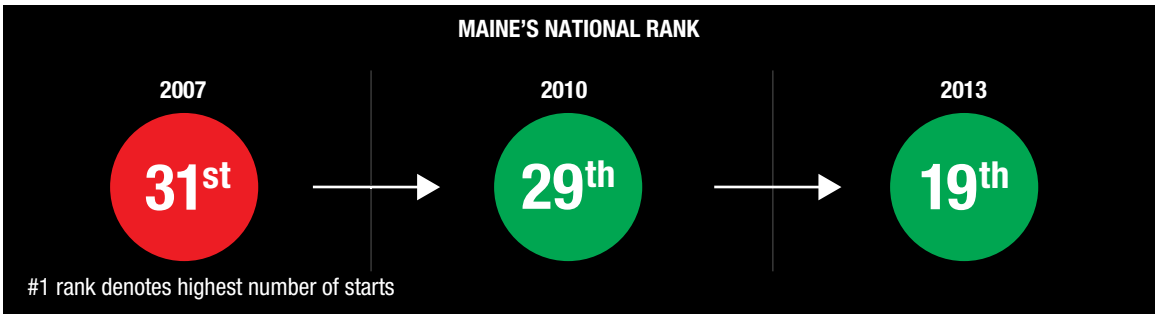
What the Data Shows:

- Maine's rate of new business starts declined from 0.35% in 2012 to 0.29% in 2013 but remained even with the EPSCoR average and above the New England (0.24%) and U.S. (0.28%) averages, all of which also experienced declines
- Maine's national rank was 17th in 2012 and 19th in 2013

Why It Matters: Entrepreneurship helps provide more opportunities for Mainers and is critical to creating jobs and growing the state's economy. The April 2014 Battelle Technology Partnership Practice report prepared for the Maine Technology Institute found that Maine trails the other New England states in high-growth small businesses. Identifying and providing appropriate resources to small businesses with high potential for growth is particularly important. Maine should continue to encourage and support potential entrepreneurs and new businesses throughout the state through programs such as the Maine Technology Institute; the Maine International Trade Center; the University of Maine Innovation Engineering Program; the University of Maine System's Cooperative Extension; Women, Work, and Community; and the Maine Center for Entrepreneurial Development.

Microbusinesses, defined as those with five or fewer employees, are another important subset of Maine's economy, accounting for nearly 90% of Maine's 150,237 businesses in 2012. According to University of Maine Economics Professor Jim McConnon, in 2012, microbusinesses accounted for 21.6% of total employment in Maine, 18.3% in New England, and 19.1% for the nation as a whole. Since 2001, among the New England states, only Vermont has a higher percentage of total annual employment from microbusinesses than Maine. Programs and policies that support these businesses are important to Maine's people and Maine's economy.

Related Indicators: Employment, Research and Development Expenditures, Higher Degree Attainment, Fourth Grade Reading Scores, Eighth Grade Math Scores, Workforce



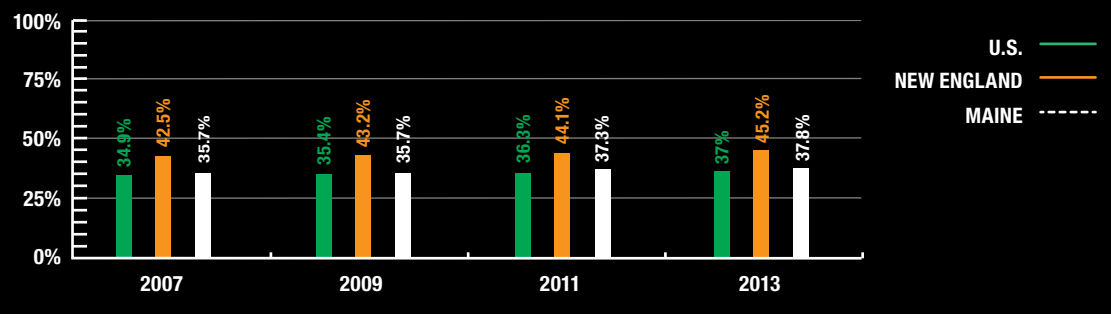
10 - Higher Degree Attainment

Maine Continues to Improve but Remains Below New England Average

Benchmark: The percentage of Maine residents 25 and over with a higher degree will improve to at least the New England average by 2020.

Source: U.S. Census Bureau, American Community Survey

HIGHER DEGREE ATTAINMENT AMONG RESIDENTS 25 AND OVER 2007-2013



Background: The indicator compares the percentage of residents 25 and over who have attained a higher degree (associate's, bachelor's, or advanced) in Maine, the U.S., and New England.

What the Data Shows:

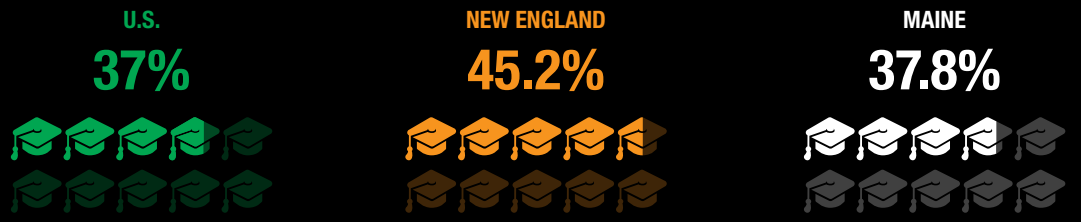
- From 2012 to 2013, Maine's rate remained roughly on par with the U.S. average, while both remained below the New England average
- The gap between Maine and New England was 7.6 percentage points in 2012 and 7.4 in 2013
- From 2008 to 2013, Maine's associate's degree attainment increased from 9% to 9.6%, bachelor's degree attainment from 16.5% to 18.1%, and graduate and professional degree attainment from 8.9% to 10.1%
- In 2013, median earnings for Mainers with graduate and professional degrees were $51,108; with bachelor's degrees, $40,854; with some college but less than a bachelor's degree, $30,688; with high school diplomas, $25,821; and with less than a high school diploma, $19,984
- According to Educate Maine's *Education Indicators for Maine 2014*, of 100 Maine students entering ninth grade, 86 will graduate from high school, 50 will enroll in a two- or four-year college, and 33 will graduate from a two- or four-year college

Why It Matters: An educated workforce is critical to helping Maine businesses succeed and to attracting other businesses. Throughout the economy, employers are demanding higher levels of skill and education. Maine workers need the education, knowledge, and skills to meet the need of Maine employers and create opportunities for themselves and others. Employer demand for workers with higher degrees is expected to increase significantly in the years ahead. Raising our educational attainment is essential to improving Maine's performance on a number of other critical economic indicators. With Maine's aging population, we need to fully engage Maine adults, particularly the more than 200,000 who have some amount of higher education but no degree, through programs like the Maine Development Foundation's Next Step Maine Employers' Initiative and the University of Maine System's Adult Baccalaureate Completion Distance Education (ABCDE) program.

Higher degree attainment is essential, but does not tell the whole story. Professional certifications, licensures, workplace competencies, and digital badging demonstrate particular skills or knowledge and are important to improving the skill level of Maine's workers. *Making Maine Work: Preparing Maine's Workforce*, released in November 2014 by the Maine Development Foundation and the Maine State Chamber of Commerce, explores these issues in more detail and is available at www.mdf.org.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Research and Development Expenditures, New Business Starts, Value Added per Worker, Fourth Grade Reading Scores, Eighth Grade Math Scores, Workforce, State and Local Tax Burden, Poverty, Food Insecurity

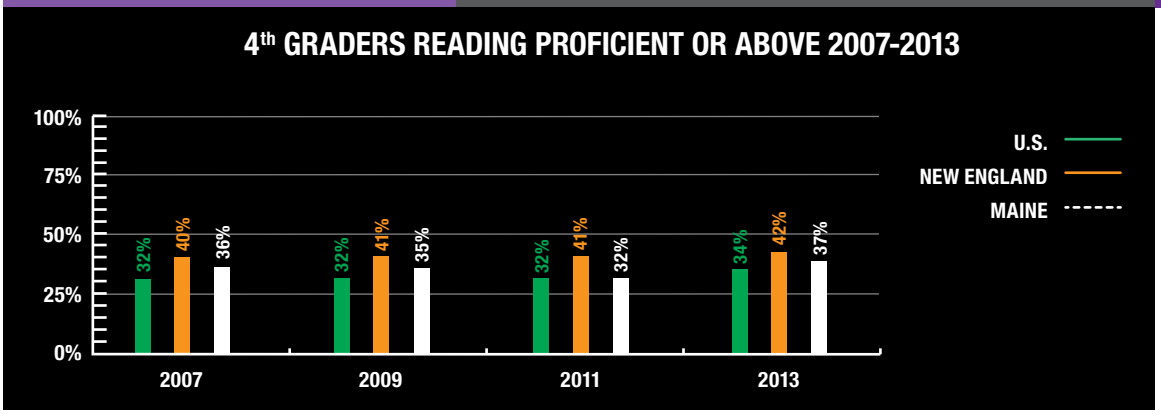
HIGHER DEGREE ATTAINMENT AMONG RESIDENTS 25 AND OVER IN 2013



11 - Fourth Grade Reading Scores

NO GRADE

Further Investment in Early Years Needed to Reach Benchmark



Benchmark:. The percentage of Maine students scoring proficient and above on the National Assessment of Educational Progress (NAEP) assessment will reach 50% by 2020.

Source: National Center for Education Statistics, NAEP

Background: The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of America's students in various subjects, including reading. NAEP assessments are administered uniformly nationwide, allowing for state-to-state comparisons and analysis of long-term trends. The NAEP assesses students at grades 4, 8, and 12, which are critical periods of development and learning. The indicator compares the percentage of Maine, New England, and U.S. fourth graders scoring proficient or better. Proficient is defined as competency over challenging subject matter, application to real-world problems, and appropriate analytical skills.

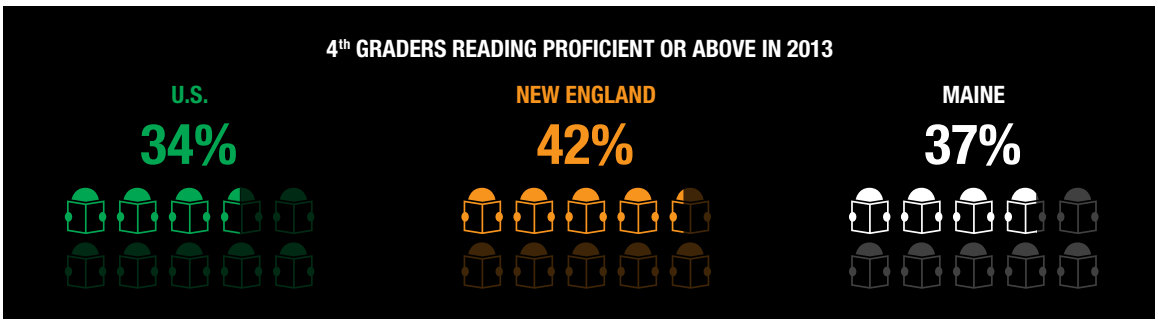
What the Data Shows:

- The NAEP assessment is given every two years, so updated data is not available
- With the exception of 2011, Maine's scores were essentially even from 2007 through 2013
- U.S. scores were level at 32% before improving to 34% in 2013
- New England's scores have consistently exceeded both Maine and U.S. scores
- In general, girls scored higher than boys, white students scored higher than non-white students, and students eligible for school lunches scored lower than other students

Why It Matters: Fourth grade is the point at which reading should be established as a skill and students transition from "learning to read" to "reading to learn." Unfortunately, students who struggle at this juncture are also likely to have problems in the years ahead. Fourth grade reading scores have been shown to be a reliable predictor of future outcomes, both positive and negative.

Maine is consistently falling well short of the benchmark even though K-12 enrollment has declined and expenditures have increased in recent years. Education comprises a major component of state and municipal budgets and it is important that funds be spent where they can achieve the most impact. Research has shown that investment in early childhood education has a comparatively high return on investment over the long term in the form of improved elementary and secondary performance, higher college attendance and completion, higher productivity and incomes, and reduced social costs such as remediation, criminal justice, health care, and welfare. The importance of early childhood education is explored more fully in *Making Maine Work: Investment In Early Childhood = Real Economic Development* (available at www.mdf.org) and the Maine Children's Alliance's Kids Count Project at www.mekids.org/kidscount.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Value Added per Worker, Higher Degree Attainment, Eighth Grade Math Scores, Food Insecurity, Wellness and Prevention



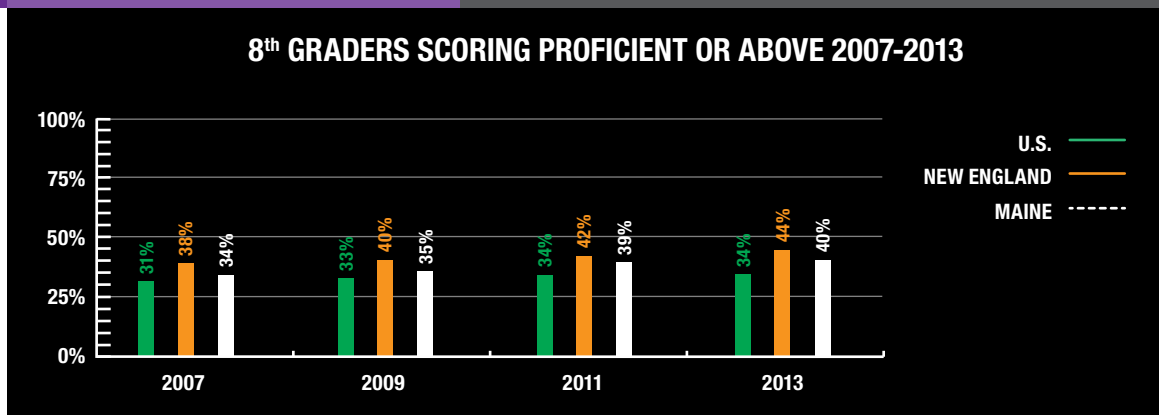
ECONOMY

12 - Eighth Grade Math Scores

NO GRADE **Maine Improves but More Progress Needed**

Benchmark: The percentage of Maine students scoring proficient and above on the National Assessment of Educational Progress (NAEP) assessment will reach 50% by 2020.

Source: National Center for Education Statistics, NAEP



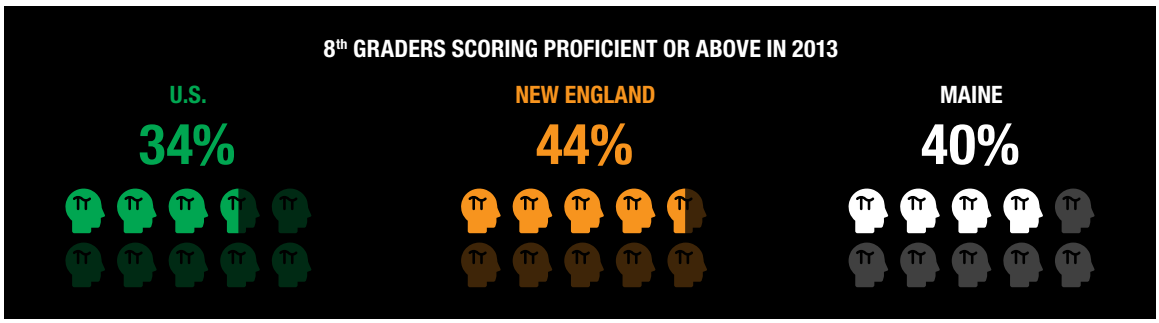
Background: The National Assessment of Educational Progress (NAEP) is the largest nationally representative and continuing assessment of America's students in various subjects, including math. NAEP assessments are administered uniformly nationwide, allowing for state-to-state comparisons and analysis of long-term trends. The NAEP assesses students at grades 4, 8, and 12, which are critical periods of development and learning. The indicator compares the percentage of Maine, New England, and U.S. eighth graders scoring proficient or better. Proficient is defined as competency over challenging subject matter, application to real-world problems, and appropriate analytical skills.

What the Data Shows:

- The NAEP assessment is given every two years, so updated data is not available
- From 2007 to 2013, the percentage of eighth graders scoring proficient and above improved from 34% to 40% for Maine, from 31% to 34% for the nation, and from 38% to 44% for New England
- New England's scores have consistently exceeded both Maine and U.S. scores
- Maine ranked fourth among the New England states in 2013, behind Massachusetts (55%), New Hampshire (47%), and Vermont (47%)
- In general, average scores varied little by gender, but white students scored higher than non-white students, students eligible for school lunches scored lower than other students, and students with higher levels of parental education scored higher than others

Why It Matters: Math skills are vital in today's society and work environment, particularly in STEM (science, technology, engineering, and math) industries, which are expected to continue to grow in the years ahead. Eighth grade math scores reflect skills in algebra, a foundational skill. Students who are proficient in math tend to be better prepared for college and require fewer remedial math classes. *The Maine Comprehensive Research and Development Evaluation, Maine Innovation Index 2012*, and *Statewide Strategic Plan for Science, Technology, Engineering, and Mathematics* cite eighth grade math scores as an indicator of Maine's future success in these areas. Alleviating foundational issues such as poverty and food insecurity, and continued investment and improvement in early childhood and K-12 education, can help drive continued progress toward the benchmark.

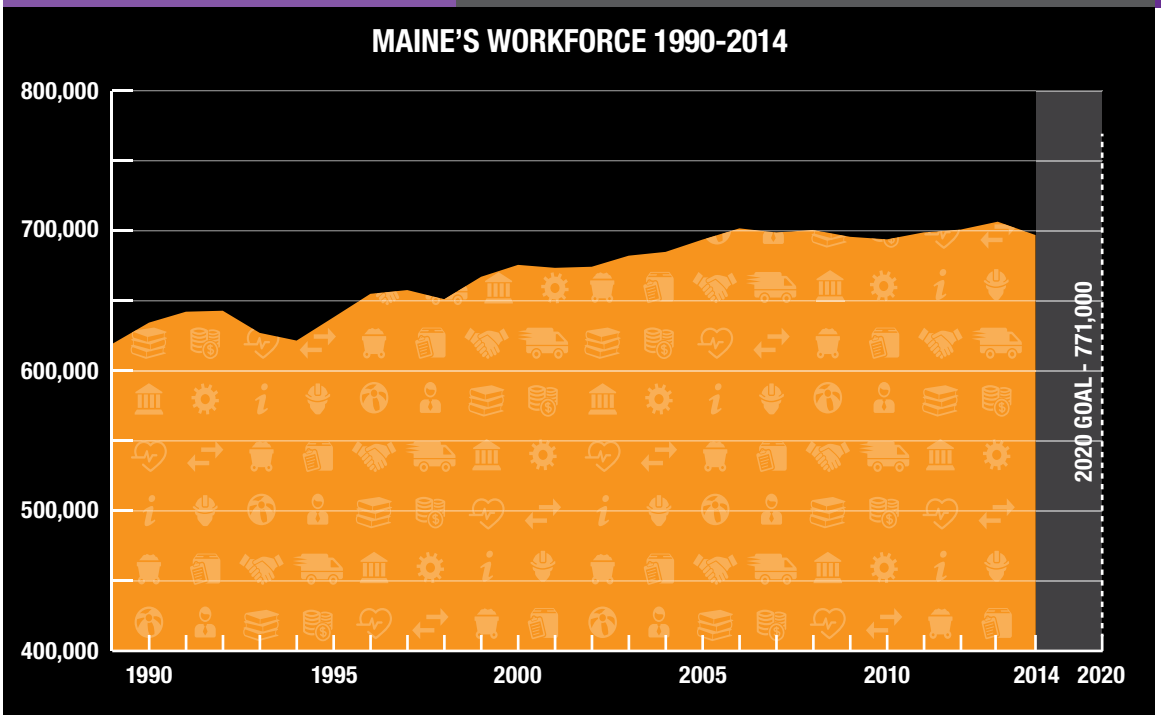
Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Value Added per Worker, Higher Degree Attainment, Fourth Grade Reading Scores, Food Insecurity, Poverty, Wellness and Prevention



13 - Workforce

Bringing More People Into Maine's Workforce Critical to State's Economy

ECONOMY



Benchmark:. Maine's workforce will grow to 771,000 by 2020.

Source: Maine Department of Labor, Center for Workforce Research and Information

Background: This indicator tracks Maine's workforce growth over time using the Maine Department of Labor's labor force estimates. Employed workers and people who are actively looking for work are considered part of the workforce. While the numbers have recently been revised back to 1976 and vary slightly from those that appeared in this report last year, the overall trend did not change appreciably.

What the Data Shows:

- Maine's workforce grew from 633,100 in 1990 to a high of 707,200 in 2013 before dropping back to 698,900 in 2014

Why It Matters: Maine employers need an adequate supply of skilled and educated workers to meet their current needs and enable growth. Yet throughout the state and across many industries, employers struggle to fill their needs. Approximately 200,000 workers will reach traditional retirement age in the near future. If current trends continue, we can expect Maine's workforce to decline by approximately 20,000 by 2020.

Growing Maine's workforce will require us to improve workforce participation among current Mainers, particularly disengaged youth, veterans, the disabled population, and those over 50. We will also need to improve our net migration by attracting more people from beyond our borders and encouraging more Mainers to stay here and participate in our economy. Engaging more Maine people in the workforce will help to grow our economy and improve the lives of more Mainers. A number of organizations and programs are currently working on the various parts of this issue; ensuring that these efforts continue, are properly coordinated, and are taken to scale is essential to improving our economy.

Making Maine Work: Growing Maine's Workforce, released in October 2013 by the Maine Development Foundation and Maine State Chamber of Commerce, explores this topic in detail and outlines a number of strategies to grow our workforce in the years ahead. The report is available at www.mdf.org.

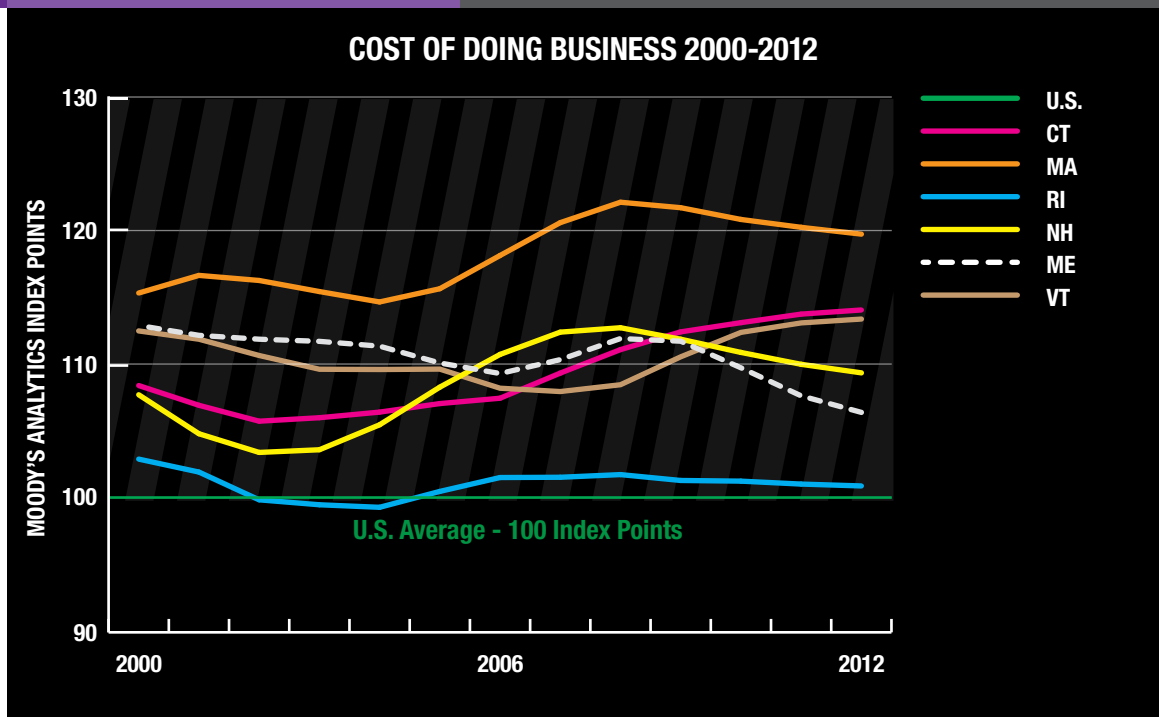
Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Value Added per Worker, Higher Degree Attainment, Poverty

14 - Cost of Doing Business

Maine's Cost of Doing Business Lowest Since Early 1990s

Benchmark: Maine's cost of doing business will decline to the U.S. average by 2020.

Source: Moody's Analytics



Background: The Moody's Analytics Cost of Doing Business index is a weighted scale of labor costs (wages, benefits, and productivity), energy costs (industrial and commercial electricity), and tax burden (state and local). Maine's labor costs are weighted at 73%, energy costs at 17%, and taxes at 10%.

What the Data Shows:

- Maine's overall cost of doing business has declined steadily in recent years and was 6.4% above the national average in 2012, the lowest since 1991
- Maine's overall cost of doing business in 2012 was the second lowest among the New England states, higher than Rhode Island (100.9) but below Massachusetts (119.7), Connecticut (114), Vermont (113.4), and New Hampshire (109.3)
- Maine's energy cost index declined from a high of 145.9 in 2009 to 124.2 in 2012
- Maine's labor cost and tax burden indexes were 1.2% and 14.1%, respectively, above the national average in 2012
- Maine's national rank has dropped from 3rd highest in 2000 to 11th highest in 2012

Why It Matters: The relative cost of doing business is vital to a state's economy. The costs of energy, labor, and taxes impact the ability of businesses to thrive and grow and are important considerations for businesses looking to get started, expand, or locate in the state. A simplified regulatory environment makes it easier for businesses, particularly small businesses, to operate in the state. While our relatively low labor cost helps Maine businesses, it also translates into lower incomes for Maine people.

New England Ranks by Indexes, 2012
(1 is the highest cost)

	Overall Rank	Unit Labor Rank	Cost of Energy Rank	Tax Burden Rank
MA	2	1	4	27
VT	5	5	9	6
CT	3	14	2	12
NH	8	8	5	50
ME	11	23	11	5
RI	18	30	8	14

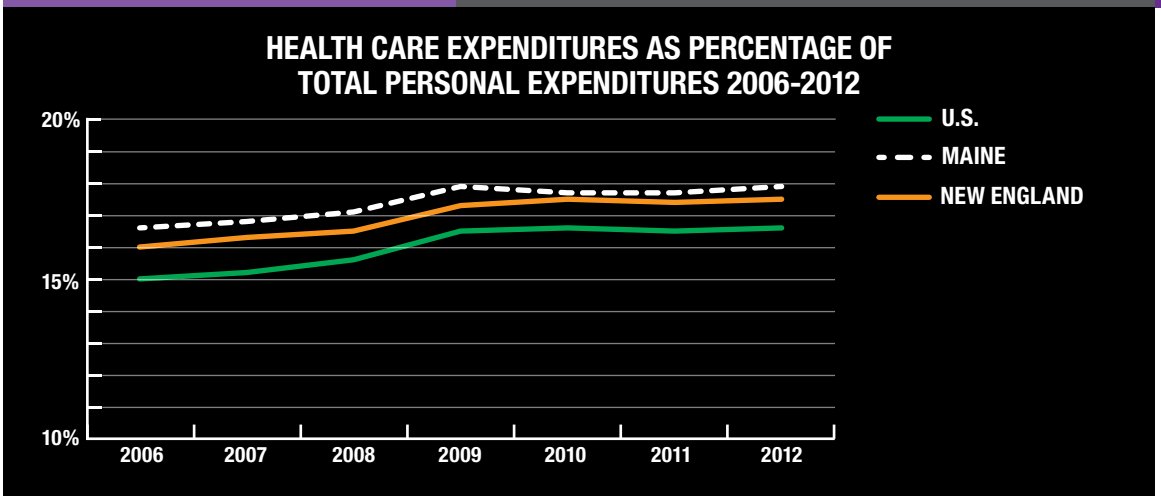
Source: Moody's Analytics

Related Indicators: Per Capita Personal Income, Cost of Energy, Cost of Health Care, State and Local Tax Burden

15 - Cost of Health Care

NO GRADE

Health Care Costs Remain a Concern for Maine People and Businesses



Benchmark:. Maine's health care spending as a percentage of total personal expenditures will decline to the New England average by 2020.

Source: Bureau of Economic Analysis Personal Consumption Expenditures by State (Prototype Estimates)

Background: Past reports have used data from the Kaiser Family Foundation and the Bureau of Economic Analysis showing total health care expenditures as a percent of GDP by region; however, this data has not been updated since 2009. The current data is from the Bureau of Economic Analysis Personal Consumption by State prototype estimates, which divides total personal expenditures by region into a number of major categories, including health care. The chart shows the percentage of Maine's total expenditures devoted to health care and the corresponding U.S. and New England averages.

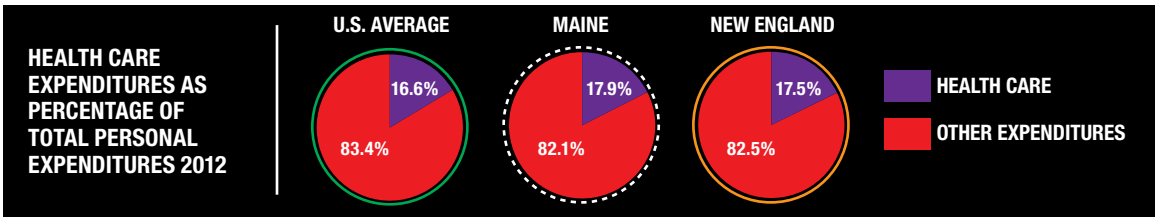
What the Data Shows:

- Maine's percentage of total personal expenditures devoted to health care has increased from 16.6% in 2006 to 17.9%
- The U.S. and New England averages have essentially mirrored this increase (rising from 15% to 16.6% and from 16% to 17.5%, respectively, from 2006 to 2012) and Maine has remained higher than both

Why It Matters: Maine businesses and Maine people have consistently identified the high cost of health care as a significant concern. Managing our health care costs is also a key factor in attracting individuals and businesses to the state. High health care costs may discourage people from seeking needed preventive care, ultimately driving up health care spending and affecting the health and productivity of Mainers. The increasing number of high-deductible plans for employer-based insurance and new out-of-pocket costs for those previously uninsured or covered by MaineCare gaining insurance on the Marketplace have important effects for Maine people.

High costs for government-sponsored insurance programs can also crowd out funding for other needed services and investments. Additionally, although high health care costs are a concern throughout the state, the cost of health services varies widely by region. Maine can help control the rising cost of health care by improving cost transparency; helping consumers make informed decisions about their care and associated costs; improving access to preventive care; improving the quality and delivery of services; and encouraging healthy behaviors to improve the overall health and wellness of Maine's people, such as lowering overweight and obesity rates.

Related Indicators: Gross Domestic Product, Employment, Cost of Doing Business, Wellness and Prevention, Health Insurance Coverage, Food Insecurity

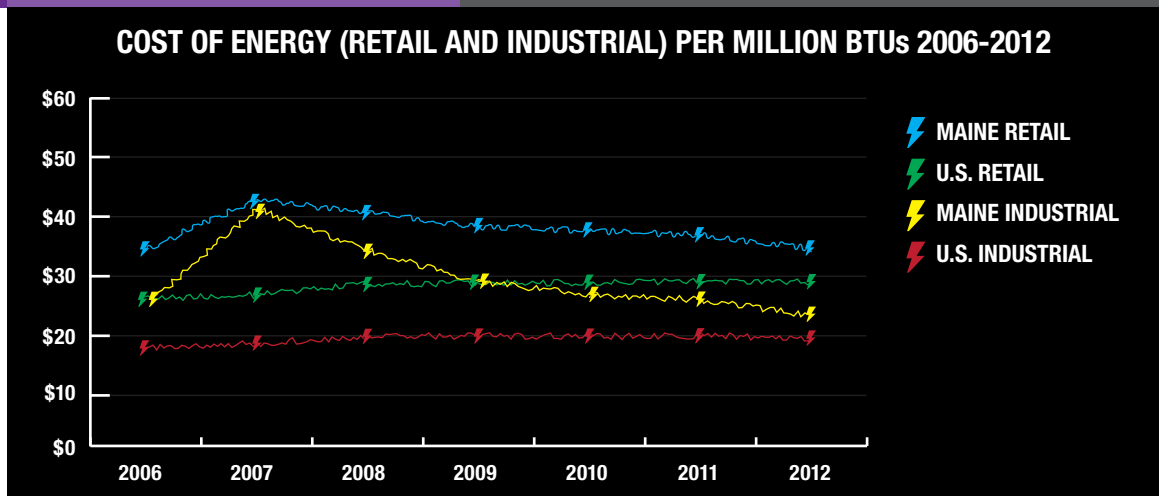


16 - Cost of Energy

Maine's Electricity Prices Lowest in a Decade but Still Above National Averages

Benchmark: Maine's retail and industrial electricity prices will decline to the U.S. average by 2020.

Source: Energy Information Administration



Background: Maine's cost of energy for retail and industrial customers is compared to the corresponding U.S. averages, measured in dollars per million British Thermal Units (BTUs).

What the Data Shows:

- Maine's 2012 retail and electricity prices were both at their lowest levels since 2005
- From 2011 to 2012, Maine's retail price declined -$2.24, while the U.S. was down -$0.15
- From 2011 to 2012, Maine's industrial price declined -$2.65, while the U.S. was down -$0.43
- The gap between Maine and U.S. retail prices declined from $8.44 per million BTUs in 2006 to $5.65 per million BTUs in 2012
- The gap between Maine and U.S. industrial prices declined by roughly half from 2011 to 2012, from $7.86 per million BTUs to $3.80 per million BTUs
- Maine's 2012 retail and industrial electricity prices were the lowest in New England and well below the averages of the other New England states ($41.32 and $33.81 per million BTUs, respectively)

Why It Matters: High energy costs affect the cost of living and doing business in Maine. Businesses, particularly manufacturers, weigh the cost of energy heavily in their location and expansion decisions. Although the indicator compares Maine to U.S. rates, our manufacturers compete against companies in neighboring Canadian provinces that benefit from dramatically lower electricity costs.

Maine is heavily reliant on petroleum products. Continued diversification of our energy sources, such as natural gas, pellet, wind, tidal, and biomass, can give Maine people and businesses more options to adjust to changing market conditions. Continued improvements in efficiency, particularly among large industrial and commercial customers, can lower consumption and alleviate some of the burden energy costs impose on Maine people and Maine businesses. *Energy in Maine*, the fifth Quarterly Economic Report by the Maine Development Foundation and the University of Maine School of Economics, explores these issues in greater detail and is available at www.mdf.org.

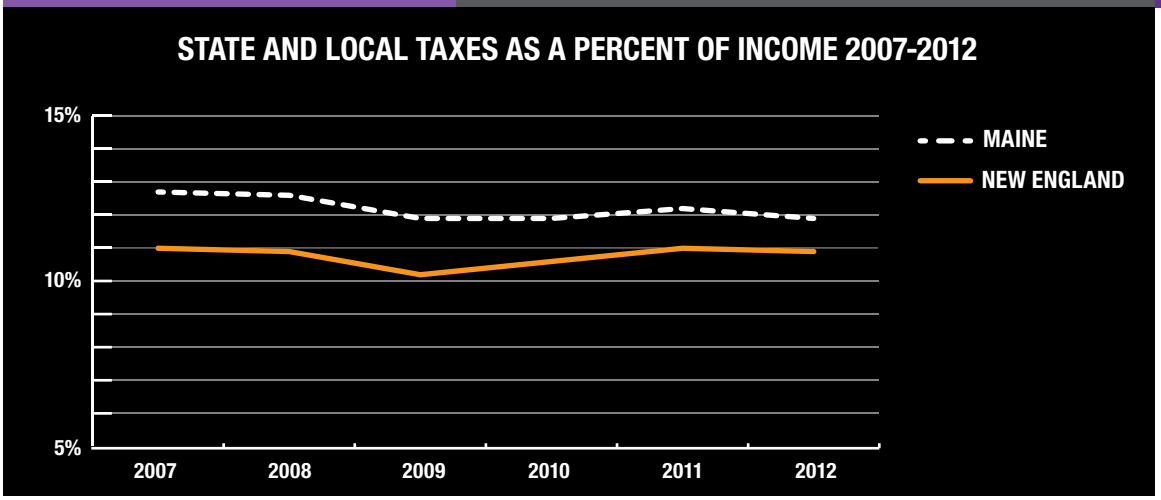
Related Indicators: Gross Domestic Product, Value Added per Worker, Cost of Doing Business

AVERAGE COST OF ENERGY (RETAIL AND INDUSTRIAL) IN 2012

MAINE RETAIL	U.S. RETAIL	MAINE INDUSTRIAL	U.S. INDUSTRIAL
$34.62	$28.97	$23.39	$19.59

17 - State and Local Tax Burden

Latest Data Shows Maine's Tax Burden Down Slightly Since 2007



Benchmark:. Maine's tax burden will decline and move toward the New England average each year through 2020.

Source: U.S. Census Bureau

Background: This indicator measures the percent of every $100 of income that taxpayers pay in state and local taxes. It reflects both the amount of taxes and the ability to pay. Per capita taxes compare the actual dollar amount of taxes across geographies.

What the Data Shows:

- Maine's tax burden has declined from 12.7% in 2007 to 11.9% in 2012
- With the exception of 2009, New England's tax burden has been roughly 11% over this time

Why It Matters: The relative level of tax burden and tax structure can weigh heavily on businesses and individuals. Relative tax levels are important considerations in the location decisions of individuals and businesses, and Maine needs to remain competitive with our neighbors. Our tax burden can be reduced by a combination of cutting spending and raising incomes. Taxes also generate revenue for public services such as education, health care, research and development, and transportation that are important to our quality of life and economy. It's critical that our tax structure is stable, encourages economic growth and job creation, provides for valuable investments, and appropriately balances state and municipal contributions.

New England State and Local Taxes 2012

	Tax Burden	Tax Burden Rank	Per Capita	Per Capita Rank
CT	12.1%	6	$6,950	4
ME	11.9%	7 (tie)	$4,620	16
MA	10.3%	24	$5,574	7
NH	8.4%	44	$3.988	26
RI	11.2%	14	$4,978	13
VT	11.9%	7 (tie)	$5,137	11

Related Indicators: Per Capita Personal Income, Value Added per Worker, Higher Degree Attainment, Fourth Grade Reading Scores, Eighth Grade Math Scores, Cost of Doing Business

STATE AND LOCAL TAXES AS A PERCENT OF INCOME IN 2012

NEW ENGLAND

10.9%

MAINE

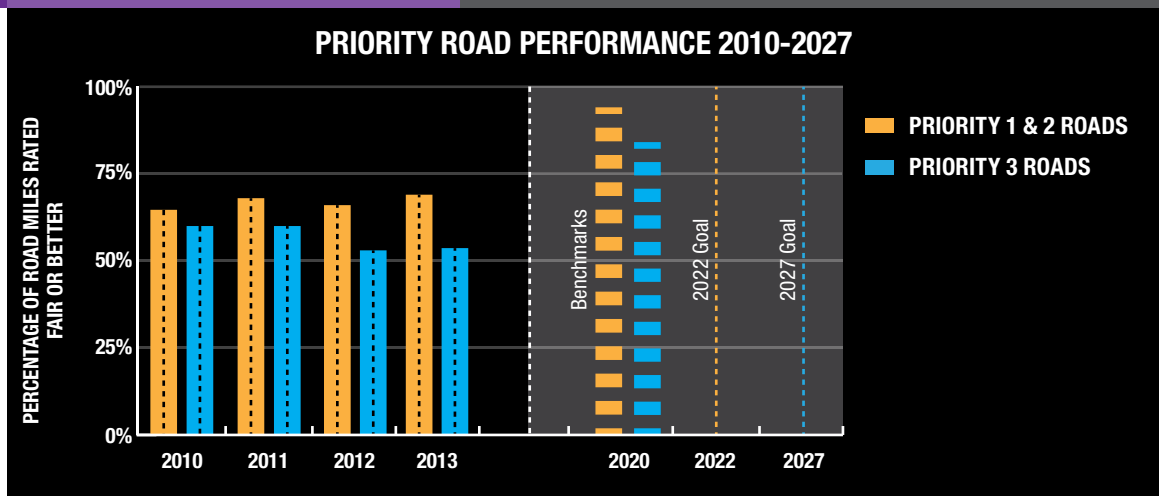
11.9%

18 - Transportation Infrastructure

Maine Falling Short on Road Improvements

Benchmark: 95% of priority one and two roads and 85% of priority three roads will meet a rating of fair or better by 2020

Source: Maine Department of Transportation



Background: The state's roadways are ranked as priorities one through six based on functional classification, regional economic significance, heavy truck use, and relative traffic volumes. Priority one, two, and three highways include the interstate, arterials, and major collector roads. Roadways are also classified as excellent, good, fair, poor, or unacceptable based on road and bridge safety, condition, and service factors. The state's statutory goals are for all priority one and two roadways to be rated fair or better by 2022 and for all priority three roads to be rated fair or better by 2027. The Council's benchmarks are consistent with these goals.

What the Data Shows:

- In 2013, 69% of priority one and two roads were rated fair or better while the Growth Council's target was 76%
- The percentage of priority three roads meeting the standard declined from 60% in 2010 to 54% in 2013, while the Council's target for 2013 was 70%
- The 2013 numbers were 166 miles below target for priority one and two roads and 320 miles below target for priority three roads
- The Maine Section of the American Society of Civil Engineers' 2012 *Report Card on Maine's Infrastructure* assigned a D for roads, C for railroads, C- for passenger transportation, C- for bridges, B for airports, and C for ports and waterways
- Transportation spending is now less than 10% of the total state budget compared to 26% in 1976

Why It Matters: Priority one, two, and three roadways account for 19% of Maine's public roads but carry 70% of the state's passenger and freight traffic. Poor roads contribute to lower productivity and more vehicle repairs, traffic delays, personal injury, and property damage. The Maine Department of Transportation's three-year work plan for 2015-2017 meets only 69% of needs and indicates a $357 million shortfall for highway and bridge capital improvements. Improvement costs have increased as revenues from fuel taxes have declined with improving fuel efficiency. Maine will have to identify new revenue sources to provide the funding needed to maintain an effective roadway network.

While the majority of Maine's passengers and freight move by road, alternative modes of transportation can alleviate the burden on Maine roads and provide more options for people. Ridership on the Amtrak Downeaster, for example, reached a new high of over 536,000 in fiscal year 2014, and since 2001, the Downeaster has transported over five million passengers the equivalent of 412 million passenger miles.

Actual Road Miles and Targets, 2010-2027

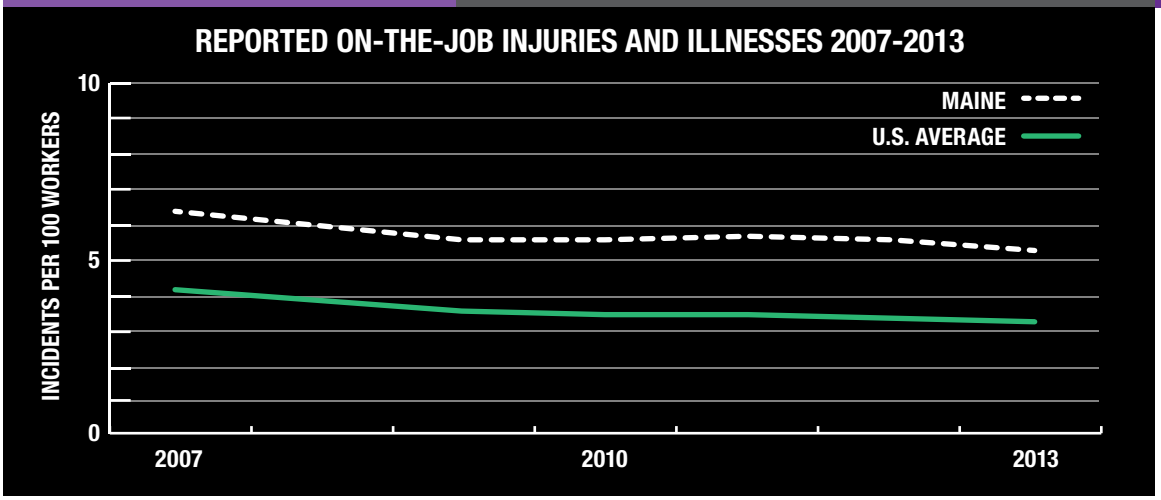
	2010	2011	2012	2013	2020	2022	2027
Priority 1 and 2	1597	1602	1569	1623	2235	2363	N/A
Priority 3	1268	1178	1070	1073	1686	N/A	1978

Source: Maine Department of Transportation

Related Indicators: Gross Domestic Product, High Speed Internet Subscribers, Value Added per Worker, Cost of Doing Business, Cost of Energy, State and Local Tax Burden

19 - On-the-Job Injuries and Illnesses

Established Downward Trend Continues for Both Maine and U.S.



Benchmark:. Maine's on-the-job injury and illness rate will move toward the U.S. rate each year through 2020.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Background: This indicator compares the Maine and U.S. rates of reported on-the-job injuries and illnesses per 100 full-time workers. Included are all work-related injuries and illnesses required to be recorded by the Occupational Safety and Health Administration (OSHA), which defines an injury or illness as an abnormal condition or disorder. Maine's rate is the OSHA recordable incident rate for public and private sector establishments.

What the Data Shows:

- Both the Maine and U.S. rates have declined fairly steadily, Maine from 6.4 incidents per 100 workers in 2007 to 5.3 in 2013 and the U.S. from 4.2 to 3.3 over the same time
- Maine's rate has been approximately two incidents per 100 workers above the U.S. rate in that time
- Since 2009, Maine's median days away per incident has been 5 and the U.S. average has been 8
- Although Maine has not met the benchmark, the downward trend in Maine and U.S. rates is clear
- The Growth Council will continue to monitor this indicator annually and, barring any significant changes, will include it in the report every five years

Why It Matters: On-the-job injuries affect worker productivity, impose health care costs on individuals and employers, and hurt the competitiveness of businesses while significantly impacting the lives of individuals and their families. Maine's historically higher-than-average rate is due in part to the relatively hazardous working conditions in the manufacturing industry. The changing nature of manufacturing work and the smaller number of manufacturing employees has helped to lower the state's incident rate, as have worker safety programs throughout the state.

Related Indicators: Gross Domestic Product, Employment, Value Added per Worker, Cost of Doing Business, Cost of Health Care, Wellness and Prevention

LIVING, WORKING AND MOVING FORWARD, TOGETHER.

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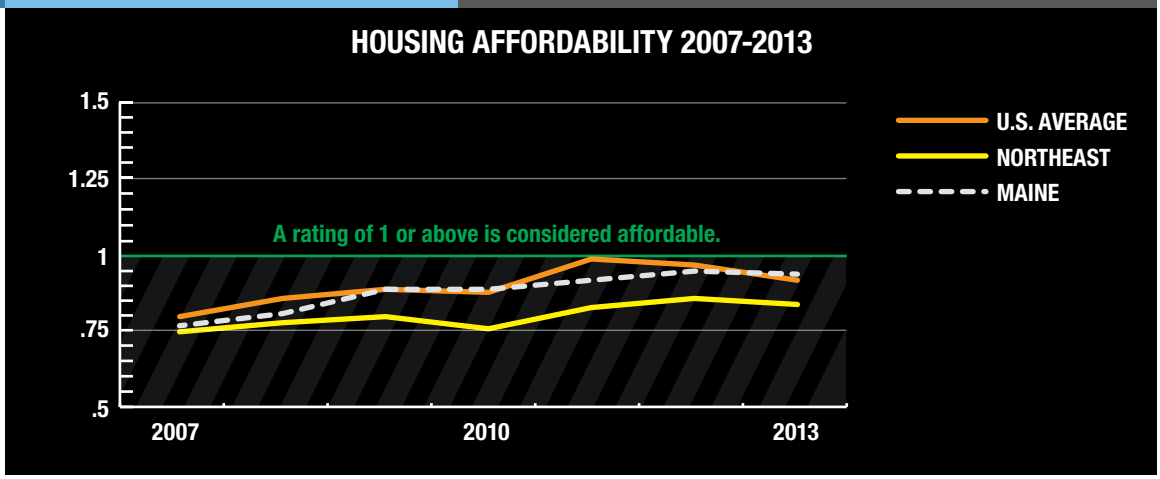
20 - Housing Affordability

Housing Affordability Continues to be a Competitive Advantage for Maine

Benchmark: Maine's housing affordability index will reach and maintain a level around 1 by 2020.

Source: MaineHousing



Background: The index is the weighted average of MaineHousing's homeownership affordability* and rental affordability indexes.** The weighting is based on the relative numbers of homeowner and rental households. A higher index means that housing is more affordable.

What the Data Shows:

- Housing affordability in Maine has been improving slowly in recent years
- Homeownership has become more affordable in Maine while tightening rental markets have made renting less affordable
- Maine's housing affordability (0.94 in 2013) has been roughly on par with the U.S. average (0.92 in 2013) and consistently higher than the Northeast average (0.84 in 2013)

Why It Matters: Housing affordability is an important factor in Maine's economy and the quality of life of Maine people. When housing is readily affordable, people have more disposable income to spend on other goods and services. Housing in Maine has consistently been more affordable than in the Northeast as a whole, giving Maine an advantage over our neighbors in attracting and retaining people.

In general, housing tends to be more affordable in Maine's central and rim counties and less affordable in southern and coastal Maine. Many of Maine's job centers have high housing costs that make it difficult for people to live in the communities where they work. The resulting commutes impose additional transportation costs, and take a toll on family and civic life, as well as our transportation infrastructure.

*The homeownership affordability index is the ratio of the home price that a Maine household at median income can afford to the actual median home price.

**The rental affordability index is the ratio of the rent that a Maine renter household with median renter household income can afford to the actual average rent for a two-bedroom apartment, including utilities.

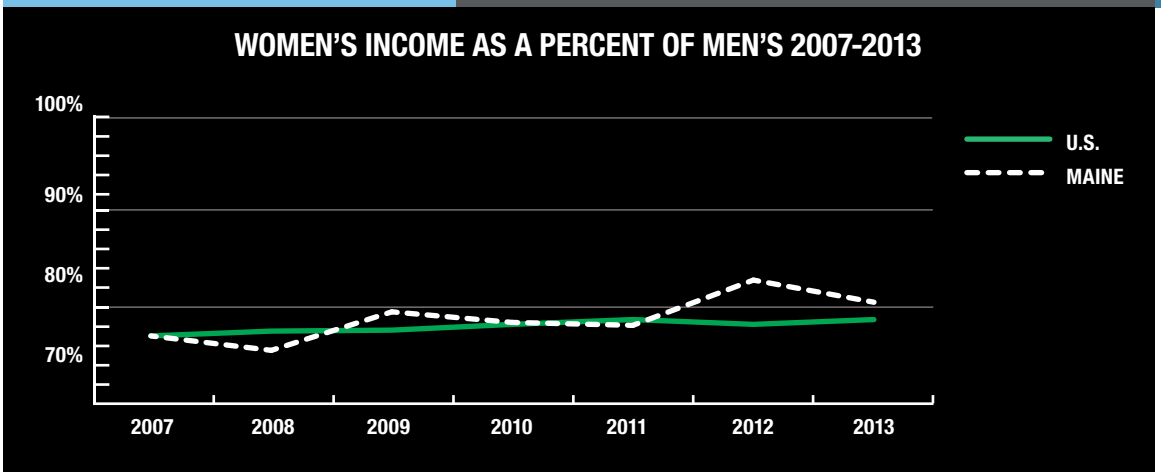
Related Indicators: Per Capita Personal Income, Employment, Transportation Infrastructure

AVERAGES FOR 2013	HOUSE COST AVERAGE	HOMEOWNER INCOME	RENT AVERAGE	RENTER'S INCOME
	$197,400	$52,250	$905	$32,831
	$248,900	$59,247	$1,028	$35,324
	$169,900	$47,728	$760	$26,591

21 - Gender Income Disparity

Maine Women's Earnings Lose Ground Relative to Men's

COMMUNITY



Benchmark:. Maine's median annual income for women working full-time will improve to 100% of the median annual income for men working full-time by 2020.

Source: U.S. Census Bureau, American Community Survey

Background: This indicator compares the median annual incomes for women and men working full-time, full-year in Maine and the nation.

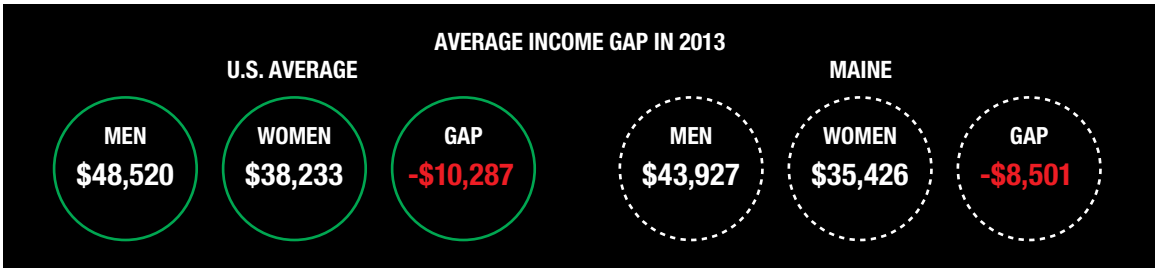
What the Data Shows:

- Women in Maine earned $0.81 for every dollar earned by men in 2013 compared to $0.83 in 2012
- The median annual income for Maine women was $35,426 in 2013, up $340 from 2012
- The median annual income for Maine men was $43,927 in 2013, up $1,592 from 2012
- The gap between the earnings of men and women in Maine was $8,357 in 2008 and $8,501 in 2013
- Nationwide, women earned $0.79 for every dollar earned by men in 2013 and $0.78 in 2012
- At the current rate of progress, the national wage gap for women will not be closed until 2057, according to an April 2013 study by the Institute for Women's Policy Research
- Some of the decline in the earnings gap in recent years has been due to the relative stagnation of men's earnings

Why It Matters: While the earnings gap varies by age, race, education level, marital status, and occupation, the overall pattern of women earning less than men persists throughout the labor market, resulting in significantly lower lifetime earnings for women and limiting women's contributions to our economy. At the national level, it has been estimated that the average woman will lose an estimated $431,000 over a 40-year career.

Women's choices of occupation and labor force participation account for some of the earnings gap, but much is also due to wage discrimination. The gap tends to be smaller at higher levels of education and in certain occupations, yet varies significantly across occupations with a high percentage of female employees or with comparatively high median earnings for women. For example, in Maine's finance and insurance sector, which has the third highest wage for females ($37,894) and third highest percentage of female employees (67%), women's earnings are only 55.4% of men's earnings. In health care and social assistance, where women make up 80% of all workers, women's earnings are 73.4% of men's earnings. Reducing the earnings gap requires a multi-faceted approach that limits occupational segregation, expands career choices for women, enforces equal employment laws, and eliminates workplace harassment and discrimination.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Value Added per Worker, Higher Degree Attainment, Food Insecurity, Poverty



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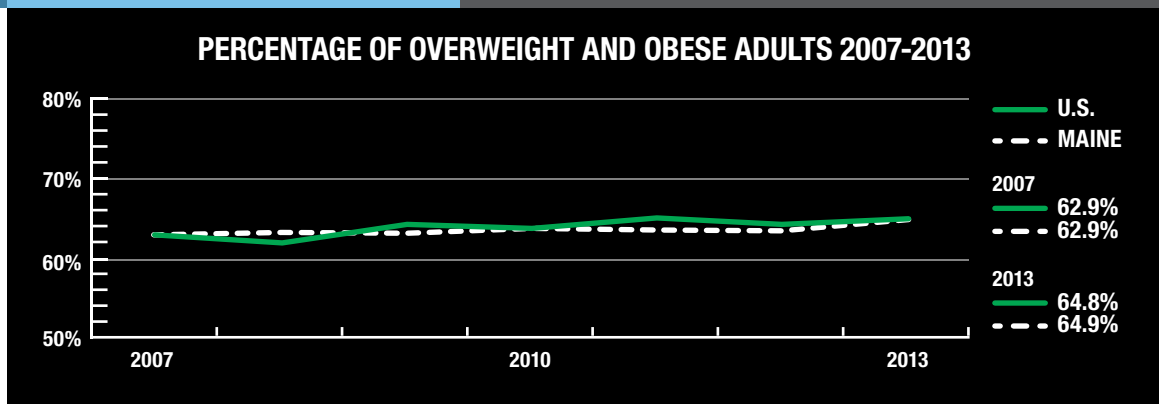
22 - Wellness and Prevention

Nearly Two-Thirds of Maine Adults At Unhealthy Weight

Benchmark: The combined percentage of overweight and obese adults in Maine will decline to 50% by 2020.

Source: Center for Disease Control, Behavioral Risk Factor Surveillance System



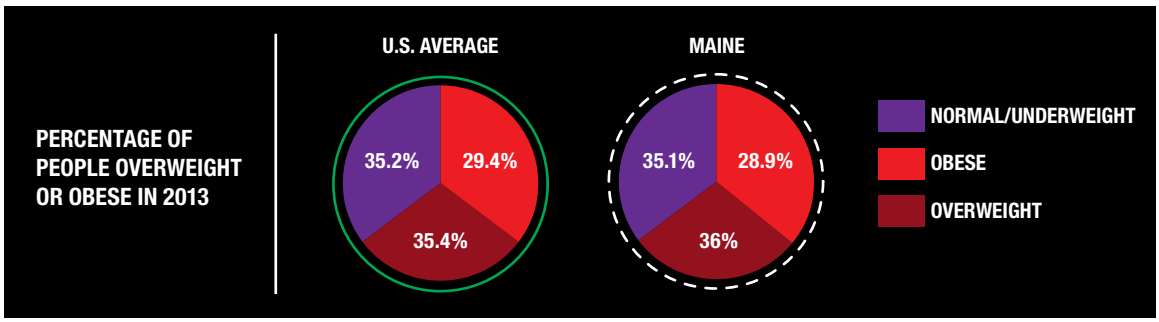
Background: Being overweight or obese is the third leading cause of preventable deaths in Maine and the nation. Overweight (Body Mass Index of 25.0 to 29.9) and obese (Body Mass Index greater than or equal to 30) adults are at higher risk for chronic diseases such as diabetes, heart disease, stroke, high cholesterol, asthma, arthritis, and some cancers. The risk increases with weight.

What the Data Shows:

- Maine's combined adult overweight and obesity rate has approached two-thirds over the last five years and stood at 64.9% in 2013
- While Maine's overweight rate declined from 37.7% to 36% from 2007 to 2013, Maine's obesity rate climbed from 25.2% to 28.9%
- From 2007 to 2013, the U.S. overweight rate declined from 36.6% to 35.4% and the U.S. obesity rate increased from 26.3% to 29.4%
- Approximately one-third of Maine children are overweight or obese and more likely to have weight issues as adults

Why It Matters: Obesity is highly correlated with cardiovascular disease, asthma, hypertension, diabetes, and joint degeneration, which are being found in younger ages, particularly among those with low incomes. Significant economic costs are associated with Maine's high overweight and obesity rates, including $767 million annually in medical expenses and $2 billion annually in lost productivity. Reducing our overweight and obesity rates can help improve our overall health status and in turn help to control health care costs and improve productivity. Policies that encourage healthy behaviors are an important element; many employers are now using wellness and insurance programs to do just that.

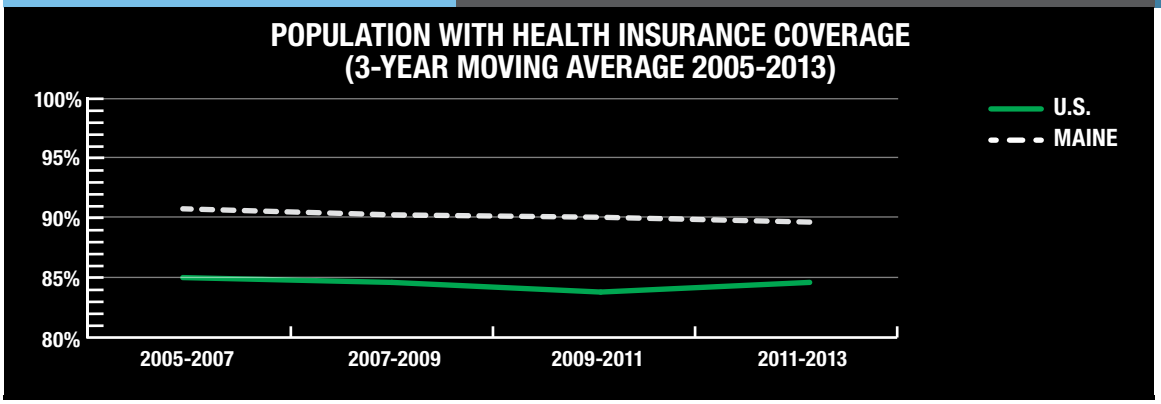
Related Indicators: Value Added per Worker, Cost of Doing Business, Cost of Health Care, On-the-Job Injuries and Illnesses, Health Insurance Coverage, Food Insecurity



23 - Health Insurance Coverage

Maine's Health Insurance Coverage Unchanged, Remains Above U.S. Average

COMMUNITY



Benchmark:. The percentage of Maine's population with health insurance coverage will continually rise and remain above the U.S. rate.

Source: U.S. Census Bureau

Background: This indicator compares the three-year average of the percentage of the total population in Maine and the United States with health insurance coverage.

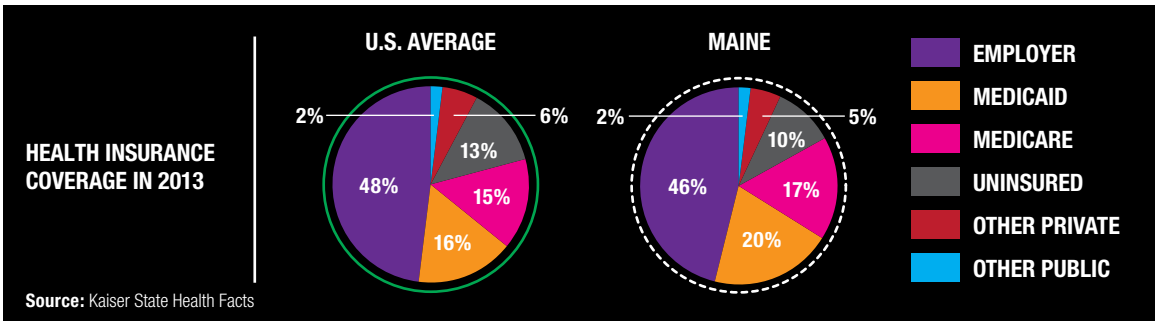
What the Data Shows:

- With minor fluctuations, the three-year moving average of health insurance coverage has been approximately 90% in Maine and approximately 85% in the U.S. as a whole since 2005
- According to the Kaiser Foundation, from 2012 to 2013, Maine's rate of Medicare coverage increased from 13% to 17%, while the rate of Medicaid coverage declined from 23% to 20% and the rate of employer coverage declined from 48% to 46%

Why It Matters: Making health insurance coverage available to a large number of people provides greater access to health care services. Health insurance helps people establish a relationship with a provider and access preventive care that can help avoid more costly and disruptive procedures down the road, helping people live healthier, more productive lives. As Maine's population ages, financing both private and public insurance programs is likely to present an even greater challenge in the years ahead. Adding more quality jobs that offer health insurance to employees can help alleviate the burden on public insurance programs.

The federal Affordable Care Act's Health Insurance Marketplace has significantly improved affordability and coverage for individuals and sole proprietors. Maine also gained a new nonprofit insurer which has become the leading plan provider for enrollees in the Health Insurance Marketplace. As of the end of the 2015 open enrollment period, nearly 75,000 Mainers had selected a health plan through the Marketplace, with about 90% of enrollees qualifying for subsidized coverage.

Related Indicators: Employment, Value Added per Worker, Cost of Doing Business, Cost of Health Care, Wellness and Prevention, Food Insecurity



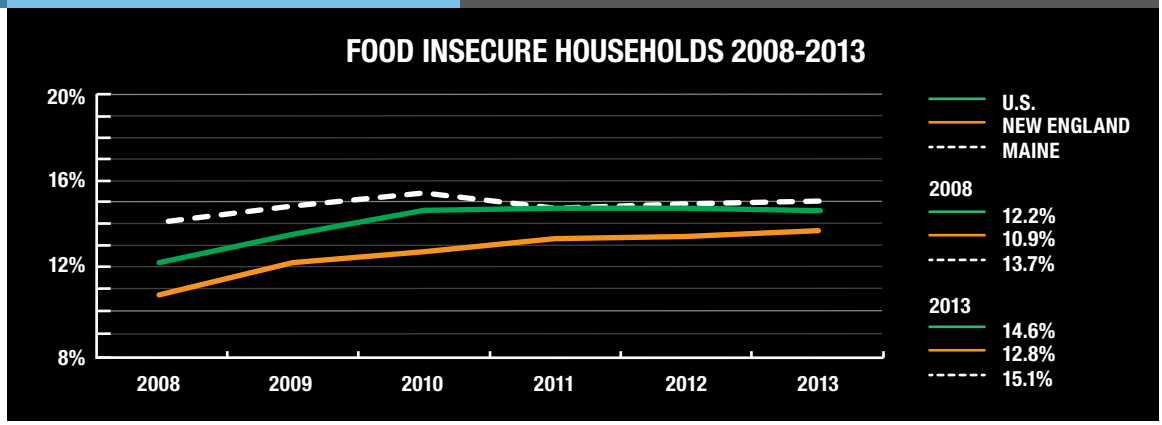
Source: Kaiser State Health Facts

24 - Food Insecurity

Reducing Food Insecurity in Maine Key to Improving Other Outcomes

Benchmark: Maine's percentage of food insecure households will decline to the New England average by 2020.

Source: U.S. Department of Agriculture Economic Research Service



Background: Food insecurity is measured annually by the U.S. Department of Agriculture Economic Research Service using U.S. Census data. Households with dependable access to enough food for active, healthy living are considered food secure, while those experiencing disrupted eating patterns, reduced food intake, and reduced quality or variety of diet are considered to be food insecure.

What the Data Shows:

- Maine's percentage of food insecure households has risen from 13.7% in 2008 to 15.1% in 2013 and remains above the New England and U.S. averages
- In 2013, approximately 200,000 Mainers lacked consistent access to affordable nutritious food
- According to Feeding America, in 2014, nearly one in four (24.1%) Maine children were food insecure

Why It Matters: Food insecurity is a foundational indicator that has deep-rooted impacts in Maine. Food insecurity is particularly harmful to young children and is linked to poor health, developmental disabilities, and impaired performance in math and reading. Among 6 to 12 year-olds, food insecurity is associated with grade repetition, absenteeism, tardiness, visits to a psychologist, anxiety, aggression, psychosocial dysfunction, and difficulty getting along with other children. Toddlers who experience food insecurity at any point are 3.4 times more likely to be obese by age 5. The total annual direct and indirect cost of food insecurity (including poor health, lowered educational outcomes, reduced earnings, and the value of charitable contributions to address hunger) has been estimated at $167.5 billion for the nation and $787 million for Maine.

Eliminating "food deserts" where affordable and healthy food is difficult to obtain, supporting the work of programs like Good Shepherd Food Bank, and increasing the level of participation among eligible students in federal child nutrition programs are important to reducing insecurity. During the 2013-2014 school year, 46% of Maine students were eligible for free or reduced-price meals. Of those, 61% received meals through the National School Lunch Program, 40% received breakfast, and 17.5% received meals during the summer.

The 126th Legislature created the Task Force to End Student Hunger, which released its report in January. The report is available at www.maine.gov/legis/opla/studenthungerreport.pdf.

Related Indicators: Per Capita Personal Income, Gross Domestic Product, Employment, Value Added per Worker, Higher Degree Attainment, Fourth Grade Reading Scores, Eighth Grade Math Scores, Cost of Health Care, Wellness and Prevention

Good Shepherd Food-Bank
Feeding Maine's Hungry
www.gsfb.org

BY LAND, LAKE, SEA AND STREAM.

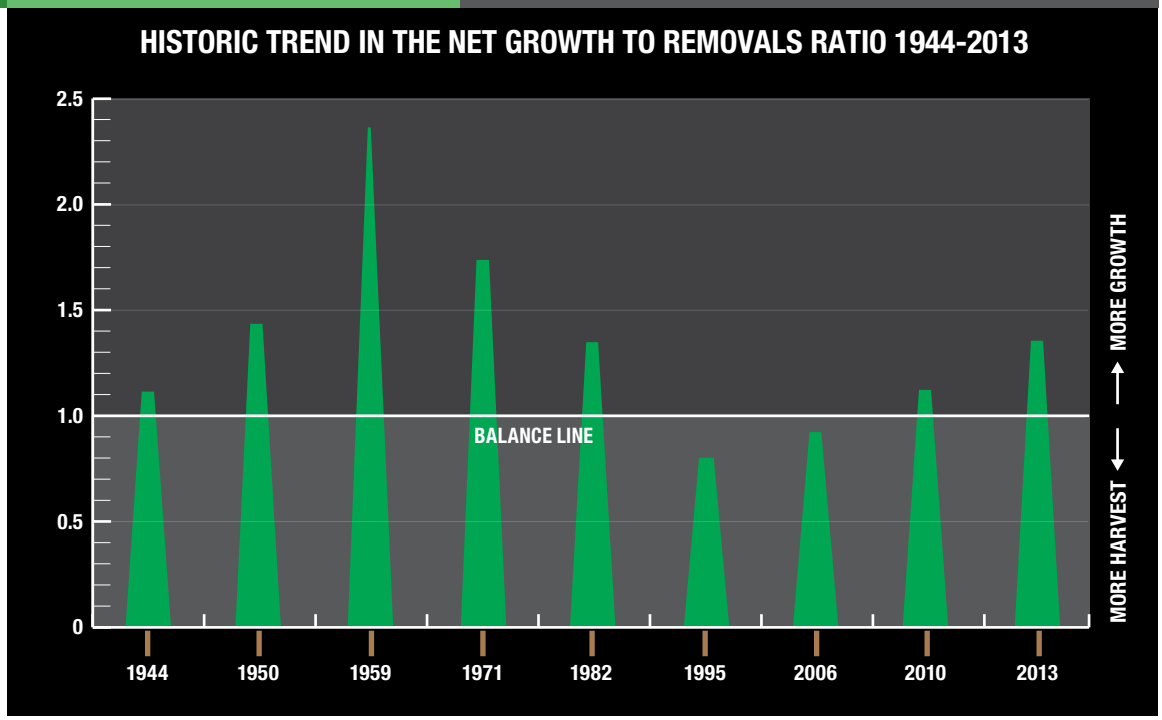
ENVIRONMENT

25 - Sustainable Forest Lands

Maine Continues to Benefit from Sustainable Forest Management

Benchmark: A net growth to removals ratio near 1:1 will be maintained over time.

Source: Maine Department of Agriculture, Conservation, and Forestry



Background: A net growth ratio value greater than one indicates that growth is greater than harvest, while a net growth ratio value less than one indicates that harvest exceeds growth. The ratio of net growth to removals peaked in 1959 at an unsustainable ratio of 2.37. From 1959 to 1995, a maturing forest, the spruce budworm epidemic, and harvesting brought the ratio on a decline to an undesirable value of 0.81 in 1995. Since then the ratio has improved steadily, crossing the 1:1 balance point in 2008. Since 1990, the harvest of forest products (sawtimber, pulpwood, firewood, and biomass) has ranged from 16.7 to 19.7 Million Green Tons. Over this period, the mix and individual contribution of various products has shifted to meet market demands. Despite this historic high level of sustained harvest, the growing stock inventory has increased 13% since 1995, and at a current level of 23.6 Billion Cubic Feet (BCF) is again approaching the 1982 apex of 24.1 BCF.

What the Data Shows:

- The clearly established long-term trend around the ideal ratio of 1:1 continued in 2013 at 1.35:1 and Maine is consistently meeting the benchmark
- The Growth Council will continue to monitor this indicator annually and, barring any significant changes, will include it in the report every five years

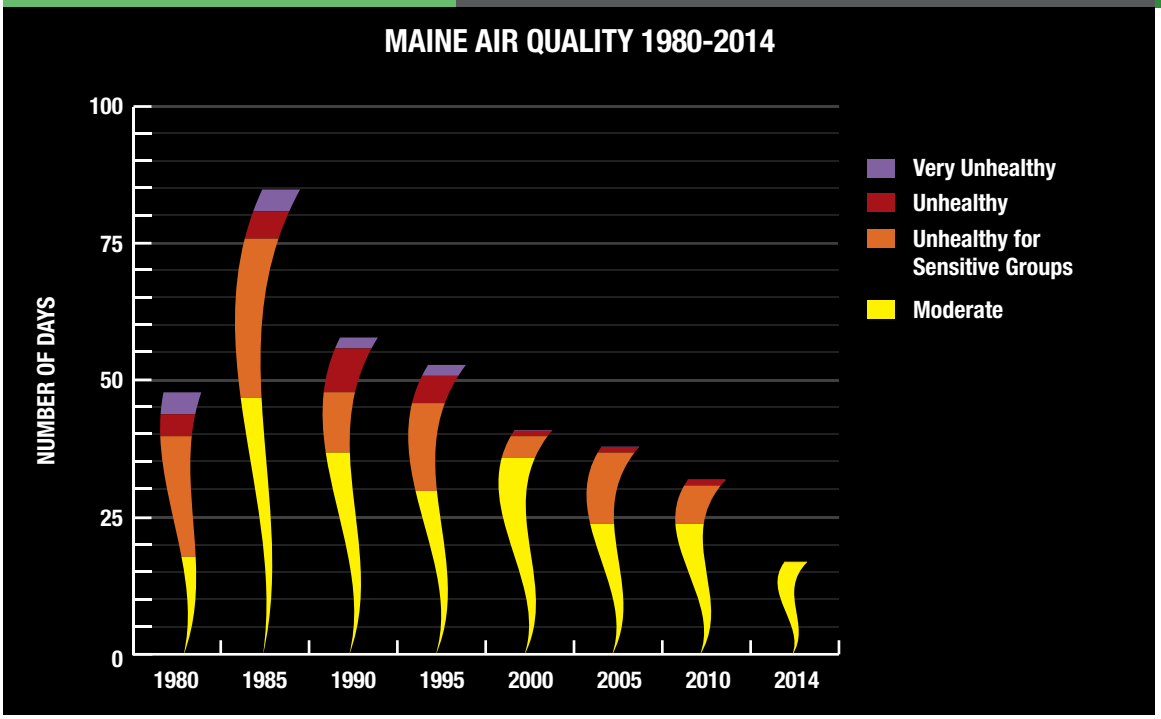
Why It Matters: Maine's forests cover 89% of the state's land area, with 93% of this acreage actively managed by private landowners and much of that accessible to the public. Sustainable forestry is essential to Maine's economy, identity, and quality of life, particularly with the mounting concern over the future of Maine's forest lands. Maine's forests support healthy wildlife populations, supply raw materials used to create products ranging from newspaper to alternative fuels, offer a wide variety of recreational opportunities, and play an important role in Maine's air and water quality. Maintaining the long-term balance between growth and removals is a key component in sustaining Maine's forests and their vital contribution to the state's economy.

Related Indicators: Gross Domestic Product, Employment, Air Quality, Water Quality

26 - Air Quality

Maine's Air Quality Shows Continuous Improvement

ENVIRONMENT



Benchmark:. Maine's overall number of listed days and the severity of the health categories for listed days will continue to decline through 2020.

Source: Maine Department of Environmental Protection

Background: The air quality indicator is based on ozone levels averaged over an eight-hour period in parts per billion, as measured by a network of monitors recording concentrations of major pollutants throughout the state. The data is based on the number of times the maximum value in the state for each day falls into each air quality index category.

A separate comparison is of Maine's statewide maximum eight-hour ozone design value to the national standard. The maximum eight-hour ozone design value measures the fourth highest daily maximum concentration averaged over three years. Maine's values were above 100 for much of the 1980s but have been at or below the national ambient air quality standard of 75 since 2010.

What the Data Shows:

- Both the number and severity of unhealthy air quality days have declined in recent years
- A total of 17 days fell into the "moderate" risk category in 2014, the first year without a day classified above "moderate" risk
- By comparison, in 1985, 85 days fell into one of the designated health risk categories, with four classified as "very unhealthy"

Why It Matters: Air quality is important to the health of Maine people and affects our cost of health care. It is also an indicator of the overall quality of Maine's environment. While Maine's location means our air quality is subject to actions outside of our state, both state and federal policy have a role to play. The decline of manufacturing industries in the state has also helped to improve our air quality. On average, Maine's air is cleaner than the rest of the nation and offers an advantage in attracting people and businesses to the state.

Related Indicators: Cost of Health Care, Workforce, Wellness and Prevention, Sustainable Forest Lands, Water Quality

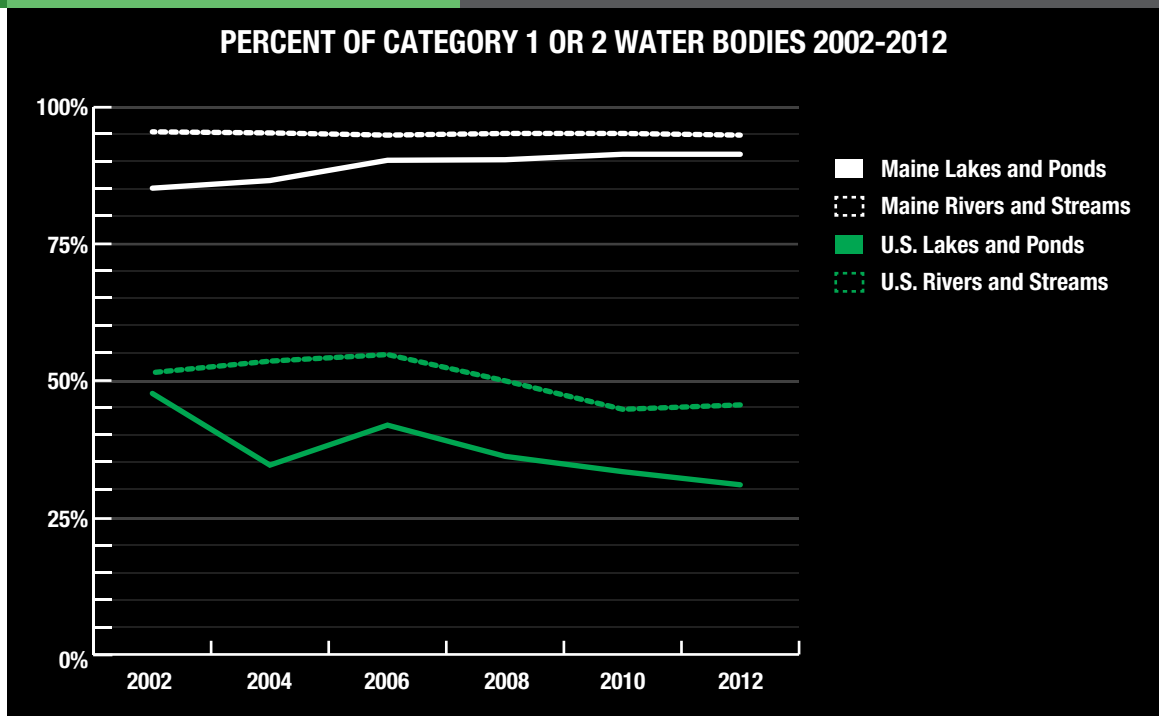
ENVIRONMENT

27 - Water Quality

Maine's Water Quality Remains Well Above U.S. Average

Benchmark: The percentage of Maine's assessed water bodies classified as Categories 1 and 2 will be maintained over time.

Source: Maine Department of Environmental Protection, Bureau of Land and Water Quality, and U.S. Environmental Protection Agency



Background: The chart compares water quality in Maine and the U.S. The Maine Department of Environmental Protection reports the water quality for Maine's rivers and streams and lakes and ponds to the U.S. Environmental Protection Agency (EPA) every two years. Maine's assessed waters are classified into five categories, with Category 1 and 2 waters attaining all or some designated uses and water quality standards. Categories 1 and 2 are approximately equivalent to the EPA's "good" classification.

What the Data Shows:

- Since 2006, approximately 95% of Maine's assessed rivers and streams and approximately 90% of Maine's assessed lake and pond acreage met the Category 1 and 2 standards
- Since 2006, the percentage of U.S. rivers and streams meeting the "good" standard has dropped from 55% to 46%, and the rate for U.S. lakes has dropped from 42% to 31%

Why It Matters: The Environment indicators speak to the overall quality of Maine's natural environment, a key part of our state's identity, image, and brand. Maine's natural environment helps to support a vibrant tourism economy and is frequently cited as a main reason that people and businesses stay in or relocate to our state. While many of the indicators in this report address Maine's challenges, the Environment indicators speak to one of Maine's key assets and the benefits and opportunities it presents.

Related Indicators: Gross Domestic Product, International Exports, Value Added per Worker, Cost of Health Care, Wellness and Prevention, Sustainable Forest Lands, Air Quality

BACKGROUND

The Maine Economic Growth Council was established by statute in 1993 to develop a vision and benchmarks for Maine's long-term economic growth. Its members represent a broad and diverse cross-section of Maine's key constituencies. Members are jointly appointed by the Governor, Senate President, and Speaker of the House. The Council is co-chaired by Eloise Vitelli, State Senator and current Director of Program and Policy Development at Maine Centers for Women, Work, and Community; and Steve Von Vogt, President and CEO of Maine Marine Composites.

The annual *Measures of Growth* report is one of the most widely used and respected reports on Maine's economy. The report has been revised from time to time to provide the most current and meaningful assessment of Maine's progress toward long-term economic growth and a high quality of life for all Maine people.

The Maine Economic Growth Council is administered by the Maine Development Foundation (MDF), a private, non-partisan membership organization created in statute in 1978 that drives sustainable, long-term economic growth for Maine. MDF Program Director Ryan Neale administers Council meetings and researches and writes the report. The work of the Growth Council is financed by a state appropriation through the Maine Department of Economic and Community Development.

ACKNOWLEDGEMENTS

The Maine Economic Growth Council and Maine Development Foundation extend their sincere appreciation to the individuals and organizations that generously provided data and guidance in the development of this report. We would like to extend a special thank you to Cassidy Parmley and the team at Pica for their effort in developing the new look for the report. The report was printed by J.S. McCarthy.

THE NATURE OF DATA

The Growth Council strives to provide the most accurate, timely and consistent data available. Source data is regularly revised as methodologies improve and more information becomes available. As a result, the data presented here may differ slightly from that of past reports. Despite these limitations, the overall trends and policy implications are unchanged.

MAINE ECONOMIC GROWTH COUNCIL MEMBERS 2014-2015

Hon. Eloise Vitelli, Co-Chair
State Senator
Senate District 19

Stephen Von Vogt, Co-Chair
President and CEO
Maine Marine Composites

Susan Corbett
CEO
Axiom Technologies

Hon. Andre Cushing
State Senator
Senate District 10

Hon. Jennifer DeChant
State Representative
House District 52

Thomas Driscoll
Executive Director
E.S. Boulos Company

George Gervais
Commissioner
Maine Department of Economic and Community Development

Thomas Kittredge
Economic Development Director
City of Belfast

John Napolitano
President
Plumbers and Pipefitters Union 716

Hon. Matthew Pouliot
State Representative
House District 86

Kenneth Priest, II
President
Kenway Corporation

Steve Schley
President
Pingree Associates Inc.

Tim Walton
Director of External Affairs and Public Policy
Cianbro Corporation

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Photo on page 31 provided by The Maine Coast Heritage Trust

Prepared by the Maine Development Foundation for the Maine Economic Growth Council
MAINE DEVELOPMENT FOUNDATION

PDF available for download at mdf.org

MEGC

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Growth Council

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February 26, 2016

To: Sen. Roger Katz and Rep. Chuck Kruger, co-chairs
Members, Government Oversight Committee

From: David R. Clough, State Director

Re: Invitation to Comment on Actions to Improve the Efficiency, Effectiveness, and Value of Future Evaluations of Economic Development Programs Undertaken by DCED

These comments are being provided on behalf of the thousands of small business owners in Maine who are members of the National Federation of Independent Business (NFIB). NFIB members are located in every legislative district and are engaged in a wide range of economic activity. They are passionate about succeeding in their business – and passionate about succeeding in Maine and their local community. We would not have viable communities or a resilient economy without entrepreneurs and small business owners.

This statement is intended to some comments on a few of the questions being considered by your committee.

- Any data demands you may wish to impose on recipients of economic development incentives could have a particular burden on smaller companies because these firms do not have the financial and legal resources to respond in the same way that a large company may be expected to respond.
- Consider establishing a monetary threshold below which the administrative and compliance costs do not warrant detailed scrutiny.

As for developing a formal, public economic development strategy that is current and that can be used as a tool for judging economic development incentives:

- The Maine Economic Growth Council is already charged statutorily with an element of this task but has never pursued that responsibility. Section 929-B of Title 10 (attached) specifies the powers and duties of the Growth Council.

Small business owners are likely to share the interest in evaluating the effectiveness of incentives but, at the same time, they are likely to share the concern that individual firm dynamics, business sector cycles, general economic conditions, and a variety of other factors can greatly complicate a clear picture of what's working and what's not at any moment in time.

Thank you for considering these comments and for keeping Maine small business owners in mind as you deliberate a prudent course of action.

Maine Revised Statutes

Title 10: COMMERCE AND TRADE

Chapter 107: MAINE DEVELOPMENT FOUNDATION; MAINE ECONOMIC GROWTH COUNCIL

§929-B. POWERS AND DUTIES

1. Develop a long-term plan for the State's economy. The council shall:

A. Develop and recommend a long-range plan, goals, benchmarks and alternative strategies for a sustainable state economy; [1993, c. 410, Pt. MMM, §1 (NEW).]

B. Monitor progress in accomplishing the plan's vision, goals and benchmarks; and [1993, c. 410, Pt. MMM, §1 (NEW).]

C. Recommend changes in the plan to reflect the dynamics of the international, national and state economy. [1993, c. 410, Pt. MMM, §1 (NEW).]

[1993, c. 410, Pt. MMM, §1 (NEW) .]

2. Process. The council shall use the following guidelines when developing the plan described in subsection 1.

A. The process must be long-term and continuous with a 5-to-7-year planning horizon. It must include clear authority for monitoring and evaluating on a regular basis. [1993, c. 410, Pt. MMM, §1 (NEW).]

B. The process must have a strategic focus and measurable outcomes, with clear goal-setting and performance indicators. [1993, c. 410, Pt. MMM, §1 (NEW).]

C. The council may appoint working groups and advisory committees as necessary, representing key concerned parties to accomplish the goals outlined in this section. [1993, c. 410, Pt. MMM, §1 (NEW).]

D. The process must be statewide in scope, using available technology to ensure that all areas of the State have accessibility to the work of the council. [1993, c. 410, Pt. MMM, §1 (NEW).]

E. Preparation and maintenance of the plan must be through a public and private partnership approach that is objective and nonpartisan. [1993, c. 410, Pt. MMM, §1 (NEW).]

[1993, c. 410, Pt. MMM, §1 (NEW) .]

3. Contents. The plan developed by the council must consist of:

A. A plan for the State's economy based on economic opportunity for all citizens and a shared commitment to sustainable development that recognizes that new forms of cooperation among government, business and society are required to achieve the goals; [1993, c. 410, Pt. MMM, §1 (NEW).]

B. Benchmarks for accomplishing the plan that are specific, quantifiable performance indicators against which each of the goals that have been set forth to accomplish the vision can be measured; [1993, c. 410, Pt. MMM, §1 (NEW).]

C. Alternative strategies to accomplish the benchmarks based upon the best practices in Maine, other states and other countries; [1993, c. 410, Pt. MMM, §1 (NEW).]

D. A strategy for the overall economy, broadly defined and not limited to what is traditionally termed "economic development." The plan must include consideration of education and training, redeployment

of state resources, investments in science and technology and infrastructure; and [1993, c. 410, Pt. MMM, §1 (NEW).]

E. Identification of:

(1) The types of industries and jobs with significant growth potential in the State;

(2) The State's evolving industrial base;

(3) The dynamic national and international markets;

(4) Existing efforts to convert military economies to civilian economies;

(5) Other relevant studies and evaluations in the private and public sector dealing with the long-term economic growth of the State;

(6) The work force challenges faced by welfare recipients and strategies to address their economic and related needs; and

(7) Other relevant studies and evaluations in the private and public sector concerning the availability of child care. [1999, c. 272, §3 (AMD).]

[1999, c. 272, §3 (AMD) .]

4. Fiscal agent. The Department of Economic and Community Development shall serve as the council's fiscal agent providing regular financial reports to the council on funds received and expended and an annual audit. The council shall seek funds and accept gifts, if necessary, to support the council's objectives.

[1997, c. 48, §2 (AMD) .]

5. Staff support. The council shall contract with the Maine Development Foundation for staff support to fulfill the requirements for carrying out the purposes of this section.

[1993, c. 410, Pt. MMM, §1 (NEW) .]

6. Report. The council shall report to the joint standing committee of the Legislature having jurisdiction over housing and economic development matters. The council shall recommend its plan to the committee biennially at the beginning of each new Legislature, except that the first plan must be presented by January 1, 1995. The recommended plan must be used by the Economic Development and Business Assistance Coordinating Council as a guide to deliver economic development services.

[1993, c. 725, §3 (AMD) .]

SECTION HISTORY
1993, c. 410, §MMM1 (NEW). 1993, c. 709, §1 (AMD). 1993, c. 725, §3 (AMD). 1997, c. 48, §2 (AMD). 1999, c. 272, §3 (AMD).

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