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REP. CHUCK KRUGER, HOUSE CHAIR

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

MAINE STATE LEGISLATURE
GOVERNMENT OVERSIGHT COMMITTEE

MEETING SUMMARY
March 11, 2016
Approved April 8, 2016

CALL TO ORDER

The Chair, Sen. Katz, called the Government Oversight Committee to order at 9:00 a.m. in the State House.

ATTENDANCE

Senators:	Sen. Katz, Sen. Johnson, Sen. Burns, Sen. Davis, and Sen. Gerzofsky Joining the Meeting in Progress: Sen. Diamond
Representatives:	Rep. Kruger, Rep. Campbell, Rep. Duchesne, and Rep. Mastraccio Absent: Rep. McClellan and Rep. Sanderson
Legislative Officers and Staff:	Beth Ashcroft, Director of OPEGA Scott Farwell, Analyst, OPEGA Joel Lee, Analyst, OPEGA Etta Connors, Adm. Secretary, OPEGA Janet Stocco, Legislative Analyst, Office of Policy and Legal Analysis Julie Jones, Sr. Legislative Analyst, Office of Fiscal and Program Review
Legislators:	Members of the LCRED Committee: Sen. Volk, Sen. Patrick, and Rep. Austin Members of the Taxation Committee: Rep. Tepler
Agency Officers and Staff Providing Information to the Committee:	George Gervais, Commissioner, Department of Economic and Community Development

INTRODUCTION OF GOVERNMENT OVERSIGHT COMMITTEE MEMBERS

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

SUMMARY OF THE JANUARY 22, 2016 GOC MEETING

The Government Oversight Committee accepted the January 22, 2016 Meeting Summary as written.

Chair Katz asked if there was objection to taking agenda items out of order. Hearing none the Committee moved to **Unfinished Business – Response From Commissioner Head to GOC Questions Regarding Board of Licensure for Professional Land Surveyors.**

UNFINISHED BUSINESS

- **Response From Commissioner Head to GOC Questions Regarding Board of Licensure for Professional Land Surveyors**

  Director Ashcroft said the GOC had previously considered a request for a review of the Board that oversees professional land surveyors focusing on the review of the Board's decisions in the last couple of years in regards to complaints received by the Board. She said OPEGA did some initial analysis for the Committee and as a result the Committee decided to send a letter to Commissioner Head, Department of Professional and Financial Regulation, requesting that her Department review the Board's decisions, particularly with regard to complaints that had been dismissed by the Board. The Committee asked the Commissioner to assess what those dismissals had been based on and to look at the few cases that had actually been through an adjudicatory hearing with the Board to determine whether the hearing procedures had been adhered to and whether parties had a reasonable opportunity to present their information and side of the story.

  The GOC sent a letter requesting such a review to Commissioner Head asking for a response. Director Ashcroft directed to Committee to Commissioner Head's response. (A copy of Commissioner Head's letter is attached to the Meeting Summary.)

  Director Ashcroft said the Commissioner explained in her letter the role of her Department and, her as Commissioner, under statute and how that is intentionally separated somewhat from the Board's operations, duties and responsibilities that they are assigned under statute. The boards that fall under the administrative purview of the Department of Professional and Financial Regulation are set up under statute to be independent and that she has no authority to intervene in decisions and proceedings with the Board. Also, there are unique facts and circumstances associated with each of the complaints reviewed by the Board. Commissioner Head states that, although State licensing boards fall under the Department neither the Executive Branch, the Chief Executive, nor Commissioner, has statutory authority to interfere with board decisions. The Commissioner also said she did not have expertise, or experience, in the profession of land surveying and it would be inappropriate for her to attempt to evaluate whether this, or any board, has considered the correct facts and circumstances in a given case. She was not aware of any deviation by the Board from the Administrative Complaint process, or the Maine Administrative Procedures Act that the Board is required to follow.

  Director Ashcroft said Commissioner Head did not believe she was able to assist the GOC with their request, but would be happy to provide any other information or assistance outside of that.

  Chair Katz said the question for the Committee is what action they should now take regarding the review request and asked Director Ashcroft what the Committee's options were.

  Director Ashcroft said the GOC could take no further action at this time, they could refer the matter to the LCRED Committee for review or discussion with the Board Chair, or members of the Board, or the GOC could also do that. The GOC could place the topic on the "On Deck" list for future consideration, or it could place the project on OPEGA's current Work Plan.

Rep. Duchesne said he would recommend no further action and suggested that somebody ought to put in a bill that will go to LCRED next session to address the issues brought up in front of the GOC that seem to be at the root of the concerns.

Rep. Campbell said he has talked with older surveyors who had problems with the Board and they feel that it seems to be operating well so he would move Rep. Duchesne suggestion.

Motion: That the Government Oversight Committee take no further action on the request for a review of the Board of Licensure for Professional Land Surveyors. (Motion by Rep. Campbell, second by Rep. Mastraccio, passed unanimous vote 10-0.)

- **Review Status of Open Recommendations From OPEGA's 2006 Report on Economic Development Programs in Maine**

- Requested Information From Maine Chamber of Commerce at the GOC's February 26, 2016 Meeting

Director Ashcroft said at the last GOC meeting the members discussed seeking input from stakeholders with regard to the actions that they were considering taking on legislation to improve the efficiency and effectiveness of the independent evaluations currently being conducted by DECD. She said the Maine Chamber of Commerce was at that meeting to provide their input and the Committee had asked Ms. Caprara, the Chamber representative, for a written summary of their comments/recommendations with regard to the nine potential actions the Committee was discussing. Director Ashcroft said, as she understands it from Ms. Caprara, the Chamber will not be providing any written comments because she was unsure exactly what additional information, other than what she reported to the Committee last time, would be helpful.

- Draft of Potential GOC Legislation re: DECD's Evaluation of Economic Development Programs
- Further Discussion of Other Potential Changes to Statute

The Committee had asked Director Ashcroft to draft potential legislation for introduction this session that would seek to accomplish three of the nine Recommendations/Issues identified for potential GOC action regarding evaluation of economic programs in Maine. (A copy is attached to the Meeting Summary.)

The goal of the draft legislation was to combine the Research and Development Programs Evaluation and the Comprehensive Economic Development Evaluation into one evaluation and one report. Also to change the schedule for those evaluations to a four year cycle and to make the reports due in the first regular session of any legislative period. Lastly, to establish expectations, responsibilities and a mechanism for ensuring the results and recommendations from those evaluations are considered and acted on as appropriate by the Administration or the Legislature.

Director Ashcroft referred members to Option A of the draft legislation that accomplished the above changes. She said it appeared that the best thing to do would be to repeal both sections of statute that currently separately address the evaluations and create a new section within statute that dealt with a combined evaluation. She said it was more complex than she had imagined in terms of just taking language out of one section and putting it in another because there were just enough nuances that to some degree the language ended up getting adjusted. Director Ashcroft said she also had a number of questions for DECD regarding adjusting the evaluation and whether some of the statutory provisions still apply to what is currently going on with evaluations. She said to strip that out, or change it, needed to reflect improvements they have made in the process, or things that have become obsolete, as time has gone on.

Director Ashcroft said she spoke with Suzanne Gresser, Revisor of Statutes, about what the best approach would be for the bill. Ms. Gresser thought Option A would be a recodification of some statutes and said her experience in the past has been that legislators like to take their time reviewing those kinds of changes and there might not be time left in the session to do that. Director Ashcroft said following her discussion with Ms. Gresser she drafted an Option B, which essentially leaves the statute as it is with just changing the cycle and when the next report is due from DECD. The change would get it on the four year cycle and make the next report due in an odd numbered year which would be February 1, 2019. Director Ashcroft said it leaves both evaluations in statute independent, but it sets up a cycle that would allow DECD to combine them and put them out in one report. That is what they most recently had done and resulted in the Report that is being presented later in the meeting. She said Option B is a simpler thing to try to accomplish this session. Director Ashcroft said she has talked with the Deputy Commissioner for DECD who said it is not imperative that the change be done this session because DECD understands what the GOC is attempting to change and they would adjust their planning cycle accordingly.

Rep. Mastraccio did not think there was enough time left in the session to do Option A well and she questioned if item #2 in that Option was really what the Committee wanted to do. She noted that the consultant who prepared the most recent evaluation Reports may be nonpartisan, but their independence might be questioned as they are an organization that actually finds incentives for companies and consults with companies who are looking for incentives. She found it interesting that they are doing an evaluation of Maine's incentives and then recommending whether they are good or bad. She said maybe the only way to get good information is for the Legislature to do it themselves with an office like OPEGA.

Director Ashcroft noted that DECD put out a rigorous request for proposal and she was thinking of it as a benefit to have a company who also understood the business decision making side of the equation, but she definitely sees what Rep. Mastraccio is saying. She said the word "independent" in statute means independent from DECD and the Executive Branch, but thought Rep. Mastraccio had a good point.

Sen. Johnson did not think there was sufficient balance and there would be an inherent bias in support of these programs that they can sell to their clients to get involved with. He did like the idea of the GOC having involvement in it.

Rep. Mastraccio noted that the GOC will have the consultant before it today and she made the earlier comments because she thinks they need to flush that out. In her earlier research on the consultant, she found they are an international corporation and in their promotional information you can see how many deals they do and how many billions of dollars in average incentives are involved. Rep. Mastraccio will send the link regarding the consultant to other Committee members.

Sen. Diamond said the session is about to end and he thought it made sense, logistically, to have the changes in statute occur next session.

Chair Katz pointed out that even though session will end soon, the GOC will continue to meet with the same members until the next Legislature convenes so they will have an opportunity, as a group, to continue to work on the legislation.

Chair Kruger asked if there was a process in place for the GOC to create a bill over the Interim and have it available for the next Legislature. Director Ashcroft said the GOC has the authority to introduce legislation at any time so, if they decided they wanted to put a bill in at the end of this year to be considered in the next session, they have the authority to do that

Chair Kruger supported the idea that the next Legislature should take up the statute changes rather than rush it this session.

Rep. Campbell asked if the Committee had to have a motion for its action. Director Ashcroft said the Committee had intended to spend the Interim looking at how to get the other items that are on the list of nine into legislation as well so the Committee can decide they want to roll these pieces already worked on into whatever the larger bill might be and will continue to work through it during the Interim to develop a bill that they want to introduce as a Committee for the next session.

Sen. Johnson agreed it made sense to wait. He said he thought there was some merit for the Committee to ask how other States are achieving the appropriate level of independence and unbiased perspective in evaluation of their systems.

Chair Katz asked if it was the pleasure of the Committee to continue discussing potential changes for evaluation of economic development programs during the Interim with the understanding that legislation would be presented to the next Legislature. All Committee members agreed.

With that in mind, Director Ashcroft was interested in GOC feedback on the piece of draft legislation she had done and summarized Option A – Draft legislative changes to DECD's evaluation of economic development programs. (A copy is attached to the Meeting Summary.)

Sen. Diamond referred to the yellow highlighted text in "E. Recommendations. 2" and said whenever unallocated language is added it gives them an opportunity to deal with anything that has been repealed and it also provides other opportunities. He asked if the Director was referring to using unallocated language in just this section or for other purposes throughout the bill.

Director Ashcroft thought it was an option also for purposes throughout the bill. It had occurred to her that there was a gap in this section that did not address who was going to be responsible for dealing with the 2016 evaluation that has just been released and she made a note about possibly putting in that expectation in unallocated language to bridge that gap.

Sen. Diamond said it was a powerful option for them and it could be used for more than what they may initially think about using it for.

Director Ashcroft asked that if any members of the Committee had ideas regarding the legislation that they contact her.

REPORT FROM DIRECTOR

- **Status of Current Projects in Progress**

Director Ashcroft said OPEGA has moved two additional projects into the "In Progress" Section of the Work Plan. She said many of the projects are in the planning phase. OPEGA is in the planning phase for the **DHHS Licensing and Regulations of Child Care Providers** and will be coming back to the Committee with suggested scope questions for approval.

OPEGA is in their preliminary research phase on the **Northern New England Passenger Rail Authority**. Following the preliminary research phase, OPEGA will come back to the Committee seeking agreement on what the more detailed scope of the review is going to be.

Riverview Psychiatric Center is in the reporting phase and on schedule to present the Report at the March 25, 2016 GOC meeting.

The GOC agreed on a modified scope for **State Lottery** so OPEGA is doing the planning work to adjust their Work Plan to fit the modified scope.

OPEGA has three Tax Expenditure Evaluations in progress, **Employment Tax Increment Financing, Pine Tree Development Zones and New Markets Capital Investment Credit**. OPEGA is also working on putting together information for the Taxation Committee for them to do Expedited Reviews on the category of tax expenditures called "necessity of life" that includes thirteen programs. OPEGA is doing legislative history, putting together fiscal information and other information they are required to provide on those programs.

Director Ashcroft also noted that in regard to the Tax Expenditure reviews OPEGA had issued an RFP seeking a consultant to work as a subject matter expert with them and help with things that require economic modeling for some performance metrics. She said OPEGA received five proposals and they are currently in the process of evaluating those.

Sen. Burns asked if the GOC would be receiving OPEGA's report on the State Lottery and NNEPRA reviews before this legislative term ends. Director Ashcroft said she was hopeful that OPEGA will have something on State Lottery given the modified scope and she hopes that some of the work that has already been done prior to this would be able to jump start them on some of the questions. She could not say on NNEPRA because OPEGA is only on preliminary research. How large and detailed the scope of that review ends up becoming would factor in to how long it would take to get done.

Sen. Diamond reported that the Transportation Committee recently had an extensive presentation by NNEPRA and a lot of information was presented to the Committee that he thinks might be helpful to OPEGA because it was helpful to the Transportation Committee. He said there were legitimate concerns raised and good discussion had so that resource is available should OPEGA need it. Director Ashcroft said to the degree the Transportation Committee had any particular issues that it noted, or questions it had, she said OPEGA would like to be privy to those. Sen. Diamond suggested contacting Karen Nadeau-Drillen, Committee Analyst.

Rep. Campbell asked Sen. Diamond if during NNEPRA's presentation to the Transportation Committee they talked about the potential to expand it to a greater mission. Sen. Diamond said they had that request from various members of the Committee who live in various parts of the State so the answer is yes. He said there are also questions about the actual operation now and how efficient that is based on the past year which was horrific in terms of on time, presence, etc. He said there was a lot of that kind of discussion.

- **Staffing**

Director Ashcroft said OPEGA is in the process of selecting a candidate to fill the one remaining vacant OPEGA position.

RECESS

Chair Kruger recessed the Government Oversight Committee at 9:50 a.m.

RECONVENED

Chair Katz reconvened the GOC meeting at 10:01 a.m.

NEW BUSINESS

- **Presentation of DECD's 2016 Report on Comprehensive Evaluation of Maine Research and Development and Economic Development Incentive and Investment Programs**

  - **Presentation by Investment Consulting Associates**

Commissioner Gervais gave an overview of the 2016 Comprehensive Evaluation of Investments in Economic Development and Research and Development. (A copy of his written Overview is attached to the Meeting Summary.)

Commissioner Gervais noted that he has heard commentary about DECD's involvement in authorship of the Report from these evaluations and said that DECD is handoffs on the Report. The Report is an absolute third-party independent Report. DECD's involvement is strictly to engage with companies to try to get them to respond to requests for information. He said the reason DECD engages in that is because in the first report they had a response rate that was disappointing and DECD wanted to see that rise. Commissioner Gervais said DECD did get the response rate up to 70% for this Report. He said that was an improvement given the fact that DECD does not have anything to compel businesses to respond to requests for information to satisfy their data gathering efforts.

Commissioner Gervais said where DECD did engage with ICA was to ask that the Pine Tree Development Zone (PTDZ) section of the Report be clarified. He said it became obvious to DECD that it was difficult for those reading that section of the 2014 Report to understand the points being made. The Commissioner said at no time did DECD discuss what the outcomes were to be, or what they would like to see, but only that it be more clearly defined in the Report as to what the outcomes are.

Commissioner Gervais said he was happy to hear in the Committee's earlier discussion that the GOC was going to wait to make statutory changes regarding DECD's evaluation of economic development programs because he would hate to pull the rug out from under DECD's current six year process. He believes there is valuable information and insight being gained by their evaluator that will all come together at the end of the six years in the six year R&D Report. He said DECD's plan is to come into the next legislative session with legislation that, in part, relies on some of the data gathered and reported on that is included in the Report being presented today.

Commissioner Gervais said there are three organizations who are charged with coming up with an economic development strategy or long term economic plan for the State. Two of them are DECD and the Maine Economic Growth Council, but said he could not, at the time, think of the third. He said every year the Measures of Growth Report is supposed to benchmark against the long term economic plan that the Growth Council has established. He said at the last Growth Council meeting he challenged them to have a thorough review of the statute, after the Measures of Growth is released this year, and to spend some time over the summer digging into what the requirements are in statute and to get back to that planning because he did not see that the Measures of Growth benchmarks are measuring against any such plan at the time.

Chris Steele, President and CEO, North American ICA. He said ICA is a location consulting firm which means that part of the time they are helping companies around the world understand what it is that makes them successful and how that is influenced by place. Then ICA helps them select those sites around the world that are going to help them be successful. Mr. Steele said ICA also uses that same information to help communities, states, and occasionally, nations understand where they sit in terms of the global economy and how to make themselves more economically sustainable over time.

Mr. Steele said this was ICA's second time through looking at the R&D programs and they are currently in the middle of the six year contract for review of all the programs. He hopes to be presenting an update again in two years as well as the required six year report. (A copy of Mr. Steele's power point presentation is attached to the Meeting Summary.)

GOC, LCRED and Taxation Committee members' questions and comments included:

Chair Katz referred to the rate of return analysis information and, in particular, the BETR Program and asked how, for example, did ICA determine if not for the BETR Program businesses would have acted differently. He asked how Mr. Steele figured that out.

Mr. Steele said ICA asked businesses. They asked for the businesses' own reporting with regards to investments they had in place that they were going to make otherwise and the ones they made only because they were able to get the Program.

Chair Katz was sure Mr. Steele was getting honest answers from businesses, he did not question that, but said it was such a subjective question and answer. He asked if there was any way of trying to measure that other than doing just what ICA did.

Mr. Steele said ICA has worked with Maine Revenue Services (MRS) to try to get some of the information, and were able to get the information at an aggregate level, but they do spot check it off of information they are receiving from the surveys themselves. He said MRS is under very strong legal controls to not share any information that is going to disclose private taxpayers. There is a distinct limit to the degree MRS can share information.

Chair Katz gave the example of a printing company that bought a million dollar press. If you are trying to figure out whether that same press would have been purchased if it were not for the BETR Program, you can ask the owner of the company and you will get an answer, but is there no other way to figure out the answer to that?

Mr. Steele said even if you had full access to the MRS data in that particular case, you would not be able to get to the motivation of the individual making the investment.

Rep. Tepler also referred to the BETR Program and said she had questions about the figures included in that section of Mr. Steele's presentation and general questions about where he got his data in terms of jobs created, salaries paid, value of items purchased, business income, and dividends paid. She said, for example, going to 2012 on BETR he had a list of 319 active firms in the program. Rep. Tepler noted that figure was in disagreement with the MRS data to the Taxation Committee in their Red Book, page 5, which said as of 2012 there are 1,545 businesses in the Program. She had concerns about how ICA's data was developed.

Mr. Steele said he did not have the data with him, but if a specific request can be put together, he can double check everything and will get Rep. Tepler an answer.

Rep. Tepler noted that, in addition, on the BETR analysis information that Mr. Steele gave to the Committees today, ICA listed dividends tax of $765,009,124 with incentives and on Mr. Steele's analysis on the expanded chart the figure is listed as sales tax revenue. She said because Maine does not have a State dividends tax in particular she asked what the issue was there. Mr. Steele said he would go back and double check.

Rep. Tepler had concerns about where ICA's corporate income tax figures came from. Mr. Steele said if they can formulate all the questions around this he can get her a detailed corroboration of where everything comes from.

Sen. Patrick noted that he works in the paper industry and has heard they want to get the BETR money because they send it back to corporate headquarters. He asked if ICA asked the questions of what the businesses use the incentive money for. From a workers standpoint, he wondered what the benefit of BETR is in the paper industry if they are going to have to put two and a half million dollars into a paper machine to make it competitive whether you are going to get an incentive or not. He said a question to ask companies is what they do with the investment once they receive it.

Mr. Steele said the BETR Program is designed so that the result only comes if a certain investment is made so the Program has set forth as its goal to make sure that certain kinds of capital investments are made. He said once that capital investment is made, than the goal of the program has been satisfied. What happens with how that incentive is then applied afterward, how it enters the corporation's books makes no difference because the State's goal has already been satisfied.

Sen. Patrick asked if Mr. Steele looked at all at the value of putting money into going after the big companies versus putting more money into helping the small companies since Maine has so much small business.

Mr. Steele said the analysis is not cut that way and it is not part of ICA's mission, but he can suggest that ICA does quite a bit on following leadership on the concept of incentives and their overall role in terms of economic sustainability. They have found that you have to look at the incentives in terms of the overall economic competitiveness of the State. So, if there are other things happening within the State that are either hampering, or assisting, small business you have to be able to look through that lens as well. He said when ICA is advising their corporate clients of whether or not to take an incentive they always advise them that it is the very last question they need to ask. The first question to be asked is if this is the right location for our business to be and from there you can start to ask more nuanced questions like can we do it in a different way if we have the assistance of the public sector to be able to make an additional investment here and, therefore, further their own corporate goals as a result of that. Mr. Steele said from the small business side, the people ICA spoke to said they would like to see some technical assistance and they are aware of the overall impact they have upon the State of Maine's economy.

Rep. Mastraccio was glad to see in ICA's report that they recommend that the smaller businesses be looked at because, as a member of the Workforce Committee in the 126th Legislature, that was a really important issue they heard from companies. It was not so much that Maine should be attracting the huge businesses, but the companies Maine already has need to be nurtured. She said that when she was reading ICA's Report she noted where it talked about states that offer little, or no incentive, but had low business taxes and asked if Mr. Steele could expand on that. She was curious of what that cost and what is lost on that.

Mr. Steele said it was a matter of philosophy. The concept of offering an incentive is basically having some sort of a tool that is being used to make somebody behave in a way they would not otherwise. From a general economic development perspective, you can say we want to have a very good environment across the board because that is good for us, but there are certain kinds of investments that we want to be able to bring in that are not necessarily going to be driven by just having a good environment. That is the role that incentives can play. He thinks the two of them need to be looked at in concert. Mr. Steele said the debate Rep. Mastraccio brings up is one that comes in in terms of the extreme – those jurisdictions that have very high taxes, but then also have the incentives. Mr. Steele said ICA usually advises their clients that those are very risky places to go because the second you are no longer eligible for the incentive they are going to be in a situation where they have a huge tax liability. He said in other situations where you have no tax liability at all, the State has very little in the way of a tool to be able to specialize in certain investment and the things that are going to provide for longer term economic sustainability. He said somewhere in the middle seems to be the place where you are creating a business environment that is both amenable to businesses and the State's public sector has tools available to it.

Rep. Mastraccio asked if ICA has data about how states that have no incentives, or little to no incentives and low business taxes, are doing economically.

Mr. Steele said ICA has not done that level of benchmarking. He said they have in their Report the programs where states are taking an affirmative view towards economic sustainability and their target areas.

Chair Katz said another school of thought was that the State has a very limited amount of money to spend on either tax expenditures or lowering the tax rate and then spend more in workforce development, education and physical infrastructure to make this a good State with solid infrastructure and well educated people. He asked if Mr. Steele could speak to that.

Mr. Steele said one of the things that come out in the Report is that there are things the State could be doing in terms of workforce development. He thinks that some of the tools some companies were looking for was the ability to have more specialized training that they would not otherwise have access to. He said the broader philosophical question with regards to the general readiness of the workforce and infrastructure goes into basic economic drivers for business location decisions. Mr. Steele said companies are going to go where it makes sense for them to go to begin with, and then they will alter that decision once they have made it past that standpoint.

Mr. Steele said ICA has found with the location projects they have done that the incentive question comes up much later in the conversation now. To be a jurisdiction where you are even in consideration for an investment project, you will have had to clear the core thresholds of workforce, infrastructure, tax regimen, and regulatory environment before the conversation of incentives even comes up.

Sen. Volk referred to Mr. Steele's comment about countering offers from other states and asked what Maine can do if they hear of a business leaving to prevent that from happening.

Mr. Steele said if you hear that a business is leaving you are too late. You would need to have that conversation up front to be able to understand if there is difficulty, whether it is in terms of how the company is interacting with the State, or because it is a core business issue going on. He said you need to be able to have a team in place that is having those conversations upfront so you can address them proactively. Mr. Steele said for a state Maine's size he believes there are assets that are in place to be able to have those conversations, but there are not enough of them. He noted that Enterprise Florida has wonderful people, the State of Georgia also has a wonderful team that Maine should look at, particularly in the greater Atlanta area. North Carolina has been variably funded over the years so you will have different levels of success over different periods of time.

Sen. Volk noted that usually DECD does have an inkling that a company is moving and asked what countering would look like and would it be a proactive reaching out to businesses to make sure they are happy? Mr. Steele said to make sure they are happy and then to help to make sure issues affecting their business, provided that it's not just a one off and that it is something more systemic, actually make it to this room for policy discussion.

Sen. Diamond referred to ICA's Report, p. 2 under Findings "Several companies cited concerns about making business decisions because of the instability of the incentive programs and the current debates in the State Capitol. The situation in Augusta is seen to be extremely uncertain and there are concerns about making business decisions in such an environment." He asked Mr. Steele if he was finding that the negative statements and comments and all the things that go on in the Capitol was having a negative effect on the business community.

Mr. Steele said if you are running a business, particularly if you are trying to figure out what your investments are going to be and what the return is going to have to be for the next five to ten years, all you are looking for is a fair and predictable regulatory environment to be able to plan on. He said the more predictability that can be added into the system the better. The companies that ICA was talking to were expressing that predictability, at the moment, is up in the air. They were hearing some things they interpreted as meaning awards that were made previously might be rescinded and that is very problematic.

Sen. Diamond referred to page 21 of Mr. Steele's power point and asked if ICA interviewed companies to get the information and, if so, how many businesses are involved in the compilation of data. Mr. Steele said ICA did interview businesses, but he did not have the number of businesses with him, but will get that information for the GOC.

Rep. Campbell noted that Maine has term limits, leadership changes, very little institutional memory, etc. and asked if that was the basic problem?

Mr. Steele said just understanding that level of turmoil within the regulatory environment is something that companies see as a tremendous risk.

Rep. Austin said in the conversation about the composition of Maine businesses it was noted the high percentage of small versus large businesses. She asked if there was a model for the economically healthiest composition of small businesses versus larger ones.

Mr. Steele said Maine does have the Small Business Technical Research Center which is very good. Other things that he has seen, in terms of best practices, is more programs that were explicitly put in place to help the small businesses interact with some of the larger business and find other business opportunities as they go forward. Basically it ends up being a mentoring and networking function. He said ICA has seen that happen in several states.

In response to Rep. Austin's question of what is a healthy mix of businesses to have, Mr. Steele said he thinks the answer is that you have what you have and, because of the culture of the State of Maine and the entrepreneurial culture, people just end up starting small businesses. He said that is not a bad thing, especially if you can hold on to them as they mature. Mr. Steele said trying to discern an ideal mix is not a target worth pursuing. Rep. Austin said sometimes mentally they try to balance assets among the two.

Rep. Tepler asked who was on ICA's evaluation Team and what expertise they had in general. Mr. Steele said the Team was all internal resources to ICA and they are economic development economists, geographic economists, and site selectors.

Rep. Tepler asked how many of this type of report ICA does for public entities on an annual basis. Mr. Steele said ICA does consultant projects for public entities across a wide range of different topics. This is the only one they are doing right now that looks exactly like the current Report, but they have done almost an identical analysis for a couple of different countries not that long ago. The analysis and methodology ICA used for this Report they had already tried and done in other locations.

Rep. Tepler asked how much the Team was paid for the analysis. Mr. Steele said that was public record, and he believed for this financial year it was $190,000.

Rep. Tepler asked Commissioner Gervais what the source of funding was for ICA's Report. Commissioner Gervais said the source of funding comes from the formulas that are spelled out in statute. He said as a result of the formula the funds come primarily from the University of Maine, MTI and directly from DECD.

Sen. Johnson said this is primarily an analysis of the effectiveness and worth of these programs in relation to the companies that are utilizing them, but said Mr. Steele made some other observations. He said Mr. Steele talked about aligning with and capitalizing on the region's goals and natural strengths. He asked if there was any indication that Maine is effective in meeting the needs of the entrepreneurial spirit and supporting Maine's natural strengths, like farming.

Mr. Steele said Maine does have agricultural support programs on the farming side. He said with regard to small business, the programs especially established for a small business are in fact the Small Business Technical Assistance Centers.

Sen. Johnson said there is not nearly enough support in terms of assistance to farming to actually succeed and make a living at it. He asked if an assessment was done that looked at the effectiveness of reaching a sector that strengthens Maine and benefit them with these programs.

Mr. Steele said the evaluation certainly is not cut in terms of business size. A lot of this was engendered out of the Science and Technology Report, and that does not specify the size of the firm as part of its criteria. He said he did not have a measure that would answer Sen. Johnson's question.

Sen. Volk referred to the PTDZ Sensitivity Index on page 25. She asked what was reasonable to assume for an actual level on that index, given human nature and the fact that some people are going to take advantage and some tell the truth one degree more than others.

Mr. Steele said there was really no way of answering that question in the way she addressed it. He said typically when a company gets to a point where the incentives are starting to play in to a decision that is an indication there are probably about three different states they may be considering. If you want to play that number through, that may be a possibility, but it is impossible to try to figure out what the criterion would be. Sen. Volk said that speaks to the fact it is a competitive world and businesses are in it to make a profit so will look at their costs and make decisions based on that.

Chair Kruger was curious about what other states do that is sometimes said to be predatory to try to get companies to their states and build a program that makes it impossible for a business to stay in Maine.

Mr. Steele said it is not that nefarious. What often happens is that states are trying to figure out how to make their own economies more sustainable and they will look at the kinds of employment base they have, the people they have, and the infrastructure they have to be able to support things. Then they will go out and look for targets that look similar to that. To the extent that Maine's economy has companies that fit that profile, they are going to make that call and will make their level best pitch to try to entice them with having a more advantageous situation than the one that company is currently in. They will make that business case. States rarely construct incentive programs as the sole means of trying to do that, but it is certainly part of the toolbox they will bring to the conversation.

Rep. Duchesne asked how much aggregate data ICA can get from MRS. It seems like they are getting a lot of poll data where you ask questions, but MRS knows who has made investments, who is in the BETR Program or not. He asked if ICA can get aggregated data and does it back up their findings.

Mr. Steele said it does back up ICA's finding, but because of MRS's privacy stipulations they do not get as much information as they would like.

Rep. Duchesne said the GOC and OPEGA are well versed in methodologies and metrics so at some point he may ask Director Ashcroft to review ICA's measurements and metrics and see if that is the way OPEGA would do it.

Rep. Mastraccio asked whether and how IRA was able to verify some of the information they received through the interviews or questioning.

Mr. Steele said, to the extent they could, they were comparing it against data received from MRS, or from the annual reports themselves that are put out by each of the programs.

Rep. Mastraccio referred to the PTDZ and BETR information and said she was satisfied with that because the GOC/Taxation Committee will be looking at those and it will be interesting to see and compare two different types of reviews. She said it will be nice to be able to put them together to see how Maine looks as a State. She asked if ICA was able to get any data about if a focused PTDZ incentive would be a better incentive than the Tier 1 and 2.

Mr. Steele thought they would have to wait a couple more years to see that through.

Rep. Campbell asked if other states approach businesses they are looking to move into their states do they base that on the business that might be a good fit or do they do it based on public policy.

Mr. Steele said it is going to be more based upon the target and the business. They may actually perceive a jurisdiction as being somewhat ripe because there is a general discussion of disaffection, but without having a specific kind of a business value proposition they can bring, they won't make the call.

Sen. Johnson referred back to the "but for" question and asked if there is any analysis in the course of Mr. Steele's work on the statistical value of the determination of their answer on the "but for" question. He asked if there was any analysis of the effectiveness of Maine's programs in determining whether those investments would not have been made.

Mr. Steele said to some extent the question is, the way the statute is written, somewhat moot. They have to have made a legal assertion by signing the contract that "but for" that incentive they were not coming. He said to give any other possible answer that would imply otherwise, would be a real problem legally.

Sen. Johnson said what Mr. Steele was saying was that by the design of the statute they were precluding getting a more accurate answer.

Mr. Steele said you are designing the program to say "but for" the incentive they would not come. Sen. Johnson said one must qualify for that program however. If someone is making a straight up assertion of yes I would not have made this investment without this incentive program is one thing, but in vetting peoples' qualification for the program, would other questions be valuable in attempting to determine the likely validity.

Mr. Steele said correct. When you are offering an incentive, you are basically playing a game of poker. You do not necessarily know what the person across the table from you is holding, or what their motivation is and you will not. He said, however, the best you can do is to be able to understand your best hand and to be able to know when you should let go of that particular prospect or not. Mr. Steele said the analysis ICA has done is their best attempt to show you what you have in your hand.

Sen. Johnson asked if there were any questions that were asked, or explored, by ICA's research that would give statistical insight to the likelihood of where we fall in that chart. Mr. Steele said no. Sen. Johnson thought they exposed a problem Maine has with the current assessment methodology.

Rep. Tepler referred to PTDZ, specifically to the figure of $1,487,534,301 in corporate income tax for the State of Maine without the incentive and asked where that figure came from and what data was used to develop the IRR.

Mr. Steele said he would like to get a detailed list of questions so he could be able to give specific answers to the questions.

Rep. Tepler agreed because she has real concerns. She said, for example, Maine does not have, to the best of her knowledge, a State residents' dividends tax. She said dividends in the State of Maine are taxed as all forms of income are taxed. She said there is a figure of $301 million in residents' dividends tax in the analysis and she did not know where that figure came from. She also said the billion dollar figure in corporate income tax is very bizarre given that in a twenty year history of corporate income tax the all-time high in Maine would be about $232 million and the all-time low in 2002 is about $77 million, so a figure in the billion dollar range is very bizarre and concerning in terms of the 122% IRR. Rep. Tepler said that was a concern that came from the Taxation Committee and they were also wondering if perhaps the confusion on the dividends tax was that it was actually sales tax. She asked how many respondents did ICA have to survey and what was their end number.

Mr. Steele said he did not have that information with him and will look that up for the Committee.

Chair Katz noted that the response rate was up to 70%, but said that is not high enough. He asked how they can do better and what other do states do to make sure that the beneficiaries of the programs are reporting as some kind of condition of participation.

Mr. Steele said as you write the legislation you say what the method of reporting is and you basically have to say if you do not report then you will not continue to be seen as a participant in this program.

Chair Katz referred to the perception that businesses have that maybe the State is going to breach the contract with them in midstream and asked if Mr. Steele knew, from his interviews, whether Maine has actually done that or is it just a perception.

Mr. Steele did not think that people thought that it had happened in Maine, but they do feel that it is a conversation that is happening within the Building. He said he could point to other states where that has happened.

Chair Katz said Mr. Steele talked about the seven sectors within science and technology that Maine has blessed as areas they want to be in and he thought Mr. Steele was expressing some caution about that in terms of picking winners and losers. He asked if Mr. Steele could talk about that a little more.

Mr. Steele said the State needs to be able to focus its efforts in places where it sees an opportunity to build its economic base. The concern he would share is not to do that to the exclusion of the broader economy. He said you have people who are choosing to be here because this is the right place for them to be, not necessarily because they are of one particular sector or industry type, they may require assistance too. You may want to have them as part of the broader economy and to be able to have programs that talk to the broader economy.

Chair Katz noted that Mr. Steele had said earlier that one disadvantage Maine has is lack of critical mass within a sector. For example, someone who is a bio-medical person may want to move to a place in Maine because there is a company here but is afraid to because there are not six bio companies doing bio-medical work here such that if it does not work out with the one company, he/she can work for another. He asked if Mr. Steele could talk about that in the context of whether Maine should be focusing on amalgamating or combining the sectors.

Mr. Steele said the way the critical mass question came up in the conversations had everything to do with talent attraction. A company can have some difficulty in getting key people we want to come here because there is not a critical mass in this industry here now. The potential employees see the company as the only ticket in town and if it does not work out, there is no backup plan. So, if there is another opportunity someplace else where there is a critical mass, then they see that as a better personal risk to try. He said there is also a little bit of that in the form of capital markets in that they do not see that there is a critical mass. The question they are asking is where is a company getting it's general industry advice from because they don't see any other advisers in that area or any other competitors and suppliers that are able to make sure there is some information sharing. Mr. Steele said that one is a little less tangible to be able to figure out, but the talent attraction side is very apparent.

Sen. Volk asked for Mr. Steele's thoughts about putting a 3% tax on the income of people earning $200,000 or more. Would that have a chilling effect on talent attraction in the State potentially?

Mr. Steele said that he did not have an opinion off the top of his head as you would have to compare it against the tax regimes of the other situations that they are coming from. He said anytime that you are going to make a change of that kind, people will notice.

Rep. Campbell asked if public policy was what drove the attraction to a state.

Mr. Steele said the best practices ICA has seen are those states that understand that they have an existing business network of something and they try to do their best to make sure that that is nurtured and that it adapts to changing economic times. That is where the public policies come in.

Sen. Diamond referred to page 21 in the Report where it talks about some companies taking the innovating step of sponsoring scholarships at local community colleges, creating a path and so forth in high school, etc. He thought it was a great idea, and asked how many of those ICA was aware of.

Mr. Steele said that was reported to ICA anecdotally as a best practice that is being seen in some of the community colleges. It is not widespread enough for there to be enough data. He said it was a good idea that ICA wanted to make sure got captured.

Sen. Diamond asked if ICA's contract with Maine ended in 2018. Mr. Steele said that was correct.

Sen. Diamond asked the total cost of the contract. Mr. Steele thought it was $1 million over the six years of the contract. Sen. Diamond asked if that was a finite number or not to exceed. Mr. Steele said not to exceed.

Rep. Tepler said she was wondering about the development of the cost components and that went into ICA's Cost Benefit Analysis. She was particularly interested in how the opportunity costs were developed.

Mr. Steele said he thought it made sense, and he would like to be able to get Rep. Tepler a certain level of comfort, particularly given her role. However, her questions are quite detailed and he was wondering if they could find some other way of getting her answers. He would like to be able to take her through the guts of the analysis and he did not know if this was necessarily going to be the forum to be able to do that. If a separate conversation could be arranged, he thinks that would be advisable.

Rep. Tepler said that would be wonderful and she was very willing to do that, but would like to talk about opportunity costs a little. She asked if Mr. Steele considered, for example, in the process of developing opportunity costs whether or not ICA ran the data on these programs against each other. Mr. Steele said they did not.

Rep. Tepler said so they do not have, for example, whether BETR is more cost effective than PTDZ. Mr. Steele said no, but said it is important also to recognize that this is not a purely financial decision. It is also an expression of public policy with regards to the kinds of behavior and the kinds of economic activity that you would like to have. He said he would caution that the financial side of it is just one part of the equation. It is an important one, but it is not the sole one.

Rep. Tepler said she understood that, but from a public policy perspective they were always balancing one set of costs against another set of costs. A cost benefit analysis is an opportunity to get a sense of whether or not they are correctly balancing those costs. She said she was confused about whether or not the opportunity costs were developed in ICA's Report in a way that gives them that kind of information.

Mr. Steele said the financial cost for each of the programs is developed in its own isolation so to balance them against each other – no that was not done.

Rep. Tepler said ICA's first general recommendation is that Maine develop a central website and/or guiding organization providing a means for coordinating all investment programs - p. 31 of the presentation. She asked if that was a service ICA provides. Mr. Steele said it was not.

Chair Katz asked if there was a particular state that did a good job at having a single portal that businesses could look to understand the suite of programs that are out there that might be able to help them. Mr. Steele said Florida does and the organization is Enterprise Florida.

Chair Katz noted the existence, or lack thereof, of an overall state economic development plan. He asked if Mr. Steele could talk about that in terms of what he sees in other states and whether there are states that make a plan and stick to it.

Mr. Steele said a plan changes by administration and the economy they are in, but the best practices for states is basically to look at one's self and to be able to understand ones strengths, the existing economic networks he talked about before, the things that are the economic engine of the State. Then to be able to put in programs that nurture and support what is there and then, to the extent that the philosophy is made, that incentives are going to be part of that equation. Programs are put in place that can support the innovation, or the attraction, of those businesses that can support that overall economic vision. The balance of what you are building versus what you are trying to attract from outside is always a matter of debate and contention, but in the best cases it starts from an honest look about what is in place now, what works and what can we honestly support. Mr. Steele said from the answers to those questions policy must follow.

Rep. Mastraccio asked Mr. Steele to tell her why, based on what his company does in helping with site selection, she should not think there might be some conflict of interest in some of the recommendations he has in terms of incentives that he wants to take advantage of, or use when his companies are looking at them, and why she should have confidence that does not play into his evaluation in any way.

Mr. Steele said one thing that she should know is that unlike some other site selection firms, ICA does not take a commission on incentives. They are a straight fee for service in terms of providing the company with a straight answer of where they ought to go based upon very well defined criteria upfront as to what the business problem is that they are trying to solve.

The Committee members thanked Commissioner Gervais and Mr. Steele for the information they gave to them and for answering their questions.

NEXT GOC MEETING DATE

The next Government Oversight Committee meeting is scheduled for **March 25, 2016 at 9:00 a.m**.

ADJOURN

Chair Katz adjourned the GOC meeting at 11:52 a.m. on the motion by Sen. Diamond, seconded by Rep. Campbell, passed, unanimous vote.

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
35 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0035

RECEIVED FEB 26 2016

Paul R. LePage
Governor

Anne L. Head
Commissioner

February 25, 2016

Senator Roger Katz, Senate Chair
Representative Chuck Kruger, House Chair
Government Oversight Committee
82 State House Station
Augusta, Maine 04333

Dear Senator Katz and Representative Kruger:

Thank you for your February 12th letter requesting my review of all disciplinary actions taken by the Board of Professional Land Surveyors between 2012 and 2015.

The Board of Professional Land Surveyors is one of thirty-seven licensing boards and programs within the DPFR Office of Professional and Occupational Regulation (OPOR). Each board or program has an assigned Assistant Attorney General who provides legal advice during board meetings on matters of legal interpretation of statutes and rules, and who represents the State when a complaint matter can only be resolved through the adjudicatory hearing process.

Each licensing board is expected to conform to the Administrative Complaint Process adopted by OPOR for resolving complaints against licensees. Further, each board is required by law to comply with Maine Administrative Procedure Act provisions when preparing for and conducting adjudicatory hearings.

Licensing board members are appointed by the Chief Executive because they possess special expertise and experience in the profession they are charged to regulate. Members, sitting as a board, are expected to exercise independent statutory authority when making decisions about when to impose discipline and the specific sanctions that may be warranted.

Each complaint matter handled by the Board of Professional Land Surveyors contains unique facts and circumstances. Board members are expected to understand and apply the applicable statute and rules to the facts and circumstances. Boards may impose discipline only if it is determined that the alleged conduct of a licensee constitutes a violation of board law or rule. If a violation is found to have occurred, the Board has broad authority to determine the level of appropriate discipline.

The Legislature has traditionally established state licensing boards as the sole state entities with independent decision making authority with regard to licensing and disciplinary matters involving applicants for licensure and licensees.

Although state licensing boards in the Department are Executive Branch agencies, neither the Chief Executive nor a commissioner has statutory authority to interfere with board decisions. 10 MRS § 8002. Given that I do not have expertise or experience in the profession of land surveying, it would be inappropriate for me to attempt to evaluate whether this or any board has considered the correct facts and circumstances in a given case.

I can certainly indicate that I am not aware of any deviation from either the Administrative Complaint Process or the Maine Administrative Procedure Act by the Board of Professional Land Surveyors at any time during the period between 2012 and 2015. Because I do not have authority over decisions made by boards, and lack expertise in land surveying, I am not able to assist the Committee as requested. If I can provide information or assist in another way, please contact me.

Sincerely,

Anne L. Head

Anne L. Head

Economic Development Programs in Maine

Recommendations/Issues Identified for Potential GOC Action as of February 2016

Need to Improve Efficiency, Effectiveness and Value of DECD's Future Evaluations of Economic Development Programs

1. Combine separate statutorily required Research and Development Programs Evaluation (5 MRSA §13107) and Comprehensive Economic Development Evaluation into one evaluation (5 MRSA §13056-A) and report. (statutory change)
2. Establish timeline for the evaluation that provides increased opportunity for legislative review, consideration and action on reported results or related initiatives proposed by DECD. Change report due dates to odd-numbered years on a four year cycle (possible statutory change).
3. Ensure there is an adequate level of funding available to accomplish the evaluation on the desired timeline (reconsideration of current funding mechanisms established in 5 MRSA §§13056-C.3 and 13109.4 and possible statutory change)
4. Further define and clarify scope and expectations for the DECD evaluation (possible statutory change to 5 MRSA §§13056-A and 13107)
5. If part of the scope of the evaluation is to determine how well the State is achieving its economic development strategy (goals and objectives), then establish a requirement that a formal, public, current economic development strategy must be developed and maintained (statutory change to make this a responsibility of DECD or possibly instead require evaluation to address to some degree the Measures of Growth tracked by Maine Development Foundation)
6. Establish function, process and tools for DECD to efficiently and regularly collect from benefitting organizations the data/information needed to monitor and evaluate program activity and effectiveness for ALL economic development programs in the State's portfolio/inventory (this will likely require additional DECD resources on on-going basis and one time resources to design and build the process and tools that would support this function including determining what data needs to be collected – may require statutory changes)
7. Establish mechanism that gives DECD, and others as necessary, authority and clout to compel organizations to provide the data requested (statutory change)
8. Establish expectation and process for ensuring DECD evaluations of economic development programs and OPEGA evaluations of tax expenditures are coordinated and complementary rather than duplicative (statutory change)
9. Establish expectation, responsibilities and mechanism for ensuring results and recommendations from DECD evaluations are considered and acted on as appropriate by Administration and/or Legislature (statutory change)

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.

VIEW OF ECONOMIC DEVELOPMENT & SEARCH AND DEVELOPMENT ESTMENTS

Maine Department of Economic and Community Development

March 11, 2016

INVESTMENT CONSULTING ASSOCIATES

AGENDA

- Overview
- Purpose and Goals
- Methodology
- Findings
- Recommendations
- Q&A

OVERVIEW

Goal: Review and Adjust

- Business location, investment, and hiring decisions are the direct purview of the private sector
- But, the public sector can influence these decisions through the use of incentives, credits, technical assistance, and other programs aimed to enhance a community's business competitiveness
- Such programs – when well targeted and effective - are a critical, active component of many economic development, innovation, and economic sustainability strategies
- Must be aligned with and capitalize on a region's goals and natural strengths

Evaluate both <u>Research and Development</u> & <u>Economic Development</u> investments, evaluate effectiveness, and create a map forward for further change

GOALS:

Biennial Progress Reports

- Evaluation of programs by effectiveness to establish, recruit and retain;
- Assessment of recipients meeting goals and taking action steps outlined in the Science and Technology Action Plan;
- Recommendations to DECD on how to become a more competitive innovation economy;
- Assessment of the performance of the programs (financial, capital investment, jobs, wages, etc);
- Assessment to determine if the activities and programs increase the competitiveness of the industry sectors in the state of Maine;
- Recommendations to improve the state-supported programs; and
- List of groups surveyed as well as supporting documents and database.

Six-Year Evaluation Report for Research & Development

- Updated Action Plan as well as a summary of previous Biennial Reports.

Biennial reports submitted on January 29 of this year

QUESTIONS TO BE ANSWERED BY THE REPORT

- Is Maine – through collaboration among programs and platforms - creating an environment where science, technology, innovation and entrepreneurship stimulate Maine's economy?
- How competitive is the State of Maine at attracting new investment?
- How competitive is Maine's innovation capacity regarding innovation inputs, outputs and outcomes compared to other States?
- Has Maine's investment in economic development and research & development stimulated and sustained consistent, competitive growth in Maine's economy compared to other states nationally?
- Are Maine's investments in R&D broadening the impact from the nonprofit research institutions and increasing private sector R&D activity?
- What is the return on investment (financial, workforce, capital investment, other) of the individual programs?

METHODOLOGY

- Examine Existing Reporting
- Survey Construction and Dissemination
- Interviews
- Benchmarking
- Cost Benefit Analysis
- Annual Report Review

EXISTING PROGRAMS

Department of Economic and Community Development

Economic Development

- Certified Media Production Tax Credit
- Economic Development Program - FEDERAL
- Maine Tourism Marketing Promotion Fund
- Community Enterprise Grant Program - FEDERAL
- Maine International Trade Center
- Downtown Revitalization Grant Program - FEDERAL
- Business Ombudsman
- Communities for Maine's Future
- Loring Development Authority
- Maine Technology Centers
- Brunswick Naval Air Station Job Tax Increment Financing
- Maine Made - Maine Products Marketing Program
- Municipal Tax Increment Financing
- Maine Micro-Enterprise Initiative Fund – INACTIVE/CLOSED

EXISTING PROGRAMS

Department of Economic and Community Development (Continued)

Research & Development

- Cluster Initiative Program (MTI)
- Development Loans (MTI)
- Seed Grant Program (MTI)
- Equity Capital Fund (MTI)
- TechStart Program (MTI)
- Phase 0 and Phase II SBIR Application awards plus TAP support (MTI)
- North Star Alliance Cluster Award Matching Fund (MTI) – INACTIVE/CLOSED
- Maine Technology Asset Fund (MTI)
- Marine Research Fund (MTI)
- Maine Biomedical Research Fund (MTI)

Department of Economic and Community Development/ Maine Revenue Service

Economic Development

- ETIF
- Pine Tree Development Zones

EXISTING PROGRAMS

Maine Revenue Service

Economic Development

- Business Equipment Tax Reimbursement
- Sales Tax Exemptions (Manufacturing Machinery , Equipment and Tangible Personal Property)
- Sales Tax Exemptions (Fuel and Electricity for Manufacturing)
- Business Equipment Tax Exemption
- Shipbuilding Facility Credit
- Sales Tax Exemptions (Products Used in Agricultural and Aquaculture Production, and Bait)
- Sales Tax Exemptions (Commercial Agriculture, Commercial Fishing, and Commercial Wood Harvesting Machinery and Equipment)
- Jobs and Investment Tax Credit - INACTIVE/CLOSED
- Credit for Rehabilitation of Historic Properties

Research & Development

- High-Technology Investment Tax Credit – INACTIVE/CLOSED
- Sales Tax Exemptions (Machinery and Equipment for Research)
- Super Credit for Substantially Increased Research and Development
- Research Expense Tax Credit

EXISTING PROGRAMS

Finance Authority of Maine (FAME)

Economic Development

- Commercial Loan Insurance Program
- Economic Recovery Loan Program
- Maine Seed Capital Investment Tax Credit
- Regional Economic Development Revolving Loan Program
- Linked Investment Program for Commercial Enterprises
- Maine New Markets Capital Investment Program
- Linked Investment Program for Agriculture

Research & Development

- Maine Economic Development Venture Capital Revolving Investment Program (VCRIP)

Department of Economic and Community Development/ U.S. Department of Labor

Economic Development

- Maine Manufacturing Extension Partnership (MEP)

EXISTING PROGRAMS

Small Business Administration/ Department of Economic And Community Development

Economic Development
- Small Business Development Centers (SBDC)

Rural Development Authority

Economic Development
- Commercial Facilities Development Program
- Speculative Industrial Buildings Program

Maine Community College System

Economic Development
- Maine Quality Centers

Department of Defense

Economic Development
- Maine Procurement Technical Assistance Center (PTAC)

EXISTING PROGRAMS

Center for Law and Innovation - University of Maine Law School

Research and Development

- Maine Patent Program – INACTIVE/CLOSED*

*The Maine Technology Institute (MTI) is currently conducting discovery work for a new technology transfer and patent initiative.

Department of Agriculture

Economic Development

- Agricultural Marketing Loan Fund
- Maine Farms for the Future Grants
- Potato Marketing Improvement Fund
- Agricultural Development Grant Program

FINDINGS

FINDINGS

Reporting and Data Availability

- State still lacks coordinated, central reporting for job creation, wages, and capital investment for all economic development and research & development programs
  - Analyst team and DECD obtained reporting rate of over 70%
- While reporting is required by most programs, the *mechanism* is not specified, nor are the *repercussions* for not reporting
- There is also a lack of coordination between and among programs in reporting data
- Metrics of R&D programs need to be held to a different timescale than that for other economic development programs

FINDINGS

- Companies reported current programs generally effective
  - allowing them to grow faster
  - sustain the company through difficult or changing business times
- Tempered by the frustration that companies and institutions alike expressed on the difficulty finding, understanding, applying for, and reporting on the State's programs
- Companies and individuals expressed significant negative perception about doing business in the state of Maine because of lack of clarity and lack of incentive stability
  - Concern about possible revocation of awards already made

FINDINGS

Unifying Vision

- Interviewees suggested that Maine would be well-served by putting forth a bold and assertive plan for growth and then executing on it effectively.
- Institutions and companies cited changes in philosophy subsequent to the 2014 program review suggesting that inter-organizational cooperation is providing for more comprehensive approaches.

Targets and Company Size

- Few programs available to support companies in the 20-100 employee range – both financial and soft support required
- Frequent suggestion that the state might wish to raise emphasize and support for small and entrepreneurial business

FINDINGS

Workforce

- Companies cited difficulty in attracting employees with high tech skills to Maine in part because of job security concerns and lack of alternative career opportunities.

Business Retention

- Maine DECD should consider countering recruitment efforts from other state by establishing a team to contact existing Maine companies to see how they are doing and to work towards company retention and growth.

FINDINGS: APPROACH CBA MODEL

Scenario – with incentive 1

- \+ Corporate income tax for the State of Maine
- \+ Sales Tax revenues
- \+ Personal income taxes for the State of Maine
- \+ Residents dividends tax
- \+ Payroll taxes employer State of Maine
- \+ Direct Tax Revenues

- − Cost of administrating the program
- − Cost of incentive program

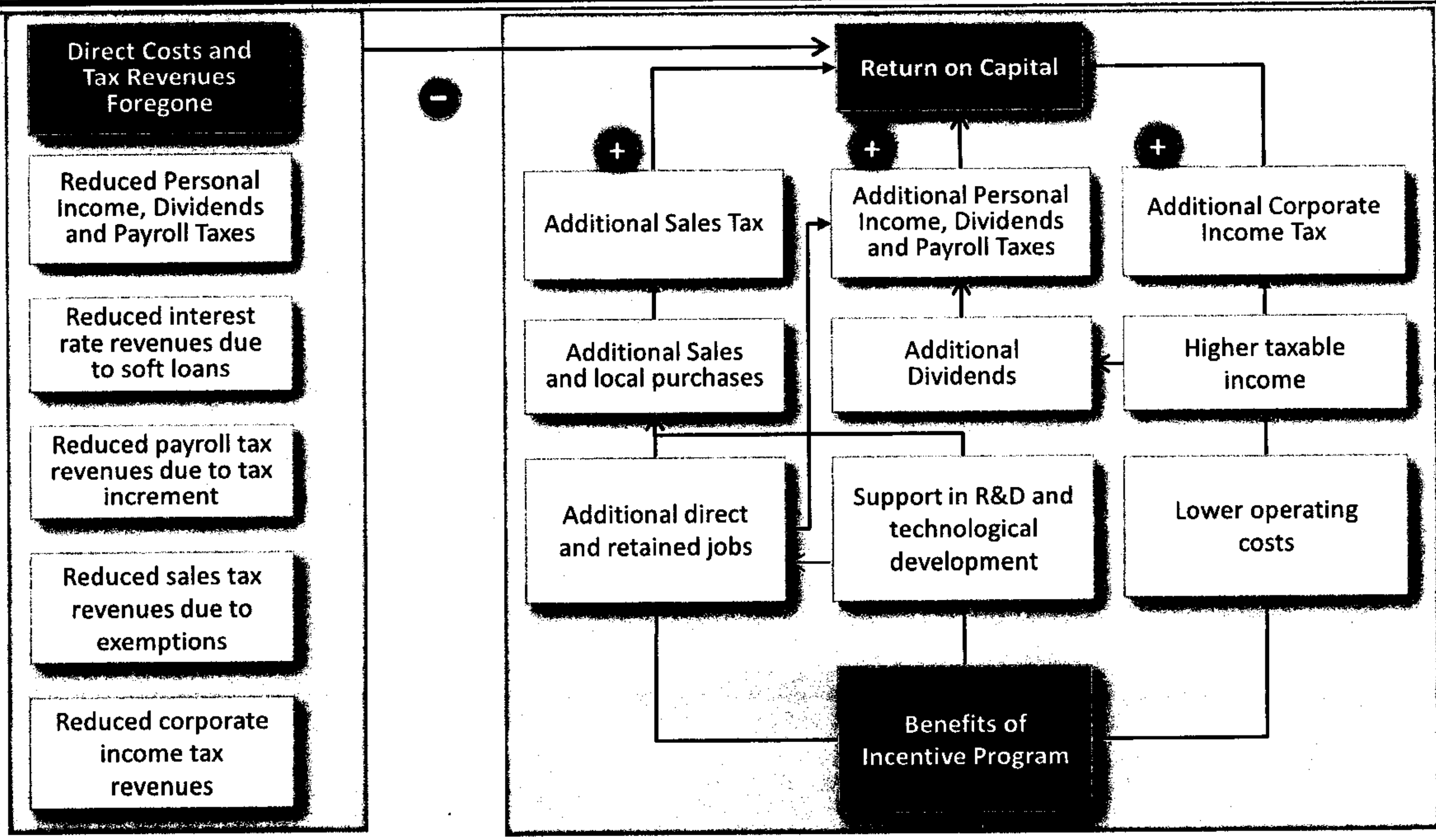
Direct Revenues after incentive costs

Scenario – without incentive 2

Corporate income tax for the State of Maine
Sales Tax revenues
Personal income taxes for the State of Maine
Residents dividends tax
Payroll taxes employer State of Maine
Direct Tax Revenues

Direct Revenues without incentives

DYNAMIC AND INTEGRATED MODEL



INTERPRETATION

Scenario – with incentive 1

Scenario – without incentive 2

If Direct Revenues after incentive costs > Direct Revenues without incentives
IRR = Positive

If Direct Revenues after incentive costs < Direct Revenues without incentives
IRR = Negative

A positive IRR implies that on every Dollar spent on the incentive program results in a higher return in the form of higher tax revenues

ECONOMIC DEVELOPMENT:

BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)

- Designed to encourage new capital investment in Maine
- Provides for a reimbursement of property taxes paid on qualified tangible, personal, depreciable property held for business use
- Reimbursement of 100% of taxes paid is limited to 12 years
- After 12 years, the reimbursement percentage declines until reaching 50% in year 18
- The 50% reimbursement rate remains in effect for the remaining life of the property.

ECONOMIC DEVELOPMENT:

BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)

Benefits for State of Maine	With Incentive	Without Incentive
Corporate income tax	$223,083,234	$174,810,700
Personal income tax	$226,982,912	$177,901,224
Dividends tax	$765,009,124	$567,731,884
Sales tax	$31,861,125	$29,661,032
Payroll tax	$370,174,250	$274,715,317
Property tax		$107,428,498
Tax Revenues	$1,617,110,644	$1,332,248,654
Cost of administrating the program	$554,783	
Direct Revenues after incentive costs	$1,616,555,861	$1,332,248,654
IRR Incentive Program: Direct Benefits	21.3%	

ECONOMIC DEVELOPMENT:

PINE TREE DEVELOPMENT ZONE (PTDZ)

- Offers eligible businesses in Maine the chance to greatly reduce, or in some cases, virtually eliminate state taxes for up to ten years.
- Eligible sectors: biotechnology; aquaculture and marine technology; composite materials technology; environmental technology; advanced technologies for forestry and agriculture; manufacturing, including precision manufacturing; information technology; and financial services.
- Benefit highlights include:
  - 100% Corporate Income Tax credit for 5 years; 50% credit for years 6-10
  - Elimination of Property Sales & Use Tax for 10 years
  - 80% Employment Tax Increment Finance (ETIF)

ECONOMIC DEVELOPMENT:

PINE TREE DEVELOPMENT ZONE (PTDZ)

- Two Tiers:
  - 1: Municipalities in all counties of the state except Cumberland and York counties, plus the municipalities in Cumberland and York counties that have an unemployment rate that is at least 15% higher than the local labor market unemployment rate for the calendar year. Eligible for tax benefits for up to ten years.
  - 2: Municipalities that do not qualify for Tier 1 designation. Eligible to tax benefits for up to five years.
- Eligibility for Tier 1 and Tier 2 changes each year.
- Tier 2 sunset on December 31st of 2013, which implies any beneficiaries that were *already certified* under Tier 2 will continue receiving benefits.

ECONOMIC DEVELOPMENT:

PINE TREE DEVELOPMENT ZONE (PTDZ)

- Cost/Benefit Analysis of the ETIF Component

Benefits for State of Maine	With Incentive	Without Incentive
Corporate income tax for the State of Maine	$491,677,293	$1,487,534,301
Sales Tax revenues	$2,204,250,117	$0
Personal income taxes for the State of Maine	$284,281,655	$0
Residents dividends tax	$301,497,371	$0
Payroll taxes employer State of Maine	$28,714,699	$0
Direct Tax Revenues	$3,310,421,135	$1,487,534,655
Cost of administrating the program	$554,783	$0
Direct Revenues after incentive costs	$3,309,866,351	$1,487,534,655
IRR Incentive Program: Direct Benefits	122.5%	

ECONOMIC DEVELOPMENT:

PINE TREE DEVELOPMENT ZONE (PTDZ)

- PTDZ includes "but for" language asserting that the company ***would not have*** chosen to locate or invest in Maine 'but for' this funding.
- Sensitivity analysis below shows impact if companies would have established themselves in the State of Maine regardless whether they would be entitled to the benefits of PTDZ or not.

PTDZ Sensitivity index	IRR	Return on one dollar spent (rounded)	Additional revenue recognized by Maine for each dollar spent
0.0% (0 out of 10 would have conducted the project anyway)	122.5%	$2.23	$1.23
10.0% (1 out of 10 would have conducted the project anyway)	112.8%	$2.13	$1.13
20.0% (2 out of 10 would have conducted the project anyway)	99.6%	$2.00	$1.00
30.0% (3 out of 10 would have conducted the project anyway)	84.5%	$1.84	$0.84
40.0% (4 out of 10 would have conducted the project anyway)	68.4%	$1.68	$0.68
50.0% (5 out of 10 would have conducted the project anyway)	52.5%	$1.53	$0.53
60.0% (6 out of 10 would have conducted the project anyway)	37.4%	$1.37	$0.37
70.0% (7 out of 10 would have conducted the project anyway)	23.4%	$1.23	$0.23
80.0% (8 out of 10 would have conducted the project anyway)	10.7%	$1.11	$0.11
89.4% (Just under 9 out of 10 would have conducted the project anyway - break even)	0.0%	$1.00	$0.00
90.0% (9 out of 10 would have conducted the project anyway)	-0.7	$0.99	-$0.01
100.0% (10 out of 10 would have conducted the project anyway - only negative if one assumes more than 89% of all companies would have moved forward regardless and misrepresented their intentions on their PTDZ applications)	-10.8%	$0.89	-$0.11

RESEARCH & DEVELOPMENT:

MTI DEVELOPMENT LOANS

- Loans of up to $500,000 are offered three times a year to fund later stage R&D activities leading to commercialization of new products such as prototype development, testing and manufacturing pilot projects
- Loan repayment is triggered by commercialization of the technology
- All projects must fall under one of Maine's seven technology sectors and require matching investments of 1:1

RESEARCH & DEVELOPMENT:

MTI DEVELOPMENT LOANS

Benefits for State of Maine	With Incentive	Without Incentive
Corporate income tax for the State of Maine	$555,091	$333,389
Sales Tax revenues	$625,149	$366,783
Personal income taxes for the State of Maine	$1,466,299	$525,494
Residents dividends tax	$108,742	$39,090
Payroll taxes employer State of Maine	$728,469	$261,070
Direct Tax Revenues	$3,483,750	$1,525,826
Cost of DL and grant program	$1,293,364	
Cost of administrating the program	$554,783	
Direct Revenues after incentive costs	$1,635,603	$1,595,478
IRR Incentive Program: Direct Benefits	7.2%	

ECONOMIC DEVELOPMENT:

FINANCE AUTHORITY OF MAINE (FAME)

Commercial Loan Insurance Program

- Loan insurance is available for almost any prudent business activity, and insures up to 90 percent of a loan to a maximum FAME insurance exposure of $4 million
- This maximum insurance amount is set at least annually in accordance with FAME's Direct Loan and Loan Insurance Credit Policy

Economic Recovery Loan Program (ERLP)

- This program provides subordinate (gap) financing to assist businesses in their efforts to remain viable and/or improve productivity
- Eligible companies are Maine-based businesses that exhibit a reasonable ability to repay the loan and demonstrate that other sources of capital have been exhausted

ECONOMIC DEVELOPMENT:

FINANCE AUTHORITY OF MAINE (FAME)

Benefits for State of Maine	With Incentive	Without Incentive
Corporate income tax for the State of Maine	$935,943,688	$787,789,191
Sales Tax revenues	$870,250,496	$733,711,702
Personal income taxes for the State of Maine	$193,910,004	$158,066,098
Residents dividends tax	$124,836,567	$109,775,634
Payroll taxes employer State of Maine	$96,864,187	$78,959,021
Direct Tax Revenues	$2,221,804,941	$1,868,301,646
FAME Revenues from CLI	$878,017	
FAME Revenues from ERLP	$871,550	
Cost to cover for default	$700,485	
Cost of administrating the program	$554,783	
Direct Revenues after incentive costs	$2,222,299,239	$1,868,301,646
IRR Incentive Program: Direct Benefits	18.9%	

RECOMMENDATIONS

RECOMMENDATIONS – GENERAL

- **Central Website and/or Guiding Organization:** Provide a means for coordinating all investment programs (whether Economic Development or R&D) so that potential investors, companies, and entrepreneurs may find relevant data easily. Consider establishing an ombudsman function
- **Enhance Collaboration Between Programs:** Develop a culture wherein data is shared with DECD on all programs to enhance both effectiveness and reporting

RECOMMENDATIONS – GENERAL

- **Develop Central Storage for Incentive Report Documentation:** Legislative changes should be made to allow the analyst team designated by the State of Maine to have full access to program data as needed.
- **Incentive Contingency Clauses and Reporting:** Checks and balances should be worked into the Legislative Mandate behind each of the incentive programs to allow the programs to perform more successfully and to have the reporting to understand their own success.
- **Data Confidentiality:** Legislative changes should be made to provide for full access to and evaluation of program data as needed, whether this performed by a State agency or by a contracted third party under a confidentiality agreement

RECOMMENDATIONS - GENERAL

- Align the State's programs to emphasize the comparative advantages of the state or compensate for the lack of these comparative advantages;
- Develop a clear, transparent, and coherent common framework to facilitate coordination;
- Conform to good practice principles of simplicity, clarity, certainty, and a minimum of subjective evaluation;
- Simplify and clarify the application, administration, and reporting processes;
- Ensure reporting requirements to monitor obligations are included in the incentives law;
- Develop the means to shepherd existing Maine companies;
- Form an Incentive Working Group

RECOMMENDATIONS - TARGETING

- The State should examine programs to determine which may be altered or augmented to meet the needs of post start-up companies (20-100 employees) who may still require assistance to best meet their potential.
- May be advisable to support all potentially successful businesses as a strategy for developing a more diversified, resilient economy. Focusing on one industry to the exclusion of others may not enhance economic sustainability.

RECOMMENDATIONS - RESEARCH & DEVELOPMENT

- Develop a clear, transparent, and coherent common framework within each program to facilitate coordination and harmonization where possible – both with other research programs and within the broader economic development framework;
- Explicitly match performance measurements to the type of assistance provided. The ROI and breakeven point for a direct R&D investment in a university or small business setting will likely be very different to that for a tax credit for a large established company;
- MIEAB (Maine Innovation Economy Advisory Board) has in past played a role in establishing and validating the State's R&D efforts. This role needs to be re-examined and perhaps reaffirmed

RECOMMENDATIONS – MONITORING & EVALUATION

- Programs require easy to find documentation that includes a clear statement of goals and outcomes, as well as clear evaluation and monitoring procedures;
- Program administrators should follow up with applicants to grant and credit programs when they either do not quality or are not chosen to receive funding or credits;
- The state should establish a standardized reporting tool for all economic development and R&D program recipients. Reporting requirements should be clear, coherent and transparent. These should be directly linked to the award and to the program's conditional criteria;
- Once a company receives an incentive award, it is very important that the state continue to honor the award until the award expires as stipulated in the program terms;
- Institutional collaboration should be facilitated by an Incentive Working Group.

Q&A