

OPTION A - DRAFT 3-10-16

(Generally repeal current provisions Title 5, §§13056-A, 13056-B, 13056-C, 13107, 13108 and 13109 and create combined and revised provisions below as Title 5 §§13070-P, 13070-Q and 13070-R)

Act, To Implement Recommendation of the Government Oversight Committee to Improve the Efficiency and Effectiveness of Comprehensive Evaluations of Research and Development and Economic Development Programs

Submitted by the Government Oversight Committee pursuant to Title 3, §997, sub-§2

Sec. 1. 5 MRSA §13056-A is repealed.

Sec. 2. 5 MRSA §13056-B is repealed.

Sec. 3. 5 MRSA §13056-C is repealed.

Sec. 4. 5 MRSA §13070-P is enacted to read:

§13070-P. COMPREHENSIVE EVALUATION OF STATE INVESTMENTS IN ECONOMIC DEVELOPMENT

1. Conduct Evaluation. By February 1, 2019, and every four years thereafter, the commissioner shall submit a comprehensive evaluation of state investments in economic development, not to include programs subjected to independent evaluations required by federal programs, to the Governor and the Legislature. The evaluation must: **(modified from language currently in 13056-A and 13107)**

A. Programs identified for evaluation. Include review of research and development activities in this State and economic development incentives. **(this language is combined and somewhat modified from what is currently in 13056-A.1-A. and 13107.2)**

B. Definitions. For the purposes of this section:

(1) "research and development" means activities that directly or through capital investment support basic and applied scientific research and related commercial development funded by state appropriations and bond proceeds; and **(this language is currently in §13109.2)**

(2) "economic development incentives" means programs means federal and state statutorily defined programs that receive state funds, dedicated revenue funds and tax expenditures as defined by section 1666 whose purposes are to create, attract or retain business entities related to business development in the State **(this part of the definition comes from §13070-J.1.D where there is also a listing of specific programs that do not match the listing that follows which is taken from. Unsure why they are not same. The listing in §13070-J.1.D appears to have been updated in 2013, and 13056-A.1-A updated in 2011.)** including, but not limited to, the following programs: the Maine Employment Tax Increment Financing Program, pursuant to Title 36, chapter 917; the Governor's Training Initiative Program, pursuant to Title 26, section 2031; the Loring Development

Authority of Maine, pursuant to Title 5, section 13080; the visual media production certification program, pursuant to Title 5, section 13090-L; the promotion and marketing of state products through the department, pursuant to Title 5, section 13062; the Maine International Trade Center, pursuant to Title 10, section 945; municipal tax increment financing, pursuant to Title 30-A, section 5227; and the pine tree development zone program, pursuant to Title 30-A, section 5250-J.

C. Reviewers. Use independent, nonpartisan reviewers; (this language comes from language currently in §13056-A.2 and §13107.2);

D. Outcome measures. Establish and report on outcome measures considered appropriate by public and private practitioners inside and outside of this State in the fields of research and development and economic development. Practitioners in this State must include, but are not limited to, a representative from the University of Maine System, a representative of the targeted technology sectors, a representative of the Executive Department, Governor's Office of Policy and Management and representatives of other state agencies having economic development responsibility. (this language comes from language currently in §13056-A.1-A and §13107.1. Question whether practitioners still need to be specified.) Measures shall include, but not be limited to those that:

- (1) assess the overall economic performance of economic development incentives as defined in §13070-J.1.D as demonstrated by (possibly change “as demonstrate by” to “which may include”) the number of jobs created and wages paid that are attributable to the program, and any state revenues that are attributable to the activities of the program; (this comes from language currently in §13056-A.1)
- (2) assess the competitiveness of the technology sectors in this State and the impact of research and development activities in the State on economic development activity in this State. The goals and objectives described in the State’s innovation economy action plan, as described in Title 10, chapter 107-D, shall be incorporated into the analysis of the success of the State’s investments in research and development; (this comes from language currently in §13107.2 and language at end of §13107);
- (3) assess the effect of economic development activities on the competitiveness of industry sectors in this State; (this comes from language currently in §§13056-A.2) and

E. Recommendations. Include recommendations to the Department, Governor and Legislature on:

- (1) existing state-supported economic development programs and activities to affect economic development in this State; and
- (2) existing state-supported research and development programs and activities to affect technology-based economic development in this State.

(language in the Recommendations piece came from language currently in §13056-A.3 and §13107.3 modified to add “Department and Governor” and to remove reference to “proposed” state-supported programs in A and B above.)

2. Action on Evaluation Reports and Recommendations. The Commissioner shall present the report and results from each evaluation required under this section to the joint standing committee having jurisdiction over labor, commerce, research and economic development. The Commissioner shall report to the Governor and the committee on actions planned by the Department and other entities administering the programs to address the recommendations made. The committee shall also consider the independent evaluator's recommendations and may submit a bill to the Legislature to implement recommendations. (There is nothing like this already in statute.)

By February 1, 2021 and by February 1st every odd-numbered year thereafter, the Commissioner shall submit to the Governor and the committee a progress report related to evaluation required under this section that describes the implementation status of the recommendations and planned actions from the prior evaluation. (there was a progress report required in the last paragraph of §13107 but this language expounds on that and removes the independent evaluator from participating in submitting the progress report.)

How to deal with getting consideration and action and reports on action for the 2016 evaluation report since the sections requiring that evaluation may be repealed. Perhaps add an unallocated section to this bill to require that?

§13070-Q. REPORTING REQUIREMENTS OF RECIPIENTS OF RESEARCH AND DEVELOPMENT AND ECONOMIC DEVELOPMENT FUNDING

To assist the department in preparing the comprehensive evaluation of state investments in economic development pursuant to section §13070-P.1, a recipient of state research and development funding or economic development funding, including General Fund appropriations, dedicated revenue, tax expenditures as defined in section 1666 and general obligation bond proceeds for economic development, shall, in addition to any other reporting requirements required by law, collect, maintain and provide data as requested by the department. (this comes from language currently in §13056-B and §13108)

A recipient of state research and development funding shall also:

1. Report card indicators. Identify the indicators in the report card developed by the Office of Innovation pursuant to section 13106 that will be affected as a result of the proposed research and development activity; and (this comes from language currently in §13108 – unsure why this specifies proposed research and development activity rather than being specific to R&D activities that have been funded and their effect on score card indicators. The evaluation would not be looking at proposed programs. Overall, unsure the intent of this and whether it really relates to the evaluation.)

2. Action plan goals. Identify the goals in the action plan developed by the Office of Innovation pursuant to section 13106 that will be advanced by the recipient's research and development activity. (this also comes from language currently in §13108 but the section of 13106 that previously required an action plan – i.e. the science and technology plan – has been repealed. Unsure whether this provision is any longer relevant. Also the “that will be advanced by the recipient’s research and development activity” implies this may also be related to a new proposal for R&D funding rather than an existing program. Evaluation would not be looking at

proposed programs. Overall, unsure the intent of this and whether it really relates to the evaluation.)

§13070-R. MAINE ECONOMIC DEVELOPMENT EVALUATION FUND

1. Fund established. The Maine Economic Development Evaluation Fund, referred to in this section as "the fund," is established as a nonlapsing Other Special Revenue Funds account administered by the department for the purposes of funding the comprehensive economic development evaluation required pursuant to section §13070-P.1.

2. Fund sources. The fund receives money deposited by the Treasurer of State pursuant to this section and any other gift, grant or other source of revenue deposited for funding the comprehensive economic development evaluation required pursuant to section §13070-P.1.

3. Payments to fund. Notwithstanding section 1585 or any other provision of law:

A. Economic development incentives. The department shall assess agencies or private entities that receive General Fund appropriations or general obligation bonds for economic development incentives, as defined in §13070-P.2.B, an amount for contribution to the fund that is not to exceed 0.8% of General Fund appropriations received by or general obligation bonds issued to an agency or entity for economic development efforts. Private entities that receive funds from general obligation bonds for economic development efforts shall pay to the Treasurer of State in the fiscal year in which the general obligation bond was issued an assessment amount determined by the department that is not to exceed 0.8% of the proceeds from the bond issue in any fiscal year, which payment must be made from available resources other than bond proceeds. Only those programs that receive \$250,000 or more in economic development appropriations in any fiscal year or those entities that receive funds from a general obligation bond issue of \$250,000 or more for economic development efforts in any fiscal year, as identified and certified by the department and the Office of Fiscal and Program Review, may be assessed pursuant to this subsection. The department shall provide to each agency or private entity an annual budget for the fund and a detailed account of each institution's required assessment. Total payments made pursuant to this section may not exceed \$200,000 in any fiscal year.

B. Research and development activities. Agencies or private entities that receive General Fund or general obligation bonds for research and development activities, as defined in §13070-P.2.A, shall contribute to the fund an amount not to exceed 0.8% of General Fund appropriations received by and general obligation bonds issued to an agency or entity for research and development efforts. Private entities that receive funds from general obligation bonds for research and development efforts shall pay to the Treasurer of State in the fiscal year in which the general obligation bond was issued an amount not to exceed 0.8% of the proceeds from the bond issue in any fiscal year, which payment must be made from available resources other than bond proceeds. Only those programs that receive \$500,000 or more in research and development appropriations in any fiscal year, or those entities that receive funds from a general obligation bond issue of \$500,000 or more for research and development efforts in any fiscal year, as identified and certified by the

Office of Innovation and the Office of Fiscal and Program Review, may be assessed. The Office of Innovation shall provide to each agency or private entity an annual budget for the fund and a detailed account of each institution's required assessment. Total payments made pursuant to this section may not exceed \$200,000 in any fiscal year.

Summary

The purpose of this bill is implement opportunities for improvement in the efficiency and effectiveness of statutorily-required independent evaluations of research and development activities and economic development incentives that are the responsibility of the Department of Economic and Community Development. The Government Oversight Committee identified these opportunities in its ongoing follow up of the recommendations included in the Office of Program Evaluation and Government Accountability's 2006 report on Economic Development Programs in Maine. Currently, statute requires the Department to conduct an independent evaluation of research and development activities, and then a separate evaluation of economic development incentives that are not covered in the research and development evaluation. Since the primary purpose of research and development activities is to support economic development, this bill combines the statutory provisions related to both these evaluations into a requirement for conducting and funding one, independent evaluation that encompasses both. The bill also changes the required cycle for evaluation from every 2 years, with results reported to the Legislature during second regular sessions, to every 4 years, with results reported during first regular sessions. This is intended to allow the Legislature more time to consider the recommendations from evaluation reports and allow for recommendations to be implemented in between evaluation periods. Lastly, the bill seeks to ensure that evaluation results are considered and acted on, as appropriate, by assigning responsibility for review and action to both DECD and the joint standing committee on labor, commerce, research and economic development.