STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT

MAINE.
ECONOMIC & COMMUNITY DEVELOPMENT

JANET T. MILLS
GOVERNOR

HEATHER JOHNSON
COMMISSIONER

January 31, 2025

Governor Janet T. Mills
1 State House Station
Augusta, ME 04333

Joint Standing Committee on Housing and Economic Development
100 State House Station
Augusta, ME 04333

Committee on Taxation
100 State House Station
Augusta, Maine 04333

Re: Final Program Evaluation Report pursuant to Comprehensive Evaluation of State Investments in Economic Development

Dear Governor Mills and Members of the Committee on Housing and Economic Development:

In accordance with Title 5 MRSA, §13070-P *Comprehensive evaluation of state investments in economic development,* the Department of Economic and Community Development (DECD) presents the attached report.

DECD is required to submit a comprehensive evaluation of state economic development investments including research and development activities. This evaluation must be performed by independent, objective reviewers. Statute requires a full comprehensive evaluation to be submitted every four years, starting February 1, 2021, and an interim progress report every four years starting February 1, 2023.

As required by Statute, DECD hired a consultant via competitive procurement to perform an assessment of the State's portfolio of economic development investments and determine the extent that these investments are achieving the objectives identified in Maine's 10-Year Economic Development Strategy (Maine's Economic Development Strategy | Department of Economic and Community Development). DECD issued a competitive Request for Proposal, and from this process, EBP US, Inc. was hired. The Fund allowed for $712,766 to be allocated to this consultant to complete the evaluation.

59 STATE HOUSE STATION • AUGUSTA • MAINE • 04333-0059
PHONE: (207) 624-9800 • FACSIMILE: (207) 287-2681
WWW.MAINE.GOV/DECD

As required by Statute, the attached report objectives include the assessment of:

(1) The extent to which the State's portfolio of economic development investments, particularly in terms of level and types of investments, aligns with and supports the state strategic economic improvement plan;
(2) The extent to which individual activities and programs, or groups of activities and programs, within the State's portfolio are contributing to the achievement of particular goals, measurable objectives and performance targets associated with the state strategic economic improvement plan;
(3) How the State's portfolio of economic development investments, particularly in terms of level and types of investments, compares to investments in other states;
(4) The effect of the State's economic development investments in improving the competitiveness of the State's established and emerging technology and industry sectors in regional, national and global arenas; and
(5) The extent to which the overall framework for the State's economic development investments provides for sufficient transparency and accountability, effective and efficient coordination among the State's activities and programs and easy access for interested businesses and other entities.

The report also includes recommendations to DECD, the Governor and the Legislature on any identified:

(1) Opportunities to modify the current portfolio of state economic development investments, particularly with regard to level of investment or types of activities and programs, in order to better align resources with the state strategic economic improvement plan and more cost-effectively support achievement of goals, objectives and performance targets associated with the plan;
(2) Opportunities to shift investments from economic development activities and programs to other state efforts in order to better align resources with the state strategic economic improvement plan and more cost-effectively support achievement of goals, objectives and performance targets associated with the plan;
(3) Opportunities to improve transparency and accountability for state economic development investments, coordination among economic activities and programs in the portfolio or accessibility of business and other entities to those activities and programs; and

(4) Areas for improvement.

The attached report is responsive to these elements and fulfills the requirements of the statute.

Please contact Shae McGehee, Economic Development Incentives Manager with the Office of Business Development, if you have any questions regarding this report.

Sincerely,

Heather Johnson
Commissioner

Attachment: Final Program Evaluation Report prepared by EBP US, Inc., January 2025

cc: Shae McGehee, Economic Development Incentives Manager, DECD

ECNOMIC DEVELOPMENT PROGRAM EVALUATION EXECUTIVE SUMMARY

MAINE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

JANUARY 15, 2025

EBP

Executive Summary

EBP is pleased to present the Final Program Evaluation Report for 23 state-funded economic development programs. The purpose of this report is to provide a comprehensive, independent, objective review and assessment of the State's portfolio of Economic Development investments from 2017-2021 as required by 5 MRSA §13070-P, enacted by PL 2017, c. 264, §13. This legislation requires the Commissioner of the Department of Economic and Community Development (DECD) to submit a comprehensive, independent, objective review and assessment of the State's portfolio of economic development investments to the Governor and Legislature every four years. Under statute, the report must address, at a minimum, the following:

1. The extent to which the level and types of investments that comprise the State's portfolio of economic development investments aligns with and supports the state's economic development strategy.
2. The extent to which individual activities and programs, or groups of activities and programs, within the State's portfolio are contributing to the achievement of the goals, measurable objectives and performance targets established in the economic development strategy.
3. How the level and types of investments that comprise the State's portfolio of economic development investments compares to investments in other states.
4. The effectiveness of the State's economic development investments in improving the competitiveness of the State's established and emerging technology and industry sectors.
5. The extent to which the overall framework for the State's economic development investments provides for sufficient transparency and accountability, effective and efficient coordination, and easy access for interested businesses and other entities.

Results from this evaluation are informative as the Department of Economic and Community Development (DECD) seeks to implement programs to best achieve the objectives of the Maine Economic Development Strategy 2020-2029 (referred to throughout the report as "the Economic Development Strategy"). This Final Report follows a similar evaluation that Investment Consulting Associates (ICA) conducted in 2018 of Maine Economic Development and Research and Development programs.

Methodology

Before initiating a detailed evaluation process, EBP conducted an initial review of each program identified by DECD. DECD provided a list of the economic development programs and incentives in the State's portfolio, and in collaboration with EBP, each program was prioritized in terms of (a) time sensitivity, i.e., whether the programs ended or were about to end, and (b) the degree of legislative or public interest they had received. Based on this categorization scheme, EBP analyzed the highest priority programs in the greatest detail and mid-range priority programs at a moderate level of detail. EBP did not evaluate programs in the lowest priority group individually; rather, we analyze these programs in terms of their contribution to the State's overall portfolio of economic development investments based on available information.

EBP reviewed the Economic Development Strategy to enable us to conduct program-specific document review with an understanding of the State's economic development goals and objectives. We then reviewed individual program documentation including:

- DECD's previous evaluation reports,
- Program evaluation reports produced by the Office of Program Evaluation & Government Accountability (OPEGA),
- Program annual reports and associated data from 2017-2021, and
- Publicly available special reports and data publications.

EBP also reviewed the enabling legislation for each program and identified the legislative purpose of programs (if included in the legislation). For those programs that do not include legislative purpose as part of their enabling statutes, we reviewed program websites, and the published reports listed above to identify program purpose.

Where necessary for evaluation, EBP requested and reviewed program-specific data, where available, from administering agencies. Table 1 outlines program performance data EBP accessed by program.

Table 1. Data Availability by Program

Program	Data Accessed for Evaluation
Municipal Tax Increment Financing	Publicly available program data details amount of increment each MTIF district generates. No data on infrastructure, job creation, or business attraction supported by MTIF revenues was available to assess program outcomes.
Maine Seed Capital Investment Tax Credit	Program data was available upon request but lacked industry detail. Available data included investment amounts, tax credit amounts, and recipient businesses.
Employment Tax Increment Financing	Program data was available upon request, but some business information was missing, duplicative, or inconsistent. Additional data collection was necessary for evaluation.
Pine Tree Development Zones	Program data was available upon request, but some business information was missing, duplicative, or inconsistent. Additional data collection was necessary for evaluation.

MTI Grant, Loan, Equity Awards	Program data was available upon request but lacked industry detail. Additional data collection was necessary for evaluation.
Commercial Loan Insurance	Program data was available upon request, including industry detail, borrower detail, lender detail, loan type, application date, lender-supported loan amount, FAME-supported loan amount, associated jobs created and retained per supported loan.
Revenue Obligations Securities Program	Program data available upon request, including project names, bond amounts, and year.
Loring Job Tax Increment Financing	Program data was available upon request, including internal report from Loring Development Authority showing eligible employees, eligible wages, amount of annual LJIFF 1997-2023.
Brunswick Naval Air Station Job Tax Increment Financing	Program data was available upon request, including JTIF report for years 2017-2022 with participating employer names, JTIF revenue by year, total Maine Employees at JTIF/BNAS firms, Net new BNAS employees.
Major Food Processing Manufacturing Facility Expansion Tax Credit	Portfolio level evaluation only.
Maine Venture Fund	Portfolio level evaluation only.
Renewable Chemicals Tax Credit	Portfolio level evaluation only.
Educational Opportunity Tax Credit	Portfolio level evaluation only.
Innovation Finance Program	Portfolio level evaluation only.
Commercial Facilities Development Program	Portfolio level evaluation only.
Speculative Industrial Buildings Program	EBP accessed OPEGA review and reporting on this program.
Major Business Headquarters Expansion Tax Credit	EBP accessed OPEGA review and reporting on this program.
Business Equipment Tax Exemption and Tax Reimbursement	EBP accessed OPEGA review and reporting on this program.
Historic Rehabilitation Tax Credit	EBP accessed OPEGA review and reporting on this program.
Regional Economic Development Revolving Loan Program	Program data was available upon request but lacked detail on individual loans necessary for adequate program evaluation.
Compliance Assistance Loan Program	Portfolio level evaluation only.
Maine Technology Asset Fund	Publicly available program reports include brief information on awardees and how they intended to use MTAF funds at the time of award. No further information was published or available through information request to MTI.
Ship Building Facility Tax Credit	Portfolio level evaluation only.

State Benchmark Assessment

This section provides the following five benchmark analyses based on various databases to which the EBP Team has access. The intention of the benchmarking methodology is to assess the state through data that is generally available and accepted by corporate decision-making executives when reviewing a site location candidate.

Companies and state agencies do not always release public information on major investments and the analysis may not reflect all investment made in or incentives offered by the state of Maine. This limitation holds true for other U.S. states included in the analysis, though data availability varies by state.

Benchmark 1: Investment by State: The Investment by State Benchmark uses proprietary data from the FDI (Foreign Direct Investment) Markets Database, which tracks greenfield investment projects from both national and international sources, including investment flows between U.S. states. The Benchmark explores the competitive position of Maine in attracting FDI projects from various markets, industries, and activities. However, it does not include equity-based investments such as mergers and acquisitions.

Benchmark 2: Business Environments: The Business Environments Benchmark highlights the competitive position of Metropolitan Statistical Areas (MSAs) in Maine compared to MSAs across the U.S. that a site selector may compare and contrast during an evaluation process.

EBP's location analysis—the Reverse Site Selection Model—provides a more distinctive approach to conventional location analysis. EBP collected indicators from various sources, mainly ESRI Business Analyst, which allow for comparisons across a range of competitive dimensions in the Reverse Site Selection Model. Our location analysis gathers and ranks such indicators, instead of simply analyzing them. Comparing and contrasting rankings then enables a more profound location analysis, since EBP's analysis is based on various rankings that complement one another.

Benchmark 3: Incentive Awards: The Incentive Awards Benchmark shows trends in incentive use across the U.S., such as highlighting particularly active incentive programs to particularly responsive companies. The analysis uses proprietary data from the FT Locations IncentivesFlow Database[1].

1 FT Locations IncentivesFlow is a database tracking financial incentives awarded to companies for both foreign and domestic investment projects. https://www.ftlocations.com/products-and-services/incentives-flow

Benchmark 4: Incentive Productivity: In line with the Incentive Awards Benchmark, this section introduces the Incentive Productivity Index. This Index is a composite measure that ranks states according to their incentive deal figures. The analysis uses proprietary data from IncentivesFlow Database.

Benchmark 5: Peer States: The Peer States Benchmark involves examining peer states' incentives programs that are similar to Maine's Employment Tax Increment Financing (ETIF) and Pine Tree Development Zones (PTDZ) programs. The states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, Florida, Idaho, Maryland, and New Jersey – were selected based on similarities of location, share of gross domestic product, and incentive distributions, in addition to input from DECD.

Return on Investment Model

To evaluate the impacts of the PTDZ and ETIF programs, it is beneficial to understand the net benefit (or cost) of these programs to the State of Maine. In this review, EBP evaluated both incentive programs on the extent of their utilization and the comparison of economic development benefits to financial costs from 2017 through 2021.

The direct and indirect costs and benefits can be measured through an Internal Rate of Return (IRR) simulation technique. The IRR is a measurement that estimates the profitability of potential or existing investments. As employed in this evaluation, IRR is intended to capture the economic and financial impacts on participating firms benefiting from the PTDZ and ETIF programs.

The cost model used in this report calculates benefits to the State of Maine by assessing direct tax revenues and costs resulting from business participation. The assessed tax benefits include state-level corporate income tax, sales tax revenues, state-level personal income taxes, resident dividends tax, state-level employer payroll taxes, and the cost of program administration. The model also attempts to answer the "but-for" question: How would Maine's tax revenues be affected if the incentive was not offered?[2] The differences between the two scenarios provide the IRR of the investment.

The models for the PTDZ and ETIF programs employ various sources to account for the costs and benefits. Data for the models is derived from annual incentive program reports, Quarterly Census of Employment and Wages (QCEW) data obtained through Maine Department of Labor

[2] "But for" analyses should be interpreted carefully, with the understanding that they rely on businesses' self-assessment of a program's influence or level of attribution. Also, many programs require that the company certify that they would not have made the investment in question but for the incentive award, making companies highly reluctant to report otherwise post-facto. Actual program attribution levels are difficult to ascertain because incentives are just one of many factors that impact business decisions.

(DOL) Center for Workforce Research and Information; administrative cost breakdowns compiled by Maine DECD; and publicly available tax and salary information.

Company Interviews

EBP supplemented the quantitative analysis with semi-structured business interviews. We conducted 17 interviews from June 2022-August 2024 with companies that benefited from DECD, Maine Technology Institute (MTI), and Finance Authority of Maine (FAME) programs. Companies were selected to represent a range of industries.

Interviews focused specifically on company successes and challenges, benefits of program participation, experience working with DECD, the Maine business climate, and future plans. Findings from the interviews are included in program evaluation sections for PTDZ, ETIF, Commercial Loan Insurance (CLI), Seed Capital Tax Credit (SCTC), and MTI programs.

EBP conducts interviews to validate or improve our understanding of the way a program works and contextualize program outcomes as observed in quantitative data. Our recommendations rely on program design and data, in addition to interview findings, to support our analysis.

Stakeholder Roundtable Discussions

EBP organized roundtable discussions with three groups of key stakeholders: program administrators, chamber and industry groups, and business participants. These semi-structured listening sessions aimed to collect stakeholder feedback on program design and implementation, as well as foster discussion around challenges and opportunities to attracting, retaining, and expanding businesses in the state of Maine. We incorporated analysis of topics discussed during these sessions into our list of recommendations.

Surveys

EBP conducted a 2022 survey of companies participating in the PTDZ and ETIF programs. The survey consisted of 53 questions gathering information on individual companies' operations and their interactions with and impressions of the Maine DECD incentive programs. Over a two-month period, the survey received 106 unique responses, of which 47% of responses indicated participation in the PTDZ program, 34% indicated participation in the ETIF program, and the remaining 19% did not explicitly identify programs in which the company participates. The survey represented less than 35% of the 142 companies enrolled in PTDZ, and 27% of the 136 enrolled in ETIF in any given year. Due to its low quality, the information gathered in the survey was replaced by QCEW data in quantitative evaluation of the PTDZ and ETIF programs.

Due to low response rates and low-quality responses to the 2022 survey of PTDZ and ETIF participating businesses, EBP chose to collaborate with MTI to administer a 2024 survey to collect data for program evaluation. MTI surveyed recipients of its core awards (loan, grant, and equity awards) in March-April 2024 and received 269 unique responses, a 74% response rate. Results of this survey were used for evaluation of MTI grant, equity, and loan awards in absence of more detailed pre-existing program data.

State Benchmark Assessment Findings

Current Benchmarking Limitations

In the Interim Report, EBP replicated Benchmark 3 and Benchmark 4 in the 2018 evaluation. The results reported in the following sections are therefore meant for comparative purposes.

Although IncentivesFlow is one of the most comprehensive sources for incentive data, it does not provide complete information for Maine. According to FT Locations, this is primarily due to limited transparency around incentives in Maine, which is itself a finding of this evaluation. Still, IncentivesFlow provides enough information to position incentive performance in Maine relative to the United States. In this context, IncentivesFlow should be interpreted as a benchmarking tool rather than a reporting tool.

Since the midterm evaluation, EBP collected data on the value of tax incentives through state-level GASB 77 filings. Benchmarks 3 and 4 include comparative analysis of IncentivesFlow and GASB 77 filing data. This update informs EBP's recommendations to improve transparency and data availability for Maine incentive programs.

EBP compared Maine's portfolio of economic development incentives with those in states across the country, including states in the New England region and states with programs that target sectors like those targeted by Maine. This assessment will help DECD understand at what rate companies take advantage of Maine incentives, Maine's general business environment, incentive transparency, and investment performance against national and regional benchmarks. This section also reviews best practices for economic development programs based on data from peer states.

Benchmark 1: Investment by State	
Description	EBP used data from the FDI Markets Database to explore Maine's competitive position in attracting FDI projects from different markets, industries, and activities.

Benchmark 1: Investment by State	
Main Findings	• On average, Maine ranks 43rd nationally in terms of investment attraction, which represents an improvement from 44th in 2018 and 46th in 2016, as noted in the 2018 Comprehensive Report. • Notable Maine projects not reflected in the FDI Markets database include a $25 million investment by Pleasant River Lumber Company and a $65 million investment by Penobscot McCrum. • The largest source of international investment into Maine over the past five years is Canada, with six projects, followed by the Netherlands and Switzerland, with two projects each.

Benchmark 2: Business Environments	
Description	This assessment is based on a location analysis which uses economic and demographic data to compare the competitive position of MSAs in Maine with MSAs in other locations across the U.S. using common corporate location decision factors that were tailored to the key opportunity industries put forward in Maine's Economic Development Strategy.
Main Findings	• The Maine MSAs of Portland, Bangor, and Lewiston ranked 6th, 16th, and 18th respectively overall among 23 comparator MSAs of similar size and character. • The Maine MSAs ranked highest in industry-specific employment and occupation-specific employment relative to their rankings in other categories. They have populations that skew older, impacting the availability of a stable future workforce. • Portland's comparatively high housing growth, population growth rates, and educational attainment contribute to its higher overall ranking. • Bangor and Lewiston have much lower and even declining growth rates and lower levels of educational attainment. • Beyond Maine MSAs, Boston ranked first, primarily because of its much larger population, sufficient occupation-specific employment and best access to transportation and markets.

Benchmark 3: Incentive Awards	
Description	This assessment uses data from FT Locations IncentivesFlow Database to evaluate trends in incentive use across the U.S.
Main Findings	• Maine has a relatively high incentive cost per job created ($82,239) and a relatively low return on investment ($2.71). • From 2017 to 2021, Maine spent $74.9 million on 17 incentive awards ($4.4 million per project), placing Maine slightly below par for the U.S. On average, any given state spent $995.8 million on 380 incentive awards ($2.6 million per project), suggesting that Maine spent disproportionately more on incentives when compared to the rest of the U.S. • From 2017 to 2021, an incentive granted to a project resulted in an average of 146 new jobs and capital investments of $31.2 million, at the national level. For Maine individually, an incentive granted to a project resulted in an average of 54 new jobs and capital investments of $11.9 million, with both metrics below the national averages. • Analysis of GASB 77 filings in Maine and among peer states reveals these filings are not complete, consistent or reliable sources of data on investment trends, though they are somewhat useful in benchmarking the completeness of IncentivesFlow data.

Benchmark 4: Incentive Transparency	
Description	Using data from FT Locations IncentivesFlow Database, EBP developed an Incentive Productivity Index to assess and rank states according to their incentive deal figures. The primary indicators used include number of awarded incentives, value of capital investments, and number of newly created jobs.
Main Findings	• Maine ranked 46th on average for incentive productivity. Despite this, the State has gained ground over the last five years, improving from its ranking of 48th in 2017. • In 2017, Maine ranked 48th with only one incentive deal recorded. In 2021, the State moved to 44th with six incentive deals recorded. Although these six deals did not bring capital investment into the state, they did bring 599 new jobs, placing Maine 43rd nationally for new jobs created.

Benchmark 5: Peer States	
Description	This assessment involves examining peer states' programs similar to ETIF and PTDZ. The states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, Florida, Idaho, Maryland, and New Jersey – were selected based on similarities of location, share of gross domestic product, and incentive distributions, in addition to input from DECD.
Main Findings	• All peer states offer at least one incentive program similar to the PTDZ and ETIF programs. • These programs offer income tax credits of $500 - $9,000 per new, full-time job. • These programs have a wide range of eligibility requirements, restrictions, and incentives bonuses based on factors, including job wage, location, industry, employee characteristics (economically disadvantaged, veteran, etc.), and job type (i.e. apprenticeship). • Most programs offer benefits for under ten years, and some allow unused credits to rollover or be disbursed as a tax refund. • Most peer states offer workforce training incentives, including reimbursements for training costs.

Program Transparency Review Findings

EBP applied a rubric to evaluate important aspects of transparency for each evaluated program, including publicly available annual reports, traceability, content, and non-compliance policies.

Key Findings:

- **FAME** programs are highly transparent with easily accessible program information, comprehensive annual reports, and clear eligibility and benefit details.
- **MTI** programs are less visible online; rely on an intake system that, while personalized, reduces transparency for external businesses. Annual reports lack clarity on some program activities.
- **Tax Credit Programs (Maine Revenue Services (MRS))** are easy to find, but benefits are complex and not easily comparable. Public reporting on credits issued is limited.
- **Reporting Compliance:** Some programs do not appear to meet legislative reporting requirements, impacting transparency.

The results of the analysis highlight varied transparency levels across programs, with FAME excelling, MTI showing mixed results, and MRS needing improvement in reporting practices.

Economic Development Strategy Review Findings

EBP's analysis identifies a discrepancy between the state's Economic Development Strategy goals and the orientation of its programs.

Key Findings:

- Strategy goals are focused on specific, measurable targets like increasing wages, value added, and expanding the talent pool.
- Most programs aim at general business growth (job retention, creation, investment attraction) rather than aligning with strategy goals. This is partly due to "legacy" programs that may no longer be pertinent.
- Program reporting generally lacks alignment with strategy goals. Annual reports do not reference the Economic Development Strategy or 10-year goals, nor do they evaluate program outcomes in terms of strategy targets.
- Missing program data on state investment, beneficiaries, and supported activities make it difficult to measure investment towards achieving Economic Development Strategy goals.
- Many economic development programs and incentives across several agencies create challenges in identifying duplication and gaps in the state's portfolio to support the Economic Development Strategy

The analysis suggests a need for better alignment and reporting to support the state's Economic Development Strategy goals.

Opportunities and Recommendations

Recommended Changes to Economic Development Portfolio and State Investment Levels

- **Consolidate and simplify programs with similar legislative intent or objectives.** Simplify the state's portfolio of economic development programs. Make fewer programs more applicable to a broader array of companies. Programs with similar intent and objectives include: ETIF, PTDZ, Business Headquarters Expansion Tax Credit, Speculative Industrial Buildings Program, Ship Building Facility Investment Tax Credit, Renewable Chemicals Tax Credit, and the Business Equipment Tax Exemption and Tax Reimbursement. While maintaining an array of tax credit programs to meet various business needs is okay, the

State should consider marketing only a few as flagship incentives for which site selectors can easily understand benefits and eligibility criteria. Closely monitor initial reception of Dirigo Business Incentive program and consider moving benefits from other programs under this umbrella to simplify incentive offerings.

- **Expand eligibility and benefits under FAME's Commercial Loan Insurance program.** Roundtable participants identified the CLI program as one of the most beneficial resources available to Maine businesses. Because this program is administered through financial institutions, it is directly tied to businesses' need for capital. Additionally, the program is governed by clear underwriting criteria, including a computerized scoring system for instant approval via its Online Answer (OLA) platform. However, the program is not targeted at business in specific industries or conducting certain activities. The state could consider expanding this program with targeted eligibility criteria and additional benefit to business projects that align with the Economic Development Strategy.

Recommendations to Improve Transparency and Accountability

- **Increase incentive program public data accessibility.** In replicating the incentive productivity benchmarks from the 2018 evaluation, we discovered that one of the leading databases of incentive information—IncentivesFlow—has incomplete data for Maine. This is reportedly because it has been difficult to obtain necessary information from the state through web-scraping and public records review, especially in comparison with other New England states. This points to a need for improved data accessibility around incentives, not specifically to fulfill information requests from third parties, but to enable easier access to data for outside evaluators and the public. One way to improve transparency is to make more program data, evaluations, and reports available on the web, possibly through a searchable database. It is important that all incentive programs have an easy-to-find online footprint regarding their purpose, how they work, eligibility, application process, level of benefits and number of beneficiaries, and annual impact reports.
- **Aggregate and market incentive programs to prospective investors.** Expand external-facing tools like Maine Funding Network to aggregate available incentives across programs and agencies for prospective investors. This type of tool should also include aggregated information on the number and level of incentives historically offered by the state. Marketing materials for state incentive programs should clearly explain the state's target industries and/or economic activity, as well as the appropriate market segments for each type of program.
- **Focus efforts on addressing root causes of business challenges.** While most interviewees appreciated the financial benefits of incentive programs, they also face other challenges that these programs may be unable to address. These include workforce and housing availability as well as costs of transportation, energy, and other

inputs to production. Incentives are only likely to be efficient if the underlying business dynamics (labor, markets, infrastructure, government regulation, etc.) already are aligned with the needs of businesses. For this reason, we recommend that DECD continue to focus its efforts on ways it can partner with organizations throughout the state to support businesses beyond direct financial incentives. These root issues merit dedicated attention and solutions, as incentive programs alone cannot fully solve these fundamental problems. Where state agencies already have programs and funding allotted to address housing and childcare challenges, improved program data collection and evaluation are needed to understand if these investments have been effective.

General Recommendations

- **Develop a targeted incentive to attract high-value investments.** Program administrators expressed a lack of incentives marketed toward high-value investment projects. In one instance, multiple agencies combined benefits from several programs to offer only a modest incentive package to a project that clearly aligned with the state's development goals. We recommend Maine consider establishing financial facilities to support larger investment projects, i.e. those worth $10-100M in capital expenditures. Current economic development investments do not allow the state to offer competitive incentive deals for large projects, and coordination of existing resources across agencies is inefficient. One interviewee noted these large investments will be necessary to attract new talent and create mid-career and senior-level, high-paying jobs. Without significant outside investment, workforce availability and attraction remain barriers to economic growth.
- **Articulate how program eligibility guidelines and objectives contribute to achieving Maine's Economic Development Strategy Goals.** We found during this evaluation that economic development programs each have their own set of qualifying industries defined in their respective eligibility criteria. For many programs, the rationale behind the selected industries was either unclear or not explicitly linked to the Economic Development Strategy. We recommend program administrators articulate rationale for selecting eligible target industries in the context of the Economic Development Strategy on agency websites and within annual reports. Additionally, program guidelines should explicitly state how program eligibility and performance metrics support attraction, expansion, and retention of businesses in these areas to provide clear criteria for assessment during the next comprehensive evaluation.
- **Authorize and mandate a permanent arm of state government to collect and maintain performance data on each of programs and participants.** Furthermore, establish a clear, transparent mechanism communicating program evaluation results in updates to strategy and public policy. Under current reporting practices, which are completely

independent of Economic Development Strategy goals, it is not possible to tell which programs effectively address barriers to achieving Strategy goals or the level of investment toward each goal.

- **Create an action plan that articulates how agencies implementing incentive programs should contribute to achieving the state's economic development goals.** DECD should identify specific agencies, programs, and actions that will support specific goals stated in the Economic Development Strategy. Stakeholders participating in roundtable discussion identified a perceived lack of follow-through and alignment of state actions and funding levels with the Economic Development Strategy. While they believed the Strategy was well designed with ample input from stakeholders across the state, they were unsure it aligned with actions taken by state agencies in the years since its publication.

Implementation Recommendations

- **Define distinct performance metrics for each program type.** The State should be explicit in defining performance metrics for each program, matching them to the type of assistance provided (tax credit, grant, technical assistance, tax increment financing (TIF), etc.), and relating them to strategic goals in the Economic Development Strategy. Defining the same performance criteria for similar program types would aid in simplifying reporting guidelines and increasing program transparency.
- **Conduct a comprehensive audit of user experience**. Program administrators and participants identified application and reporting to be a barrier to program effectiveness. Reporting requirements seem to limit the types of businesses that benefit from state programs, while a lack of reliable data hinders appropriate program evaluation. To better understand how to balance reporting requirements with the need for program data, the state could conduct an audit to understand how Maine's incentive processes compare to those in other states where Maine-based companies also operate. This audit could include a blend of semi-structured interviews to assess pain points, and a survey that compares business experience using Maine programs versus those in other states. In addition to making Maine's incentive programs easier to use, the outcomes of this audit may offer valuable data on current and best practices in other states to inform program design.
- **Consider expanding FAME OLA-style platform for multiple programs.** Administrators and participants interacting with FAME's Commercial Loan Insurance program highlighted the OLA platform as being particularly helpful for accessing assistance. The OLA platform allows a participating financial institution to determine almost instantaneously if it is eligible to provide FAME-backed pro-rata and leveraged insurance. The platform works well because it requires only a limited amount of data and does not require face-to-face, time-delayed interaction with an agency representative. Other

programs and agencies should consider adopting similar principles in developing application and reporting requirement to improve both data quality and user experience.

- **Standardize data collection from program participants.** Because Economic Development Strategy metrics are income, value added, and workforce expansion, programs should report data on these metrics. The state's current non-standardized practices increase administrative burden for program administrators and intended beneficiaries alike, and they limit the state's ability to track impact. Many businesses participate in multiple programs that require them to report distinct sets of information. Roundtable participants identified reporting as a barrier for small businesses to access incentive programs. During this evaluation, data collection was especially challenging, as available data was not consistent or complete across programs, and often offered only basic information about participants. Some programs did not report any measures of performance, and business information was often duplicative or missing. Low survey response rate and poor quality of survey responses also hindered analysis.
- **Collect primary and secondary NAICS codes from all award recipients to facilitate data analysis and program evaluation**. One way to standardize data collection across programs and agencies is to ensure all awards are associated with a primary and secondary NAICS code. This practice enables an evaluator to classify recipients by industry and compare their performance to businesses that did not receive incentive awards, as well as to that of businesses and industries in peer states.
- **Consider using QCEW data to evaluate company growth after receiving economic development assistance.** Given program data availability challenges, EBP requested access to QCEW data from Maine DOL to obtain accurate employment and payroll data for participating companies. The survey, conducted by the US Bureau of Labor Statistics, provides a quarterly count of employment and wages reported by employers covering more than 95% of US jobs. This data provides a reasonably accurate benchmark by which to evaluate participating versus non-participating business performance. This quasi-experimental design offers a methodology for "ex-post" evaluation—or evaluating program outcomes after they have occurred. Ex-post evaluation allows DECD to compare the intent and expected impact of programs to their actual impact, and use the results to inform future program funding, design and implementation decisions.

FINAL PROGRAM EVALUATION REPORT

MAINE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

JANUARY 15, 2025

Contents

Introduction

This Comprehensive Program Evaluation Report is the final deliverable of the regular comprehensive evaluation of all state economic development programs due to the Maine Legislature in 2025. The purpose of this report is to provide insight into how programs belonging to state's economic development portfolio performed from 2017 to 2021.The report also brings together outcomes from key stakeholder roundss, analysis of how programs contribute to the Maine Economic Development Strategy 2020-2029 (referenced throughout the report as the "Economic Development Strategy"), and recommendations for improving program performance. This report draws on a combination of business and stakeholder interviews, annual report reviews, surveys, and Return on Investment analysis.

Background

Maine's Legislature requires that the effectiveness of Economic Development and Research and Development (R&D) programs be examined every four years, with interim progress reports delivered halfway between each full evaluation (i.e., every two years).[1] The Legislature also required that a Comprehensive Evaluation of Investments in R&D report covering the previous six years be prepared in 2018.

Investment Consulting Associates (ICA) conducted the 2018 consolidated evaluation of the Economic Development and R&D programs and a Biennial Progress Report. The goal of this consolidated study was to generate a series of action plan reports to examine the state's investments in both economic development and R&D.

Appendix A provides an overview of findings from the 2018 evaluation conducted by ICA. In general, the evaluation found that companies have benefited from the state's economic development programs. However, the evaluation found opportunities to improve Maine's overall business environment.

ICA made numerous recommendations related to the structure and target of incentive programs, the eligibility and benefits of programs, and monitoring and evaluation; these recommendations are also located in the appendix. Based on their recommendations, ICA proposed the following implementation plan in the 2018 evaluation report:

- Confirm the State's economic development goals and overall strategy, which should include a plan for coordinating business establishment, growth, retention, and attraction.

---

1 Under Maine Title 5, Section 13070-P.

- Develop a coordinating team of individuals with representatives from the Executive branch, Legislature, and selected stakeholders to facilitate conversation and action on economic development and R&D activities.
- Review the list of recommendations for consolidation, expansion, reconfiguration, and elimination and work with the State Legislature to make appropriate program changes and to implement new mechanisms for information sharing and reporting.
- Develop or change enabling legislation for the new or repurposed Centralized Coordinating Agency for economic development activities and investments.

Purpose of 2025 Evaluation

Maine has developed a suite of policy and investment tools aimed at advancing economic development in the state. Because economic conditions and specific requirements of businesses are continually evolving, the toolset used to support business attraction and growth must be periodically evaluated and updated as well. 5 MRSA §13070-P, enacted by PL 2017, c. 264, §13 addresses this need by requiring the commissioner of Department of Economic and Community Development (DECD) to submit a comprehensive, independent, objective review and assessment of the State's portfolio of economic development investments to the Governor and Legislature every four years. Under statute, the report must address, at a minimum, the following:

1. The extent to which the level and types of investments that comprise the State's portfolio of economic development investments aligns with and supports the Economic Development Strategy .
2. The extent to which individual activities and programs, or groups of activities and programs, within the State's portfolio are contributing to the achievement of the goals, measurable objectives and performance targets established in the Economic Development Strategy .
3. How the level and types of investments that comprise the State's portfolio of economic development investments compares to investments in other states.
4. The effectiveness of the State's economic development investments in improving the competitiveness of the State's established and emerging technology and industry sectors.
5. The extent to which the overall framework for the State's economic development investments provides for sufficient transparency and accountability, effective and efficient coordination, and easy access for interested businesses and other entities.

This Interim Report and the Final Report provide actionable information to DECD, the Governor, and the State Legislature that identifies opportunities to:

- Modify the current portfolio of state economic development investments to better align with the goals and objectives of the Economic Development Strategy.
- Shift investments from economic development activities and programs to other state efforts to better achieve the goals and objectives of the Economic Development Strategy.
- Improve transparency and accountability for these investments to the state government, to the public, and to the business community.
- Identify further areas for improvement.

Programs Evaluated in 2025

This final report includes review of 23 programs identified with DECD in 2022.

Table 1. Progams Evaluated in 2025

Program	Primary Implementing Agency	Secondary Implementing Agency	Program Evaluation Category
Municipal Tax Increment Financing	DECD		Full evaluation
Maine Seed Capital Investment Tax Credit	FAME		Full evaluation
Employment Tax Increment Financing	DECD	MRS	Full evaluation
Pine Tree Development Zones	DECD	MRS	Full evaluation
Grant, Loan, Equity Awards	MTI		Full evaluation
Commercial Loan Insurance	FAME		Full evaluation
Revenue Obligations Securities Program	FAME		Full evaluation
Loring Job Tax Increment Financing	MRS		Full evaluation
Brunswick Naval Air Station Job Tax Increment Financing	DECD		Full evaluation
Major Food Processing Manufacturing Facility Expansion Tax Credit	DECD	MRS	Portfolio level evaluation
Maine Venture Fund	DECD		Portfolio level evaluation
Renewable Chemicals Tax Credit	DECD	MRS	Portfolio level evaluation
Educational Opportunity Tax Credit	MRS		Portfolio level evaluation
Innovation Finance Program	MRS	FAME	Portfolio level evaluation

Commercial Facilities Development Program	RDA	DECD	Portfolio level evaluation
Speculative Industrial Buildings Program	RDA	DECD	Portfolio level evaluation
Major Business Headquarters Expansion Tax Credit	DECD	MRS	Review of updates since OPEGA evaluation
Business Equipment Tax Exemption and Tax Reimbursement	MRS		Review of updates since OPEGA evaluation
Historic Rehabilitation Tax Credit	MRS		Review of updates since OPEGA evaluation
Regional Economic Development Revolving Loan Program	FAME		Portfolio level evaluation
Compliance Assistance Loan Program	FAME	DEP	Portfolio level evaluation
Maine Technology Asset Fund	MTI		Portfolio level evaluation
Ship Building Facility Tax Credit	DECD		Portfolio level evaluation

DECD identified "full evaluation" programs as priorities because (a) they are key offerings in the state's incentives portfolio, (b) there is continued interest in their performance and alignment with the state's economic plan, and (c) Pine Tree Development Zones (PTDZ) and Employment Tax Increment Financing (ETIF) were scheduled to sunset at the end of 2024.

For "full evaluation" programs, EBP reviewed program objectives, performance metrics, and program data available from the implementing agency. "Portfolio level evaluation" programs are those that are new, not utilized, or terminated. Where applicable, we reviewed program statutes and mentioned replacement programs and their contribution to broader economic development support.

Three programs were recently evaluated by the Office of Program Evaluation & Government Accountability (OPEGA), and we conducted comparative analysis between OPEGA findings and program statute amendments to evaluate responsiveness to prior evaluation findings. EBP also interviewed program administrators for two of these programs to understand if and how program implementation has changed since OPEGA published its reports.

Methodology

Before initiating a detailed evaluation process, EBP conducted an initial review of each program identified by DECD. The scope of this evaluation covers state programs, not including those subjected to independent evaluations required by federal programs. DECD provided a list of the economic development programs and incentives in the State's portfolio, and in collaboration with EBP, each program was prioritized in terms of (a) time sensitivity, i.e., whether the programs ended or were about to end, and (b) the degree of legislative or public interest they had received.

Based on this categorization scheme, EBP analyzed the highest priority programs in the greatest detail and mid-range priority programs at a moderate level of detail. EBP did not evaluate programs in the lowest priority group individually; rather, we analyzed these programs in terms of their contribution to the State's overall portfolio of economic development investments based on publicly available information.

EBP reviewed the Economic Development Strategy to enable us to conduct program-specific document review with an understanding of the State's economic development goals and objectives. We then reviewed individual program documentation including:

- DECD's previous evaluation reports,
- Program evaluation reports produced by OPEGA,
- Program annual reports and associated data from 2017-2021, and
- Publicly available special reports and data publications.

EBP also reviewed the enabling legislation for each program and identified the legislative purpose of programs (if included in the legislation). For those programs that do not include legislative purpose as part of their enabling statutes, we reviewed program websites, and the published reports listed above to identify program purpose.

EBP requested and reviewed program-specific data, where available from each administering agency. Table 2 outlines program performance data EBP accessed by program.

Table 2. Data Availability by Program

Program	Data Accessed for Evaluation
Municipal Tax Increment Financing	Publicly available program data details amount of increment each MTIF district generates. No data on infrastructure, job creation, or business attraction supported by MTIF revenues was available to assess program outcomes.
Maine Seed Capital Investment Tax Credit	Program data was available upon request but lacked industry detail. Available data included investment amounts, tax credit amounts, and recipient businesses.

Employment Tax Increment Financing	Program data was available upon request, but some business information was missing, duplicative, or inconsistent. Additional data collection was necessary for evaluation.
Pine Tree Development Zones	Program data was available upon request, but some business information was missing, duplicative, or inconsistent. Additional data collection was necessary for evaluation.
MTI Grant, Loan, Equity Awards	Program data was available upon request but lacked industry detail. Additional data collection was necessary for evaluation.
Commercial Loan Insurance	Program data was available upon request, including industry detail, borrower detail, lender detail, loan type, application date, lender-supported loan amount, FAME-supported loan amount, associated jobs created and retained per supported loan.
Revenue Obligations Securities Program	Program data available upon request, including project names, bond amounts, and year.
Loring Job Tax Increment Financing	Program data was available upon request, including internal report from Loring Development Authority showing eligible employees, eligible wages, amount of annual LJIFF 1997-2023.
Brunswick Naval Air Station Job Tax Increment Financing	Program data was available upon request, including JTIF report for years 2017-2022 with participating employer names, JTIF revenue by year, total Maine Employees at JTIF/BNAS firms, Net new BNAS employees.
Major Food Processing Manufacturing Facility Expansion Tax Credit	Portfolio level evaluation only.
Maine Venture Fund	Portfolio level evaluation only.
Renewable Chemicals Tax Credit	Portfolio level evaluation only.
Educational Opportunity Tax Credit	Portfolio level evaluation only.
Innovation Finance Program	Portfolio level evaluation only.
Commercial Facilities Development Program	Portfolio level evaluation only.
Speculative Industrial Buildings Program	EBP accessed OPEGA review and reporting on this program.
Major Business Headquarters Expansion Tax Credit	EBP accessed OPEGA review and reporting on this program.
Business Equipment Tax Exemption and Tax Reimbursement	EBP accessed OPEGA review and reporting on this program.
Historic Rehabilitation Tax Credit	EBP accessed OPEGA review and reporting on this program.
Regional Economic Development Revolving Loan Program	Program data was available upon request but lacked detail on individual loans necessary for adequate program evaluation.
Compliance Assistance Loan Program	Portfolio level evaluation only.
Maine Technology Asset Fund	Publicly available program reports include brief information on awardees and how they intended to use MTAF funds at the time of award. No further information was published or available through information request to MTI.

Ship Building Facility Tax Credit	Portfolio level evaluation only.

State Benchmark Assessment

This section provides the following five benchmark analyses based on various databases to which the EBP Team has access. The intention of the benchmarking methodology is to assess the state through data that is generally available and accepted by corporate decision-making executives when reviewing a site location candidate.

Companies and state agencies do not always release public information on major investments and the analysis does not reflect all investment made in or incentives offered by the state of Maine. This limitation holds true for other U.S. states included in the analysis, though data availability varies by state.

Benchmark 1: Investment by State: The Investment by State Benchmark uses proprietary data from the FDI (Foreign Direct Investment) Markets Database, which tracks greenfield investment projects from both national and international sources, including investment flows between U.S. states. The Benchmark explores the competitive position of Maine in attracting FDI projects from various markets, industries, and activities. However, it does not include equity-based investments such as mergers and acquisitions.

Benchmark 2: Business Environments: The Business Environments Benchmark highlights the competitive position of Metropolitan Statistical Areas (MSAs) in Maine compared to MSAs across the U.S. that a site selector may compare and contrast during an evaluation process.

EBP's location analysis—the Reverse Site Selection Model—provides a more distinctive approach to conventional location analysis. EBP collected indicators from various sources, mainly ESRI Business Analyst, which allow for comparisons across a range of competitive dimensions in the Reverse Site Selection Model. Our location analysis gathers and ranks such indicators, instead of simply analyzing them. Comparing and contrasting rankings then enables a more profound location analysis, since EBP's analysis is based on various rankings that complement one another.

Benchmark 3: Incentive Awards: The Incentive Awards Benchmark shows trends in incentive use across the U.S., such as highlighting particularly active incentive programs to particularly responsive companies. The analysis uses proprietary data from the FT Locations IncentivesFlow Database[2].

Benchmark 4: Incentive Productivity: In line with the Incentive Awards Benchmark, this section introduces the Incentive Productivity Index. This Index is a composite measure that ranks states according to their incentive deal figures. The analysis uses proprietary data from IncentivesFlow Database.

Benchmark 5: Peer States: The Peer States Benchmark involves examining peer states' incentives programs that are similar to Maine's Employment Tax Increment Financing (ETIF) and Pine Tree Development Zones (PTDZ) programs. The states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, Florida, Idaho, Maryland, and New Jersey – were selected based on similarities of location, share of gross domestic product, and incentive distributions, in addition to input from DECD.

Return on Investment Model

To evaluate the impacts of the PTDZ and ETIF programs, it is beneficial to understand the net benefit (or cost) of these programs to the State of Maine. In this review, EBP evaluated both incentive programs on the extent of their utilization and the comparison of economic development benefits to financial costs from 2017 through 2021.

The direct and indirect costs and benefits can be measured through an Internal Rate of Return (IRR) simulation technique. The IRR is a measurement that estimates the profitability of potential or existing investments. As employed in this evaluation, IRR is intended to capture the economic and financial impacts on participating firms benefiting from the PTDZ and ETIF programs.

The cost model used in this report calculates benefits to the State of Maine by assessing direct tax revenues and costs resulting from business participation. The assessed tax benefits include state-level corporate income tax, sales tax revenues, state-level personal income taxes, resident dividends tax, state-level employer payroll taxes, and the cost of program administration. The model also attempts to answer the "but-for" question: How would Maine's tax revenues be affected if the incentive was not offered?[3] The differences between the two scenarios provide the IRR of the investment.

---

[2] FT Locations IncentivesFlow is a database tracking financial incentives awarded to companies for both foreign and domestic investment projects. https://www.ftlocations.com/products-and-services/incentives-flow

[3] "But for" analyses should be interpreted carefully, with the understanding that they rely on businesses' self-assessment of a program's influence or level of attribution. Also, many programs require that the company certify that they would not have

The models for the PTDZ and ETIF programs employ various sources to account for the costs and benefits. Data for the models is derived from annual incentive program reports; Quarterly Census of Employment and Wages (QCEW) data obtained through Maine Department of Labor (DOL) Center for Workforce Research and Information; administrative cost breakdowns compiled by Maine DECD; and publicly available tax and salary information.

Company Interviews

EBP supplemented the quantitative survey and IRR analysis with semi-structured business interviews. We conducted 17 interviews from June 2022-August 2024 with companies that benefited from DECD, Maine Technology Institute (MTI), and Finance Authority of Maine (FAME) programs. Companies were selected to represent a range of industries.

Interviews focused specifically on company successes and challenges, benefits of program participation, experience working with DECD, the Maine business climate, and future plans. Findings from the interviews are included in program evaluation sections for PTDZ, ETIF, Commercial Loan Insurance (CLI), Seed Capital Tax Credit (SCTC), and MTI programs.

EBP conducts interviews to validate or improve our understanding of the way a program works and contextualize program outcomes as observed in quantitative data. Our recommendations rely on program design and data, in addition to interview findings, to support our analysis.

Stakeholder Roundtable Discussions

EBP organized roundtable discussions with three groups of key stakeholders: program administrators, chamber and industry groups, and business participants. These semi-structured listening sessions aimed to collect stakeholder feedback on program design and implementation, as well as foster discussion around challenges and opportunities to attracting, retaining, and expanding businesses in the state of Maine. We incorporated analysis of topics discussed during these sessions into our list of recommendations.

Surveys

EBP conducted a 2022 survey of companies participating in the PTDZ and ETIF programs. The survey consisted of 53 questions gathering information on individual companies' operations and their interactions with and impressions of the Maine DECD incentive programs. Over a two-month period, the survey received 106 unique responses, of which 47% of responses indicated

made the investment in question but for the incentive award, making companies highly reluctant to report otherwise post-facto. Actual program attribution levels are difficult to ascertain because incentives are just one of many factors that impact business decisions.

participation in the PTDZ program, 34% indicated participation in the ETIF program, and the remaining 19% did not explicitly identify programs in which the company participates. The survey represented less than 35% of the 142 companies enrolled in PTDZ, and 27% of the 136 enrolled in ETIF in any given year. Due to its low quality, the information gathered in the survey was replaced by QCEW data in quantitative evaluation of the PTDZ and ETIF programs.

Due to low response rates and low-quality responses to the 2022 survey of PTDZ and ETIF participating businesses, EBP chose to collaborate with MTI to administer a survey and collect data for program evaluation. MTI surveyed recipients of its core awards (loan, grant, and equity awards) in March-April 2024 and received 269 unique responses, a 74% response rate. Results of this survey were used for evaluation of MTI grant, equity, and loan awards in absence of more detailed pre-existing program data.

Review of Annual Reports and Program Transparency

Program transparency is a critical aspect of economic development incentive policy and strategy. Site selectors and businesses looking to expand need to be able to easily identify programs and incentives available to support a new location or expansion. Location decisions are often made by professional site selectors in other states and even other countries, and they often compare offerings for projects across multiple states. If they cannot easily see what Maine has to offer, locations in Maine may not make their short list or may not be considered at all. Other location and expansion decisions are made by companies already operating in Maine. In particular, smaller companies doing their own site selection may have fewer resources to dedicate to extensive site selection research. When Maine makes their business support programs easily identifiable and accessible, it is more difficult for other states to lure these companies away with competing incentives.

Companies should easily be able to identify:

- Program purpose,
- Eligibility requirements, including targeted industries or activities,
- Benefits, including caps,
- Application procedure and deadlines, and
- Penalties for non-compliance.

To evaluate this discoverability aspect of program transparency, the Evaluation Team conducted a web search for each program to determine how easily a program website could be found, including how high up in the search results it appears and the type of keywords needed to find the program (e.g. does the entire program title need to be searched, or could someone find the program using more general terms such as “Maine tax credit small business” or “Maine grant high tech”). The Evaluation Team then scanned each program website for the information above.

Program reporting and transparency also serves and important program evaluation purpose. An important role of this report is to evaluate the extent to which Maine’s economic development incentives and programs are in alignment with the Economic Development Strategy. Transparent reporting for each program should regularly cover:

- Program purpose,
- Resources allocated to the program, and
- Census information about program beneficiaries including number of companies, the industry of each company, type of activity supported (e.g. new location, expansion, job creation); and number jobs supported by the incentive.

The evaluation team obtained annual reports for each for each program that issues such a report. In many cases, these program reports were part of larger agency-wide reports, such as FAME and MTI. The team reviewed each report to identify the items above.

The team applied the following rubric to consistently evaluate these important aspects of transparency. For each program, we identified the following:

1. Availability of Annual Reports
    - Are program annual reports readily found in an expected location such as the program website?
2. Traceability
    - Is there a program website you can find with an internet search?
3. Content
    - Does the website include application process and forms online?
    - Is the program targeted at particular sectors or activities, and if so, are these clearly stated?
    - Are the benefits of the program easily clearly stated and easily determined?
    - Are the eligibility requirements posted online and clear?
    - Are there any caps on benefits?
    - Is enrollment open/rolling or periodic? For programs with specific intake periods, are application periods clearly stated?
4. Non-Compliance
    - Does the program claim to penalize or purge non-compliant award recipients?

Economic Development Strategy Alignment Assessment

A central purpose of this evaluation is to determine the extent to which the State of Maine's portfolio of economic development programs and incentives align with the goals and strategies established by the Maine Economic Development Strategy 2020-2029 (referred to throughout the report as the Economic Development Strategy), summarized in **Error! Reference source not found.**. Individually, each program in this report was evaluated in terms of:

- The contribution it makes to the achievement of goals, measurable objectives and performance targets established by the Economic Development Strategy.
- The role it plays in the State's overall portfolio of economic development investments and incentives in terms of alignment with and support for the Economic Development Strategy, return on investment, and improving the competitiveness - regionally, nationally, and globally - of the State's established emerging technology and industry sectors.
- The sufficiency of program transparency and accountability, effective and efficient coordination among the State's activities and programs, and easy access for interested businesses and other entities.

The team then looked at the full portfolio of programs and incentives to determine the extent to which, as a whole, the portfolio supports the goals and strategies of the Economic Development Strategy and promotes attainment of the performance targets set forth by that strategy.

The Economic Development Strategy established three overarching strategic goals with measurable performance targets. The Strategy also identified seven strategy areas and set forth specific action items for each strategy area. The goals, performance targets and strategy areas are summarized below in Table 3.

Table 3. Maine Economic Development Strategy 2020-2029 Topics

Three Strategic Goals
1. To grow the annual wage by 10% to the benefit of workers at all income levels.
2. To increase the value of what is sold ("value added") per worker by 10%.
3. To attract 75,000 people to Maine's talent pool through increased labor force participation of existing residents and out-of-state workforce attraction.
Seven Strategy Areas
Strategy Area A: Grow local talent
Strategy Area B: Attract new talent
Strategy Area C: Promote innovation
Strategy Area D: Build connections

Strategy Area E: Provide supporting infrastructure

Strategy Area F: Maintain stable and predictable business rules

Strategy Area G: Promote hubs of excellence

The Team developed a framework to document the following aspects of each program:

1. The degree to which the program's stated purpose aligns with the goals of the Strategy;
2. The degree to which program design aligns with Strategy Areas A-G;
3. The degree to which program activities align with Strategy Areas A-G;
4. Whether program reporting allowed for measurement of the program's contribution to the specific performance metrics established by any of the Strategy Goals; and
5. Whether program reporting allowed for assessment of the amount of State resources allocated to a specific Strategy Goal

This framework was designed to enable the Team to identify the relative emphasis of the State's programs, and investments as a whole, on each of the Strategy Areas as well as the portfolio's overall contribution toward the performance targets established by each of the three goals.

Pine Tree Development Zones (PTDZ)

Intent and Objectives

The Maine State Legislature created the PTDZ in 2003, as codified in Maine Revised Statute Title 30-A §5250-J. PTDZ aims to encourage development in economically distressed areas of the state to (1) provide new employment opportunities; (2) improve existing employment opportunities; (3) improve and broaden the tax base; and (4) improve the general economy of the state (PL 2003, c. 688, Pt. D, §2). DECD administers the overall program, while Maine Revenue Services, Public Utilities Commission, and Efficiency Maine Trust administer individual PTDZ benefits.

PTDZ allows DECD to designate certain areas of the state as Development Zones. DECD then certifies businesses located in these zones to receive PTDZ benefits. Eligible businesses fall under two tiers based on their physical locations.

The requirements for designation as a "Tier 1 Location" are defined by Title 30-A, section 5250-J, subsection 3-A. Locations with Tier 1 designation include: 1) Municipalities located in Maine counties other than Cumberland or York County; 2) Municipalities in Cumberland or York County with an unemployment rate at least 15% higher than its labor market unemployment rate; 3) Municipalities granted PTDZ designation prior to January 1, 2009; 4) property within a military redevelopment zone (prior to January 1, 2019); and 5) the Towns of Sanford and Berwick.

Municipalities in Cumberland or York Counties not classified as a Tier 1 location were classified as Tier 2 Locations. Certification of businesses in Tier 2 locations was discontinued as of December 31, 2013.

Tier 1 businesses can receive PTDZ benefits for 10 years, while those in Tier 2 can receive opportunities and benefits for five years. DECD stopped certifying Tier 2 businesses in 2013 and will stop certifying Tier 1 businesses at the end of 2023. All benefits are scheduled to sunset on December 31, 2033—10 years after the last round of Tier 1 certifications (PL 2021, c. 398, Pt. IIII, §1).

Table 4 outlines PTDZ benefits for certified businesses aimed at promoting employment and investment in property.

Table 4. Benefits Available to PTDZ-Certified Businesses

PTDZ Benefit	Description
Expanded ETIF Reimbursement	PTDZ-certified businesses automatically qualify for 80% reimbursement of qualified employee income tax under the ETIF program.
Sales Tax Exemption and Reimbursement	Businesses can apply for 100% personal property exemption and 100% real property reimbursement.
PTDZ-Specific Tax Credits	A tax credit against income, franchise, and insurance premiums taxes equal to 100% of the tax liability attributable to new qualified business activity in the first five years and 50% for the next five years.
Discounted Utility Rates	Companies receive a per-kilowatt-hour credit against their electricity costs that phases out over a four-year period.

To qualify, a business must create at least one new, quality job in certain business sectors listed in the box to the right or move existing jobs in those sectors to Maine within two years of application. Currently, businesses in all of Maine's counties except for Cumberland and York are eligible for PTDZ benefits. Only businesses in select municipalities of Cumberland and York counties are eligible.[4]

To qualify under PTDZ, jobs must pay above the average income in the county where they are located and provide access to a group health care plan and retirement benefits. To count as "new," jobs must raise a business' employment above its "base level," or the total employment during the calendar year before the PTDZ application (PL 2009, c. 461, §26).

PTDZ-Eligible Sectors

- Biotechnology
- Aquaculture and Marine Technology
- Composite Materials Technology
- Environmental Technology
- Advanced Technologies for Forestry and Agriculture
- Manufacturing and Precision Manufacturing
- Information Technology
- Financial Services

Alignment with Economic Development Strategy

PTDZ aligns with "Strategy C: Promote Innovation" of the Maine Economic Development Strategy. Tax, energy, and employment incentives encourage private businesses to invest in the resources and workforce they need to develop new technologies, generate well-paying jobs, and expand the state's tax base. Furthermore, Strategy C's four thematic areas of Food/Marine, Forest Products, Making/Manufacturing, and Technical Services align with PTDZ eligible sectors.

Evaluation Findings

From 2018-2021, the state invested $76,711,085 in PTDZ program reimbursements for 175 companies supporting 30,027 qualified employees and $1.6 billion in qualified investment. Average annual gross earnings for qualified employees were $61,243. Table 5 aggregates data that companies receiving PTDZ benefits self-report to DECD.

Table 5. 2017-2021 PTDZ Annual Report Data

	Qualified Employees	Qualified Gross Earnings ($)	Qualified Investment ($)	Qualified Benefits ($)
2017	7,813	442,948,111	178,688,182	*
2018	8,511	446,949,274	289,225,176	21,330,163

4 Maine Office of Business Development.

2019	6,693	351,579,122	507,228,790	23,601,962
2020	5,645	317,427,972	376,512,658	17,552,576
2021	1,365	280,068,092	251,378,425	14,226,384
Total	30,027	1,838,972,571	1,603,033,231	76,711,085*

Source: DECD
*2017 data not available at time of reporting

EBP's 2023 evaluation of the PTDZ program yielded an improbably high internal rate of return (IRR) of 1923.08%, implying that for every dollar the state of Maine invests in the incentive, it will see $19.23 in additional tax revenue. This imputed IRR was extremely high and likely confounded by incomplete data (i.e. a participating company survey and annual report data). This rate was calculated using a sensitivity rate of 20%, implying that 20% of all recipients would have invested or expanded regardless of the PTDZ incentives.

To improve on the midterm analysis, EBP requested employment and payroll data reported in the US Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) from Maine Department of Labor Center for Workforce Research and Information. Table 6 details the data types and aggregation level EBP requested for the purpose of evaluating the PTDZ and ETIF programs.

Table 6. Data Provided by Maine Depa**r**tent of Labor Center for Workforce Research and Information

Business Group	Aggregation	Data Description
PTDZ Participating Businesses	Firm level	2017-2021 average annual employment, average annual wage, total wages paid
ETIF Participating Businesses	Firm level	2017-2021 average annual employment, average annual wage, total wages paid
Non-participating Businesses	Six-digit North American Industry Classification System (NAICS) code	2017-2021 average annual employment, average annual wage, total wages paid

Maine DOL provided data for non-participating firms belonging to the same industry groups represented in participating firm data sets, categorized by six-digit NAICS code.

From this data, EBP calculated the industry percent change in employment from year to year and the percent change in employment for participating firms. Comparing these two numbers yields the job growth for participating firms that is over and above job growth in the industry (see Figure 1). This indicates the effect that the program had on job creation. Table 7 shows these numbers for firms participating in the PTDZ program only as well as firms that participate in both PTDZ and ETIF. Since many firms participate in both PTDZ and ETIF, it is challenging to truly separate the impacts of each program.

Figure 1. Quasi-Experimental Evaluation Design

PTDZ participants only sometimes experienced greater year-over-year job growth than non-participants. Firms participating in PTDZ only experienced greater job growth than non-participating firms from 2017-2018 as well as 2018-2019 but did not experience greater job growth from 2019-2020 and 2020-2021. Firms participating in both PTDZ and ETIF experienced greater job growth in the first three years of the study, but not in the last year. It is worth noting that 2020-2021 was a time of COVID-19 pandemic and recovery, which may have altered how firms were or were not able to expand.

Table 7. PTDZ Change in Employment

Program	Year	Program Percent Change in Employment	Industry Percent Change in Employment	Program Over Industry
PTDZ Only	2017-2018	4.3%	-1.2%	5.5%
PTDZ Only	2018-2019	3.5%	1.8%	1.7%
PTDZ Only	2019-2020	-5.7%	-5.0%	-0.7%
PTDZ Only	2020-2021	2.7%	8.5%	-5.8%
Both PTDZ and ETIF	2017-2018	5.6%	2.8%	2.8%
Both PTDZ and ETIF	2018-2019	1.3%	0.1%	1.2%
Both PTDZ and ETIF	2019-2020	1.9%	-1.3%	3.2%
Both PTDZ and ETIF	2020-2021	1.6%	9.9%	-8.3%

To elaborate on the analysis presented in Table 7, EBP used program data and data from Maine DOL to do a Return on Investment Analysis of the PTDZ program. For this analysis, we used firms that participate in both PTDZ and ETIF programs, because most firms participate in both programs. Some notable data inputs were not available, such as total sales revenue. We replaced this with total payroll as a proxy for sales revenue.

Key to understanding the direct benefits of the PTDZ program based on the Return on Investment Analysis is the sensitivity rate. This is the percent of firms that would have expanded in Maine regardless of the incentive. Firms must sign “But For” letters stating that they would otherwise not have otherwise expanded in Maine; however, it is unrealistic to assume that no firms would have chosen to expand in Maine without the incentive.

PTDZ has a net economic benefit only if at least 77% of participants would not have expanded in Maine but for the PTDZ incentive. Table 8 provides the Direct Benefits of the PTDZ and ETIF programs assuming various sensitivity rates. If no firms would have expanded in Maine regardless of the incentive (a sensitivity rate of 0%), then the program has very high direct benefits: 464%. If 20% of firms would have located in Maine without the incentive, then the program has a 9% direct benefit. The “break-even” point is 23%: if 23% of firms would have expanded in Maine without any incentive, then the program has no direct benefit (or loss). If any more than 23% of firms would have expanded in Maine without an incentive, then the program is losing money, i.e., the tax breaks cost more than the benefits of additional employment in the state.

Table 8. Direct Benefits of Incentive Program

Sensitivity Rate Percent of Companies that would have expanded in Maine regardless of incentive	Result Direct Benefits of Incentive Program
0%	464%
5%	158%
10%	72%
15%	32%
20%	9%
21%	6%
22%	3%
23%	0%
24%	-2%
25%	-5%
30%	-14%
35%	-21%
40%	-25%

Interview Summary

EBP conducted business interviews in June 2022 with companies that benefited from PTDZ. Interviewed companies came from a range of industries. The semi-structured conversations focused specifically on company successes and challenges, benefits of program participation, experience working with DECD, the Maine business climate, and future plans.

Interviews with PTDZ recipients yielded the following findings:

- Two companies reported PTDZ was a primary factor in deciding to locate in Maine.
- Interviewees generally expressed that PTDZ has helped them sustain business in difficult times and avoid closure. Likewise, PTDZ has helped companies invest in expansion efforts they may not have pursued otherwise.
- Companies reported that PTDZ offsets some energy and materials costs of operating in Maine, helping them stay competitive in capital-intensive industries. However, many other states still have cost advantages.
- Several interviewees noted they do not consider PTDZ in their companies' decision-making processes. The value of tax incentives becomes part of their respective bottom lines.
- One company expressed concern over cybersecurity risks and sharing confidential R&D information that DECD required on the program application.
- An interviewee noted the structure of the program i.e., uncertainty about what incentives will be available in the future and in which counties, makes it difficult to incorporate into long-term planning.

Employment Tax Increment Financing (ETIF)

Intent and Objectives

The Maine State Legislature established the ETIF benefit in 2003, as codified in the Maine Revised Statute Title 36 §6751- §6761. ETIF's legislative intent is to incentivize businesses to create new employment opportunities and improve and broaden the state tax base (PL 1995, c. 669, §5). As mentioned previously, businesses can automatically participate in ETIF if they all meet PTDZ's requirements. DECD administers both programs with assistance from Maine Revenue Services.

ETIF aims to incentivize businesses in Maine to hire net new employees by refunding 30-80% of state income tax withholding the business pays for up to ten years. Eligible recipients of ETIF must (1) hire at least five new full-time employees over a two-year period; and (2) must be non-retail, non-public utility, for-profit businesses (PL 1995, c. 669, §5).

Qualifying jobs include those that pay above the average income in the county where they are located and provide access to both a group health care plan and retirement benefits (PL 2015, c. 368, §5). The statute includes special "qualified employee" provisions for call center jobs in Aroostook County and Washington County. DECD also requires that businesses submit a "but for" letter affirming they would not have created the qualified jobs without the ETIF benefit.

ETIF reimbursement payments equal 30-80% of qualifying employees' "benefit base" during years 1-5 that a business participates in the program. The statute defines "benefit base" as total gross wages paid to qualified employees during a calendar year, multiplied by 4.5% (PL 2021, c. 602, §1). This is a recent change that was not in effect during the time period covered for this evaluation.

Businesses are eligible for varying levels of reimbursement depending on the unemployment rate at the time of the ETIF application in the labor market area to which qualifying jobs belong (PL 2021, c. 602, §5). DECD reevaluates the reimbursement rate in years 6-10 based on unemployment rates at the beginning of the 6th year. Businesses that receive ETIF through PTDZ are eligible for even higher income tax reimbursement for ten years.

Table 9 details the qualifying criteria for various levels of ETIF benefits. The intent of this reimbursement structure is to incentivize job creation in labor market areas with high unemployment.

Table 9. Eligibility Criteria for ETIF Benefits

Criteria	Income Tax Reimbursement Rate
Labor Market Unemployment ≤ State Unemployment	30%
Labor Market Unemployment ≥ State Unemployment	50%
Labor Market Unemployment > 150% of State Unemployment	75%
Qualified Pine Tree Development Zone Employees (Title 30-A, Section 5250-I, Sub-Section 18)	80%

Alignment with Economic Development Strategy

ETIF aligns with Maine's goal to add 75,000 people to the state workforce by 2030, aiming to attract new talent by adding quality jobs. The requirement that companies pay new employees above the county average income aligns with Maine's goal to grow the average annual wage by more than 10%. While ETIF supports the State's overall workforce and wage growth goals, the program does not align with a specific strategy under the Economic Development Strategy.

Evaluation Findings

From 2017-2021, the state invested $55,245,721 in ETIF program reimbursements for 180 companies supporting 41,792 qualified employees under the program. Average annual gross earnings for qualified employees were $53,737. Table 10 aggregates data that companies receiving ETIF benefits self-report to DECD.

Table 10. 2017-2021 ETIF Benefits

	Qualified Employees	Qualified Gross Earnings ($)	Qualified Benefits ($)
2017	8547	470,917,895	12,490,874
2018	8529	469,815,172	11,193,193
2019	8420	456,647,074	11,565,568
2020	8148	424,211,134	9,982,502
2021	8148	424,211,134	10,013,585
Total	41,792	2,245,802,408	55,245,722

Source: DECD

EBP's 2023 evaluation of the ETIF program yielded an improbably high IRR of 950.07%, implying that for every dollar the state of Maine invests in the incentive, it will see $9.50 in additional tax revenue. This rate is improbably high and should be considered a signal of the quality and completeness of the input data. The IRR was calculated using a sensitivity rate of

20%, implying that 20% of all recipients would have invested or expanded regardless of the ETIF incentives.

To improve on the midterm analysis, EBP requested employment and payroll data reported in the US Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) from Maine Department of Labor Center for Workforce Research and Information. Table 6 details the data types and aggregation level EBP requested for the purpose of evaluating the PTDZ and ETIF programs.

Table 11 shows the percentage change in employment for firms participating in the ETIF program only as well as firms that participate in both PTDZ and ETIF. Because many firms participate in both PTDZ and ETIF, it is challenging to truly separate the impacts of each program.

Firms participating only in the ETIF program experienced greater job growth than non-participating firms for each year of analysis. Firms participating in both PTDZ and ETIF experienced greater job growth in the first three years of the study, but not in the last year. It is worth noting that 2020-2021 was a time of COVID-19 pandemic and recovery, which may have altered how firms were or were not able to expand.

Table 11. ETIF Change in Employment

Program	Year	Program Percent Change in Employment	Industry Percent Change in Employment	Program over Industry
ETIF only	2017-2018	20.4	10.0	10.4
ETIF Only	2018-2019	11.8	1.6	10.2
ETIF Only	2019-2020	9.5	-0.4	9.9
ETIF Only	2020-2021	4.0	3.1	0.9
Both PTDZ and ETIF	2017-2018	5.6	2.8	2.8
Both PTDZ and ETIF	2018-2019	1.3	0.1	1.2
Both PTDZ and ETIF	2019-2020	1.9	-1.3	3.2
Both PTDZ and ETIF	2020-2021	1.6	9.9	-8.3

To elaborate on the analysis presented in Table 7, EBP used program and Maine DOL to do a Return on Investment Analysis of the PTDZ program. For this analysis, we used firms that participate in both PTDZ and ETIF programs, since most firms participate in both. Some notable data pieces were not available, such as total sales revenue. We replaced this with total payroll as a proxy for sales revenue.

Key to understanding the direct benefits of the ETIF program based on the Return on Investment Analysis is the sensitivity rate. This is the percent of firms that would have located in Maine regardless of the incentive. Firms must sign "But For" letters stating that they would otherwise not have located in Maine; however, it is unrealistic to assume that no firms would have chosen to locate in Maine without the incentive.

> Sensitivity Rate:
> The percentage of firms that would have located in Maine regardless of the incentive program.

Table 8 provides the Direct Benefits of the PTDZ and ETIF programs assuming various sensitivity rates. If no firms would have located in Maine regardless of the incentive (a sensitivity rate of 0%), then the program has very high direct benefits: 464%. If 20% of firms would have located in Maine without the incentive, then the program has a 9% direct benefit. The "break-even" point is 23%: if 23% of firms would have located in Maine without any incentive, then the program has no direct benefit (or loss). If any more than 23% of firms would have located in Maine without an incentive, then the program is losing money, i.e., the tax breaks cost more than the benefits of additional employment in the state.

Interview Summary

EBP also conducted business interviews with companies that benefited from ETIF. Interviewed companies came from a range of industries, and the conversations focused on the following topics: company successes and challenges, benefits of program participation, experience working with DECD, the Maine business climate, and future plans.

Interviews with ETIF recipients yielded the following findings:

- Labor-intensive sectors such as software development benefit the most from ETIF, one such employer located in Maine specifically to receive this and PTDZ benefit.
- Companies stated that hiring in Maine can be difficult even with generous salary and benefits packages, ETIF does not solve labor and housing availability challenges.
- Most businesses find ETIF application and reporting manageable and had positive experiences working with state employees to comply with requirements in recent years.
- Several companies noted DECD stepped in to help them navigate bureaucratic barriers to accessing ETIF benefits.

Maine Technology Institute (MTI) Equity, Grant, and Loan Awards

Intent and Objectives

The Maine Technology Institute (MTI), established by the Maine Legislature in 1999 and codified in Title 5, §15301, is a nonprofit organization committed to fostering innovation and economic development within Maine's technology-intensive industries. Operating as a public-private partnership, MTI aims to enhance the competitiveness of key industrial sectors, promote the commercialization of innovative products and services, and create quality jobs for Maine residents. The Institute plays a central role in the Economic Development Strategy by providing critical infrastructure to support long-term growth in research, development, and product deployment.

MTI focuses on fostering industry clusters and building capacity within seven targeted technology sectors:

- Biotechnology,
- Composites & advanced materials,
- Environmental technologies, forest products and agriculture,
- Information technology,
- Marine technology and aquaculture, and
- Precision manufacturing.

The Institute is governed by a board consisting of 13 voting members and 2 non-voting members, including representatives from these technology sectors, academia, and state leadership. Eight voting members are drawn from the technology sectors, with additional directors appointed for expertise in finance, lending, or venture capital. The board is supported by the Maine Technology Institute Director, who manages the Institute's programs and services while serving as the liaison to sector-specific boards.

MTI offers a range of programs designed to assist businesses, non-profit organizations, academic institutions, and entrepreneurs in Maine. Through grants, loans, and consulting services, the Institute supports innovation and business development tailored to the specific needs of the state's industries. Its core programs, which include TechStart Grants, Seed Grants, Development Loans, and Business Accelerator Grants, provide funding to businesses at various stages of growth. MTI also offers the Equity Capital Fund to bridge financing gaps, as well as SBIR Awards to assist with Small Business Innovation Research proposals.

Alignment with Economic Development Strategy

MTI's seven designated target sectors are well-aligned with the Economic Development Strategy's priorities under Strategy C "Promote Innovation." MTI most directly supports Action C1: Increase R&D investment levels in Maine. Moreover, MTI's target sectors sit at the intersection of Maine's four thematic areas—technical services, manufacturing, and food systems and marine resources

At the same time, because technology-based innovation comes in diverse forms, MTI has complementary impacts on various sectors including education, childcare, hospitality, healthcare, and professional, technical, and scientific services.

Evaluation Findings

This evaluation relies on quantitative analysis of a non-random sample of MTI's voluntary Annual Impact Survey (AIS) and Economic Impact Survey (EIS), both of which were administered in March and April 2024. This evaluation is also informed by qualitative interviews with six participating organizations conducted in August 2024.

While this comprehensive evaluation of Maine's economic development portfolio covers 2017–2021, the analysis of MTI programs spans 2019–2023 due to MTI survey methods. Many surveyed organizations responding in 2024 were not active during the 2017–2021 period. Some revenue-related survey items can be tied to specific years, but all other survey items are not specific to a particular year. Due to these limitations, this analysis offers a broader assessment of MTI's impact from 2019 to 2023.

Survey Limitations for Program Evaluation

Due to low response rates and low-quality responses to EBP's 2022 survey of PTDZ and ETIF participating businesses, we chose to collaborate with MTI to administer a survey and collect data for program evaluation. MTI surveyed recipients of its core awards (loan, grant, and equity awards) in March-April 2024 and received a 74% response rate. This response rate was achieved through addition of the following language to the survey, as well as repeated follow-up by MTI:

> The agreement you signed when your award was made indicated that you would assist with our reporting requirements. This is a fairly short survey, and we would greatly appreciate your cooperation in completing the questions. Thank you.

It is worth noting that the survey data solicited was not contained in regular program reports. Due to the time delay in gathering the data, it was not possible to adequately assess the implementation of specific MTI programs in specific years.

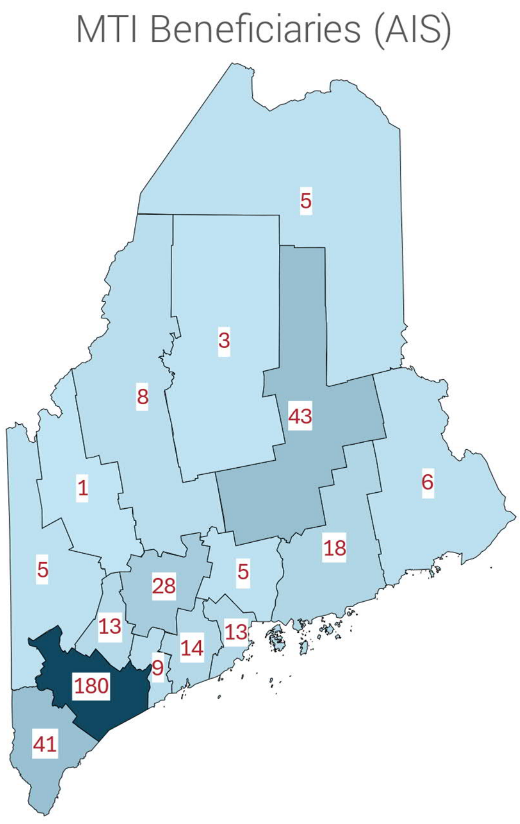
Given these limitations, EBP considers surveys a second-choice method for gathering program data for evaluation. Ideally, survey responses supplement existing, complete program data gathered annually, and offer additional insight into participants perceptions, expectations, challenges, and satisfaction levels.

While survey respondents are not statistically representative of MTI's beneficiaries, they reflect MTI programs' diverse impacts on businesses in terms of sector, size, and geography. The AIS included survey items related to administrative information, such as organization, award type and amount, and project duration. Representing projects across all Maine counties (Figure 2), nearly all the AIS's 411 respondents began MTI projects between 2019 and 2023. At the time of the survey, 85% of respondents had already completed their project, as nearly three-quarters of awards started and terminated within a year. These respondents together represent $23 million of MTI awards. By contrast, in the same period, MTI had approved $35.9 million for projects[5].

[5] MTI Annual Reports FY2019-2023

Most (81%) EIS respondents had received an MTI grant while a smaller portion of respondents had received MERC grants (21%), SBIR consulting services (16%), a Business Innovation Program loan (9.7%), and MTI equity investments (6.7%). Because responses are not tied to a specific award or program, the survey does not allow for evaluation of specific MTI programs. It does, however, enable an analysis of MTI programming's collective impact on the innovation economy.

Figure 2. MTI Beneficiaries by County



EIS likely underestimates MTI's impacts due to survey methods and limited response rates. Currently the most robust economic impact analysis tool, EIS includes questions related to beneficiaries' revenue, employment and benefits, impact on operations, and overall experience with MTI. Survey item phrasing, however, precludes statistical analysis of program's impacts on firm revenue and long-term impact. For example, questions relating to net revenue ask whether net revenue was positive or negative instead for a number.

EIS may also not be statistically representative of MTI beneficiaries, as respondents represent a nonrandom subset of MTI beneficiaries (n=311), only 267 of whom completed the survey. Because of limited response and completion rates, EIS responses do not fully gauge MTI programs' impact in Maine.

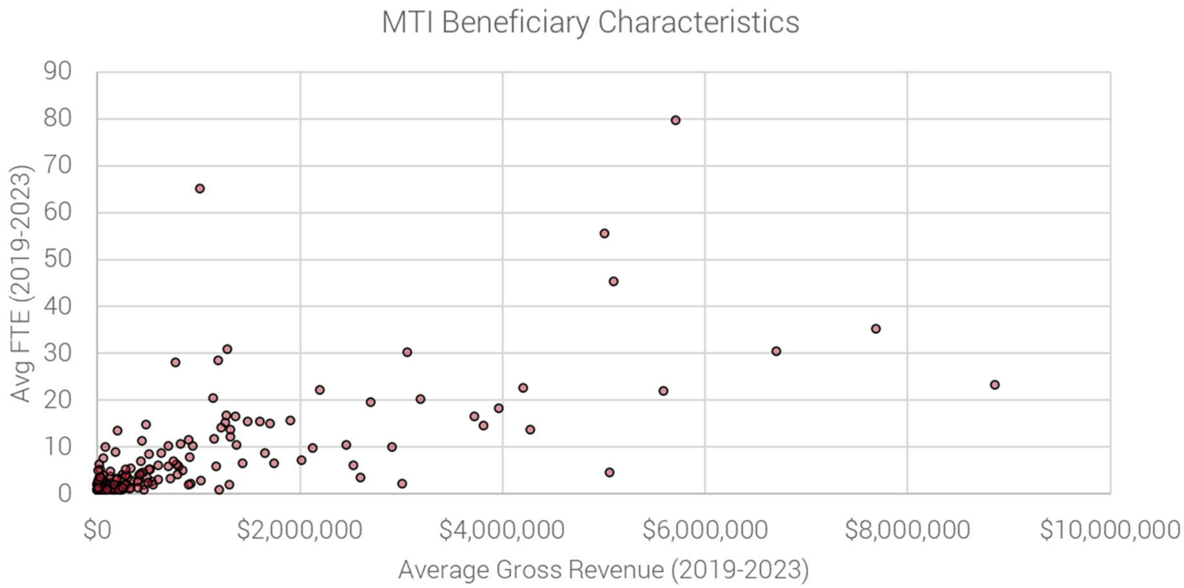
EIS results may also underestimate MTI's impact because many respondents had only recently received MTI awards within just a couple years of receiving the funding or support. Fewer than half (39%) of respondents reported gross revenue across all years from 2019 to 2023. Several respondents indicated that they had not even yet received their MTI award. The survey's deployment may limit respondents' abilities to fully speak to the impact of MTI awards, especially for start-ups still in early stages of development. Impacts on revenue and job creation and retention may take years to come to fruition.

Finally, because there is no control group with which to compare MTI beneficiaries, it is not possible to isolate MTI's unique impacts. This is especially true as more than half of surveyed awardees reported that they receive non-MTI financing. For this reason, this analysis relies on qualitative interviews and open-ended survey responses to assess MTI's unique contribution vis-à-vis alternative sources of funding and support for startups.

Firm Revenue and Employment

MTI awards have chiefly benefited low- or pre-revenue firms with few employees, which reflects MTI's focus on supporting startups. EIS respondents' median gross revenue fluctuated between $311,000 and $457,000 between 2019 and 2023. In FY2023, the median respondent with active operations reported having 3 full-time employees. Of the 189 EIS respondents that reported gross revenue, a majority (57%) had 10 or fewer FTE and $500,000 or less in gross revenue. These respondent characteristics reflect MTI's emphasis on supporting startups as they develop new products, scale operations, and secure other funding during critical stages of development. Figure 3 charts participating firms' reported gross revenues and FTE.

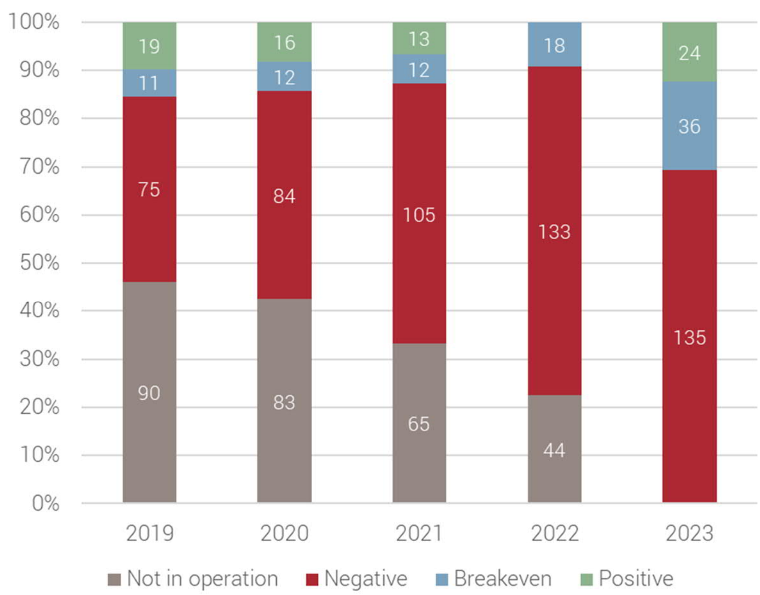
Figure 3. MTI Beneficiary Characteristics



Source: EBP Analysis of MTI's Economic Impact Survey. Omits ten outliers.

MTI beneficiaries' revenue trends reflect typical growth challenges of early-stage startups, as most awarded firms experienced negative net revenue between 2019 and 2023, with minimal year-to-year change in the study period. At the time of EIS's deployment, around three-quarters of EIS respondents reported negative net revenue for the years between 2019 and 2023.[6] In 2022, no respondents reported positive net revenue, while a high of 87% reported negative net revenue. These results largely reflect the fact that many beneficiaries are pre-revenue startups or face high startup costs (particularly prevalent in manufacturing and technology-based firms).

Figure 4. MTI Beneficiary Net Revenue Trends



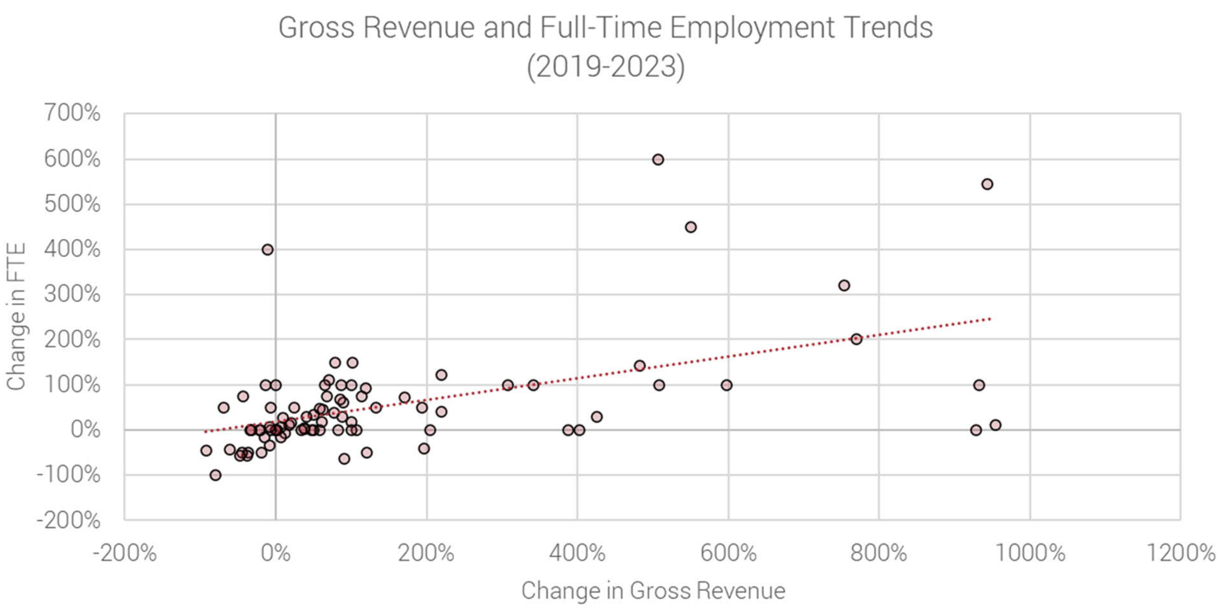
Nearly all (85%) awardees' net revenue responses remained the same from year to year, meaning that there was very little movement between negative and positive net revenue. This may be an indication that respondents remain in pre-revenue stages or have yet to scale operations. Moreover, a large portion of respondents were yet not in operation before 2023, meaning that many respondents had not yet been in operation for the EIS timeframe of analysis. The share of respondents not in operation went from nearly half (46%) in 2019 to less than a quarter (23%). By 2023, all surveyed beneficiaries were in operation, and 69% reported net negative revenue.

Most (70%) beneficiaries consistently reported year-to-year negative net revenue, but due to survey methods, it is unclear by how much net revenue had grown or shrunk. Change from negative to positive net revenue (and vice versa) was very rare among surveyed beneficiaries, with 5% of year-to-year changes being negative to positive net revenue and 6% being positive to negative net revenue. Another 10% of respondents reported that they remained at a net breakeven from year to year. These trends largely reflect how MTI beneficiaries are often in a growth phase during which fixed and variable costs remain higher than gross revenue.

[6] 100 borrowers reported revenue and FTE data for all five years.

Most MTI beneficiaries saw notable increases in gross revenue and full-time employment, although these increases have not (yet) translated into increases in net revenue. Of the respondents that reported employment and gross revenue across all years of operation, the median beneficiary reported an 81% increase in gross revenue. Over three-quarters (76%) experienced growth in gross revenue, 44% saw their gross revenues more than double, and an even smaller portion (13%) experienced more than 1000% increase in gross revenue. At the same time, however, 22% reported modest declines in gross revenue.

Figure 5. Change in Gross Revenue and Full-Time Employment



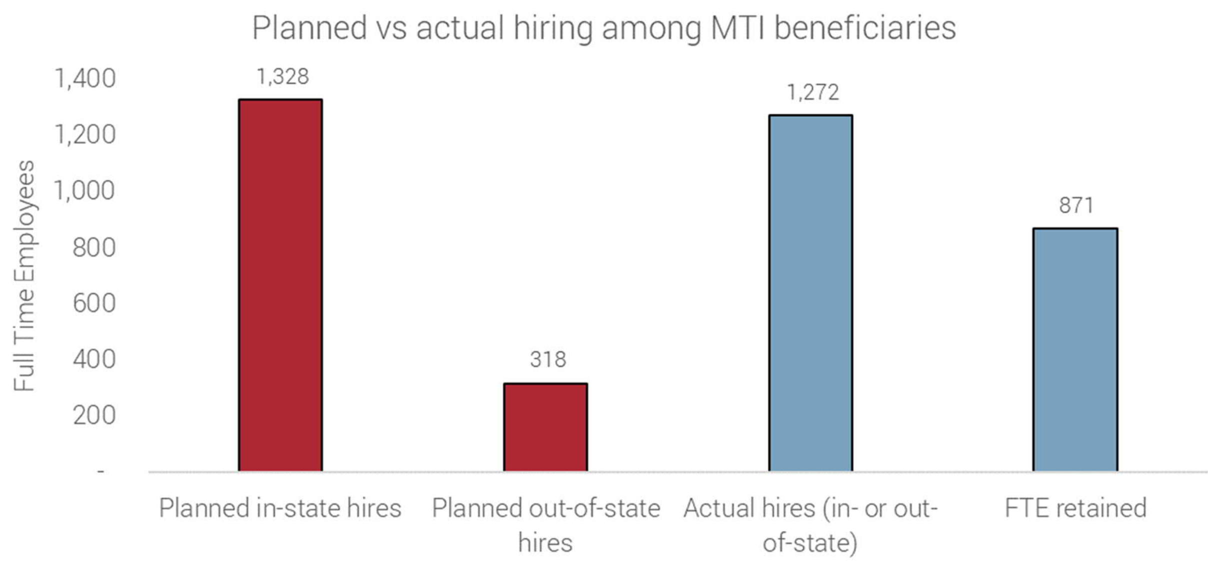
Source: EBP Analysis of Economic Impact Survey. Omits 13 outliers whose change in gross revenue exceed 1000%.

MTI beneficiaries directly linked MTI funding with their ability to retain and hire full-time employees. In 2023, surveyed MTI beneficiaries together employed 6,563 full-time employees, having added 2,225 new hires since 2019. In another survey item related to new hires since their receipt of an MTI award, however, respondents indicated that this number was slightly higher, at 2,544. Also note that this estimate may represent a lower bound as not all beneficiaries responded to the survey. 61% reporting an increase in FTE, 23% reporting no change, and 16% reporting a decrease from 2019 (or their first year of operation) through 2023. The median respondent reported a 29% increase in FTE.

In surveys and interviews, respondents frequently linked MTI's support with new full-time positions and retain existing employees. In an open-ended survey question about MTI's impact on their organization, 16% of respondents described how the funding either facilitated immediate job creation or long-term hiring. For example, one firm in agribusiness indicated that they plan to hire over 200 full-time employees in the next five years, "none of [which] would even be on the table if not for MTI." Due to limitations in EIS methods, however, it is unclear how many of respondents' reported hires were of Maine-based workers.

MTI beneficiaries reported that they hired nearly all the workers they intended to hire. From 2019 to 2023, surveyed MTI beneficiaries created 95% of the in-state jobs they set out to create in their MTI funding applications. Most of these hires (80.7%) were planned to be in-state.

Figure 6. Planned versus actual hiring among MTI program participants



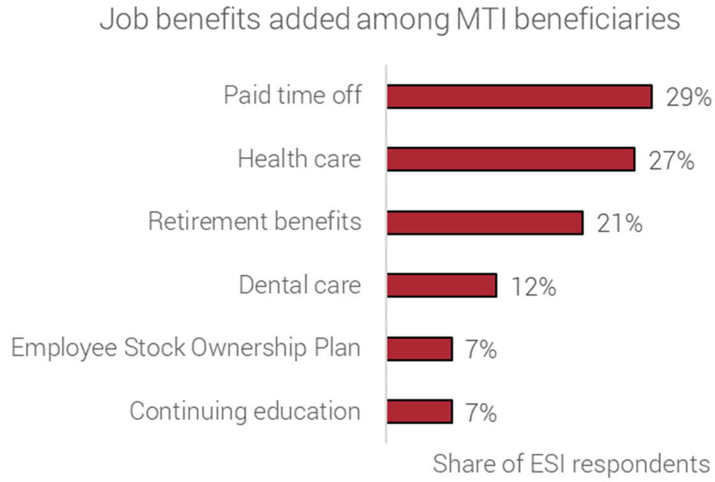
MTI funding enabled employers to offer more robust benefits and therefore improve talent attraction and retention. Nearly half (43%) of surveyed awardees reported that they had added an employee benefit of any kind in the "last several years." Respondents indicated that they improved:

- Paid time off (PTO) (29%);
- Health care, either through better coverage or a larger subsidy (27%);
- Retirement savings plan for employee contribution (21%);
- Dental care, either through better coverage or a larger subsidy (12%);
- Employee Stock Ownership Program (ESOP) (7%); and
- Continuing education allowances (7%).

Another 9.3% of respondents indicated they added "other" benefits, including hybrid flexibility, company discounts, paid parking, vision care, fitness and wellness resources and stipends, career development resources, Wi-Fi and home office stipends, profit sharing, 529 college savings contributions, and disability insurance.

Interviewees directly linked these increases in benefits to MTI funding. For example, one agribusiness beneficiary observed that MTI enabled employee benefits in a sector known for few benefits. They were able to extend various new benefits including health, dental, vision, and a 401k. The funding also supported the creation of a "talent pipeline" for new immigrants and low-income workers in Maine.

Figure 7. Job benefits offered by MTI program participants



Increased benefits have helped improve talent retention and attraction, according to most interviewees. For example, one firm in the educational services sector said that their award helped them address their "core obstacle related to labor." They deployed MTI money to help hire 15 new full-time employees with a robust benefits package. This helped their firm "level the playing field" by offering "really competitive wages in a rural area."

Supporting the Innovation Economy

> "With the low appetite for funding pre-revenue hardware and robotics companies in Maine, MTI was a lifeline." – MTI beneficiary

MTI addresses key barriers to funding in the innovation economy. With most (52%) EIS respondents reporting credit and funding as a primary obstacle for their firm, many survey respondents and all interview respondents said that their second-best funding option would have likely involved a conventional loan or a federal or state grant program. This option, however, is not always feasible due limited interest and higher interest rates. This finding aligns with Investment Consulting Associates' (ICA) findings in 2016 that interviewed companies reported that the programs enabled "them to grow faster than they otherwise would have."

In comparison with traditional financial institutions, MTI uniquely enables pre-revenue companies to freely innovate, withstand volatility, and overcome high barriers to market entry. Traditional funding from private banks and investors can be "more onerous," as one participant described: "We couldn't have gotten a traditional loan at the banks… [because] they don't quite understand the project." Another tech-based startup executive remarked that their company "we get written off by potential [out-of-state] investor angels… [who don't] typically fund" Maine-based projects. One marine industry innovator similar noted that traditional investment “would’ve put a lot of stress on our business and potentially we would not have gotten [the project] done if organizations like MTI did not exist in Maine.”

MTI funding also helps innovators navigate emerging markets. One interviewee described how MTI funding enabled their firm to modernize processes after a key supplier shut operations: “we would have been in major dire straits without MTI.”

“Beyond MTI and DECD there really isn’t a lot of options.” – MTI beneficiary

More than 1 in 10 surveyed MTI respondents reported without prompt that their business or project would not exist without MTI.

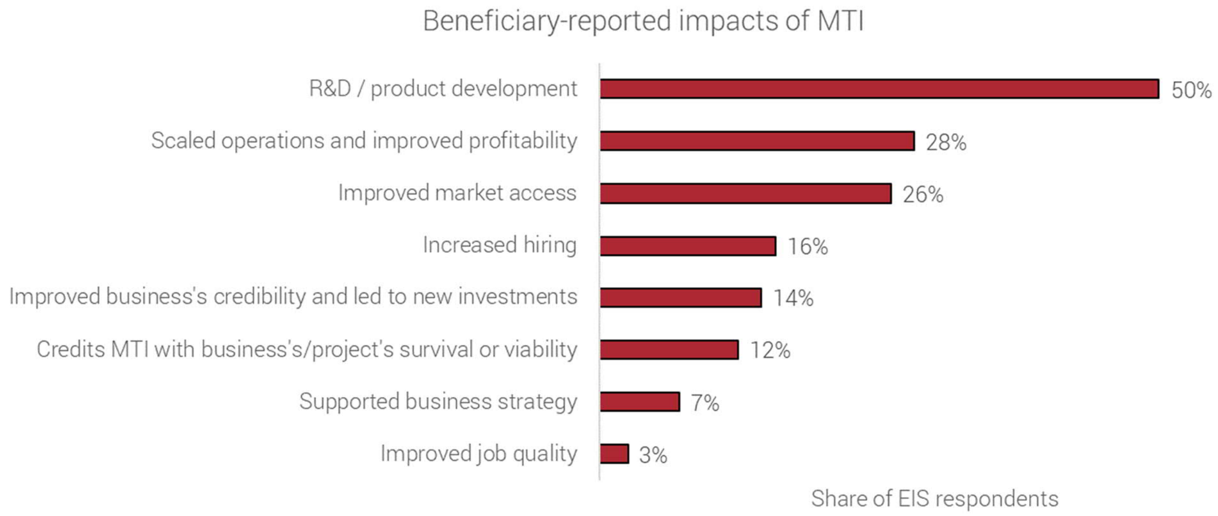
Nearly all EIS respondents reported project success and cited MTI as a significant contributor. Only 5% of respondents indicated that their project failed due to limited market or investor interest, feasibility, lack of skilled labor, or lack of public regulatory approval. That said, it is possible that EIS response rates skew toward successful projects, meaning that less successful firms are simply less represented in the survey results.

In alignment with MTI’s programmatic goals, most awardees described their deployment of MTI funding to support R&D and product development. Half (50%) of EIS respondents described how MTI funding directly supported their firm’s R&D activities. Interviewees described how MTI funding gave room for experimentation and failure – the hallmark of innovation: “MTI is one of the primary funders for innovation if you want to try something new [where] failure must be an option.” Another participant similar observed that “MTI has been the crucial lifeblood that has made it possible to develop our prototype and survive these pre-revenue months (almost a year).” Another survey respondent wrote that “the MTI award significantly impacted our business by providing essential funding, allowing us to focus on research, development, and refining our product without immediate market pressure.” This common theme points to MTI’s success in support innovation with few strings attached.

Only a small handful of respondents described that innovation did not yield expected results, but this outcome is necessary for innovators to pivot to new, successful ideas. For example, one innovator described how “MTI gave my business the chance to test [virtual reality] field trips in education. Although the overall concept became unfeasible, MTI's help allowed us to test the market.” Only two other survey respondents indicated that their projects ultimately did not have enough market interest.

MTI has further downstream effects by helping innovators gain credibility and secure investment. With financial and strategic support, 14% of surveyed participants described how MTI awards helped them gain credibility and other investment. In other words, MTI’s impact extends downstream. One survey respondent noted that “MTI's support of our business has had far greater impact than the dollars alone. MTI's support enhanced our ability to gain additional investment." Another participant remarked that "MTI's financial support has been a key catalyst in acquiring funding, both through its own participation and driving confidence and momentum for others contemplating capital investment. We would not be where we are today without MTI."

Figure 8. Impacts of MTI funding on participating businesses



EIS respondents almost unanimously reported positive interactions with MTI. Nearly all (92%) EIS respondents described the MTI funding process as "straightforward," 98% described MTI personnel as "responsive," and 92% gave their MTI officer the highest possible rating (three out of three). Although some survey interviewees said they hope to see an improved application and website process, most interviewees described the MTI award process as "streamlined" and "not overly onerous." Only 2 of the 267 respondents described negative interactions with MTI, citing a lack of clarity and communication around the award process.

MTI beneficiaries indicated that funding did not reach a critical level to make a meaningful-enough difference. For example, one awardee reflected that "the MTI award allowed the company to further develop the prototype, though perhaps not as much as I would have liked. If the award had been $100,000 instead of $25,000, I believe it would have enabled the company to crowd in equity investment." Another awardee similarly observed that, with 20% of the amount requested, their firm was able to address its "most urgent needs in raw material supply and manufacturing" but were "not able to hire the personnel necessary to fully achieve its production and marketing/sales goals."

These comments suggest that there may be critical funding thresholds for different types of innovation projects—whether for prototyping, scaling manufacturing, expanding a team, or other key milestones. By analyzing the funding levels that seem to unlock meaningful progress, MTI could ensure its awards are large enough to catalyze tangible impact.

Loring Job Tax Increment Financing

Intent and Objectives

The Maine State Legislature created the Loring Job Increment Financing Fund in 1995, as codified in Maine Revised Statute Title 5 §13080-O.

The 14,300-acre Loring Air Force Base in Limestone, Maine, was recommended for closure by the 1991 Base Realignment and Closure Commission and officially decommissioned in 1994. In 1993, the State Legislature established the Loring Development Authority (LDA) under Public Law 474. LDA is a public municipal corporation charged with acquiring former base properties, redeveloping them for commercial and industrial use, property management, and municipal functions. Under Maine Revised Statute Title 36, §651, public property owned by a public municipal corporation is exempt from taxation.

Between 1997 and 2004, the LDA received 3,700 acres, including a 1,600-acre aviation complex, from the U.S. Air Force, and subsequently developed the property into what is now the Loring Commerce Centre. Until 2004, the Federal Government provided the LDA with an annual allocation of approximately $2.7 million to support municipal and property maintenance and management functions.

In 1996, prior to the land transfer, the State Legislature created the Loring Job Increment Financing Fund (LJIFF) as a supplemental revenue source to support municipal services. The LJIFF receives 50% of the state income tax withholding revenues for each net new job (“increment”) created on the site of the former Loring Airforce Base. The statute stipulates that funds are to be used “solely to fund the costs of municipal services, including, but not limited to, water, sewer, fire protection, police protection, sanitation services and the maintenance of grounds and roads.” Under MRS Title 5 Section 13080-Q, the fund ceases to receive payments beginning July 1, 2026. A bill introduced to the 131st Maine Legislature (first special session 2023), LD 1981 would extend the LJIFF through the 2046 fiscal year, however it has not yet been enacted.

LDA manages the Loring Commerce Centre and performs the following municipal functions: Operates a water treatment plant, water distribution system, and a wastewater collection system; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and coordinates with the Town of Limestone to secure fire, ambulance, and law enforcement services and wastewater treatment. The LJIFF supports these activities which would be funded through property tax revenues if the site were privately owned.

The LDA also performs business recruitment and expansion outreach and identifies opportunities to further redevelop the site for employment and economic activity. In 2023, LDA sold 390 acres, including some existing buildings, to Green 4 Maine. The leases associated with those buildings transferred to Green 4 Maine, as did the responsibility for operational costs and maintenance. Now under private ownership, these properties subject to property taxes as assessed and levied by the Town of Limestone.

Green 4 Maine intends to establish operations on a portion of the property and implement an active business attraction marketing campaign to attract additional tenants to the Commerce Centre. The LDA's 2023 annual report states, "Ideally, FM4 would over time become the master developer of the Loring properties with LDA providing public infrastructure support." The property purchased by Green 4 Maine establishes a potential future tax base for the Town of Limestone that could support future municipal services at the Commerce Centre.

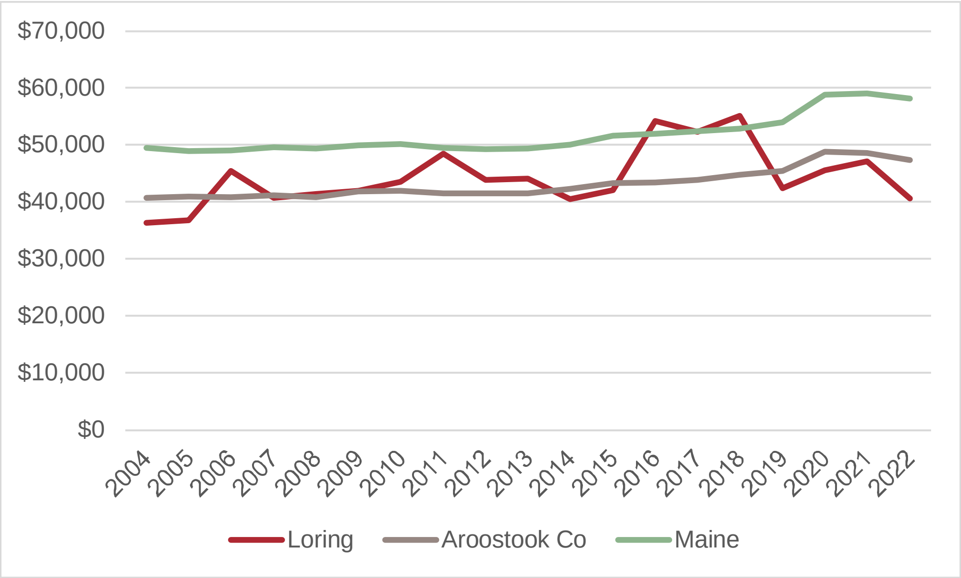
Alignment with Economic Development Strategy

The design of the LJIFF is consistent with Maine's Economic Development Strategy goal of increasing wages. The LDA can increase the amount of LJIFF available to support operations through job attraction, increased wages—or bot—which incentivizes the agency to attract higher wage jobs to the state. Though the average wage per job at the Commerce Centre has increased in real terms since the Centre and LJIFF were established, wage growth has fluctuated significantly in recent years.

Figure 9 presents a comparison of average wages at the Loring Commerce Centre compared with Aroostook County and the state as a whole over the past two decades. The target statewide increase of 10% between 2018 wage levels and 2030 wage levels implies growth of approximately 4.1% between 2018 and 2022. During that period, average wages statewide grew by 9.9% and average wages in Aroostook County grew by 5.8%, both handily exceeding the targeted growth. The average wage per job at the Loring Commerce Center peaked between 2016 and 2018 and has since declined, dropping more than 26% between 2018 and 2022. However, while average wage levels in the county and state remained fairly steady over the past two decades, the average wage per job at the Commerce Centre has fluctuated significantly, making analysis highly reliant on start and end year. 2018 represented a record-high year. Looking at a longer timeframe, the average wage per job was nearly the same in 2022 as in 2014, and represented an 11% increase over 2004 wages per job, in real terms. This growth rate falls short of desired future growth established by the Economic Development Strategy

(average growth of 0.6% per year at the Commerce Centre versus the statewide goal of 0.8% per year), but nonetheless indicates a history of wage growth.

Figure 9. Average Wage Comparison - Loring Commerce Centre, Aroostook County and Statewide, 2004-2022 (2022 $)



Source: EBP with data from Loring Development Authority and U.S. Bureau of Labor Statistics (adjusted for inflation by EBP using U.S. BLS CPI-U).

While value added data is not available for Loring Commerce Centre tenants, the LDA's strategic plan focuses on attracting companies in higher value-added industries, which is consistent with the statewide goal of increasing the value of what is produced in the state. Additionally, the LDA's strategic plan goal to partner with regional educational institutions for workforce development is consistent with the statewide goal of increasing labor force participation.

In addition to the statewide strategy goals discussed above, the statewide strategy establishes seven strategy areas, each with specific action-items. Of these seven strategy areas, the activities at Loring Commerce Centre most closely align with Strategy Area C, "Promote Innovation". This strategy area is organized around four themes: Food and marine products, forest products, making/manufacturing, and technical services. These themes are intended to focus the state's research and development activities and investment.

The targeted industries identified by the LDA market study as appropriate for the Loring Commerce Centre - Unmanned Aerial Systems, Autonomous Vehicles, Solar Energy, Agricultural Production and Processing, Forest Production and Processing, and Transportation Equipment Manufacturing and Repair - are well aligned with these state themes of focus.

The LDA's agreement with Green 4 Maine also illustrates alignment with the state's innovation strategy areas and themes. Green 4 Maine intends to create the following at the Loring Commerce Centre site:

- Technology incubator,
- Center of Excellence in advanced applied AI technology,
- Agricultural farming hub,
- Renewable green energy development and manufacturing,
- Advanced precision, additive manufacturing and LSAM (Large Scale Additive Manufacturing),
- Regional executive airport and air cargo distribution hub,
- National aerospace and space complex center,
- University educational hub, and
- Year-round entertainment, conventions and outdoor recreational events and activity.

Additionally, Green 4 Maine intends to develop workforce housing on the Loring site, which is consistent with Strategy E, Action E3: Expand the production of workforce housing in Maine.

Evaluation Findings

State of Maine's Investment in the LJIFF Program

During the 2018-2022 analysis period, a total of approximately $3.2 million (in 2022 $) in individual income tax withholdings was allocated to LJIFF to support LDA and Loring Commerce Centre activities. In the absence of LJIFF legislation, these funds would have gone into the State's General Fund to support other state budgetary priorities.

In 2018, total state individual income tax liability was approximately $1.8 billion (in 2022 $). In that same year, Loring Commerce Centre jobs generated $775,495 (in 2022 $) in LJIFF, the equivalent of about 0.04% of total statewide income taxes for that year. Furthermore, these jobs are net-new to the state or at risk of loss and would therefore not exist in the state in the absence of the LCC.

The 2018 economic impact analysis of the Loring Commerce Centre cited above indicated that in 2018, the Commerce Centre accounted for 762 direct jobs and supported an additional 1,100 jobs throughout the region through supplier purchases and employee re-spending of wages. All told, these jobs generated $116 million in wages and $4.3 million in local, state, and federal taxes.

A separate economic impact analysis cited by the U.S. Environmental Protection Agency as part of a beneficial effects case study of the former Air Force base published in 2018 reported direct employment of 822 with income of $29 million and business sales of $11 million. Despite inconsistencies in total number of direct jobs both between the two studies and with LDA data, general conclusions can be made regarding program costs and benefits.

LJIFF Jobs, Wages and Revenues from Withholdings

The LDA's FY2023 Annual Report states that Commerce Centre tenants employ approximately 750 people and occupy 1 million square feet of building space. For context, these jobs represent approximately 13% of all jobs within a 30-minute drive time of the Centre.[7] Tenants represent a broad range of industries including the manufacturing, agriculture, forestry, energy, education, telecommunications, recreation, conservation and aviation sectors.

The Loring Development Authority, as required by statute, reports wages and payroll tax withholdings of Loring Commerce Centre-based employees. For this analysis, the LDA provided the following data:

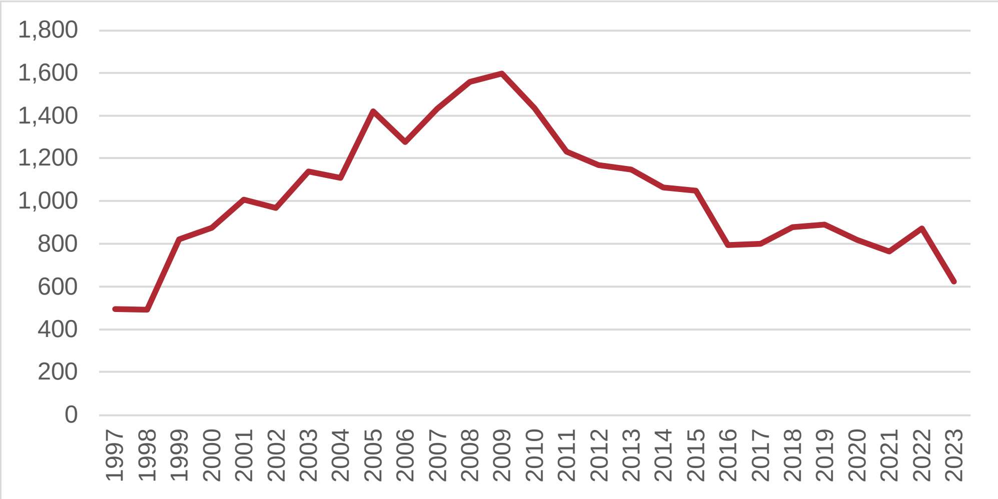
- Total employees and wages by year, 1997-2023
- Total LJIFF 1997-2022
- Employees, wages and amount of withholding by tenant for 2021-2022

At the time of this evaluation, 2022 was the most recent year for which the Authority had complete data.

Employment at Loring Commerce Centre peaked at nearly 1,600 in 2009 and has since declined (Figure 10). During the 2018-2022 analysis period, employment has averaged around 845, with 873 employees in 2022. Subsequently, employment dropped to 624 in 2023. LJIFF is collected on the sub-set of these employees that are net-new to Maine as well as jobs at risk of leaving Maine that were retained.

[7] ESRI Business Analyst.

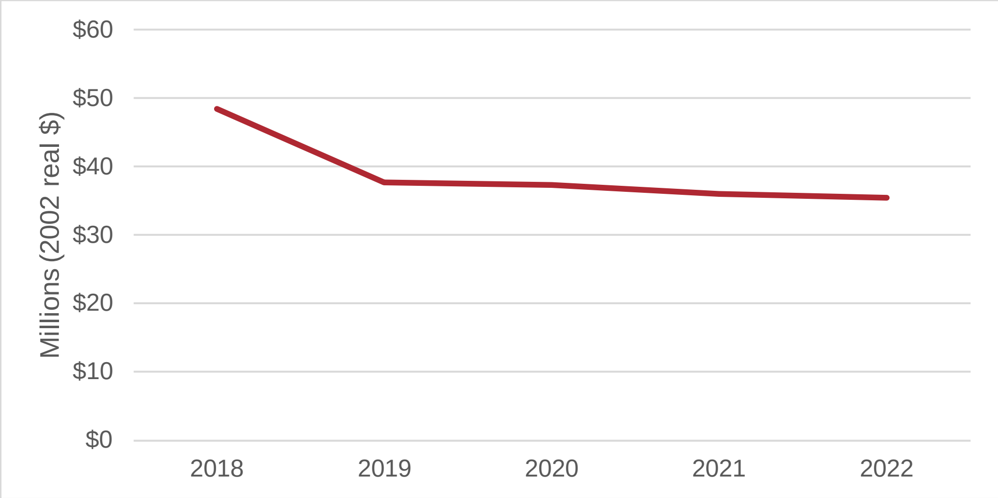
Figure 10. Employees at the Loring Commerce Centre, 1997-2023



Source: Loring Development Authority.

Gross wages at Loring Commerce Centre peaked in 2009 at $67 million (in inflation adjusted 2022 dollars). During the 2018-2022 analysis period, wages averaged $39 million per year in real terms, with gross wages of $35.5 million in 2022.

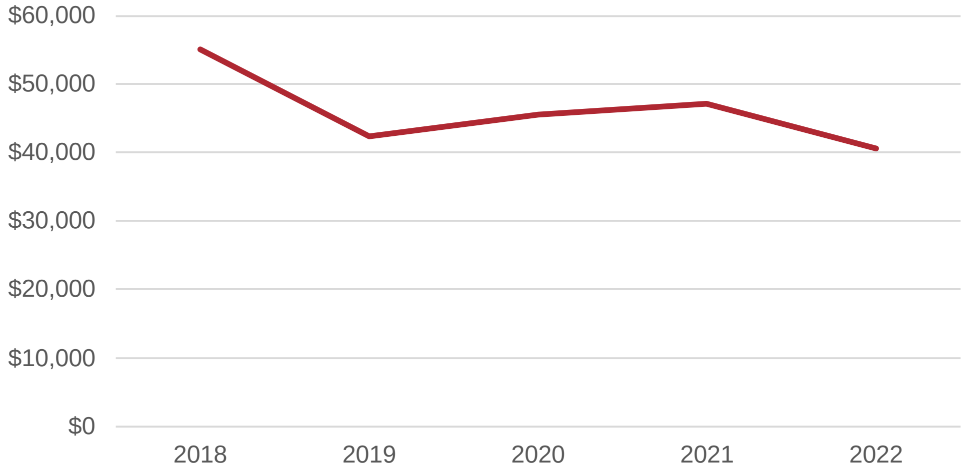
Figure 11. Gross Wages at the Loring Commerce Centre, 2018-2022 (in 2022 $)



Source: Loring Development Authority.

Wages per job peaked in 2018 at $55,100 and have since declined. Wage per job averaged $46,200 per year during the 2018-2022 analysis period, then declined to $40,700 in 2022 which was below average for the decade.

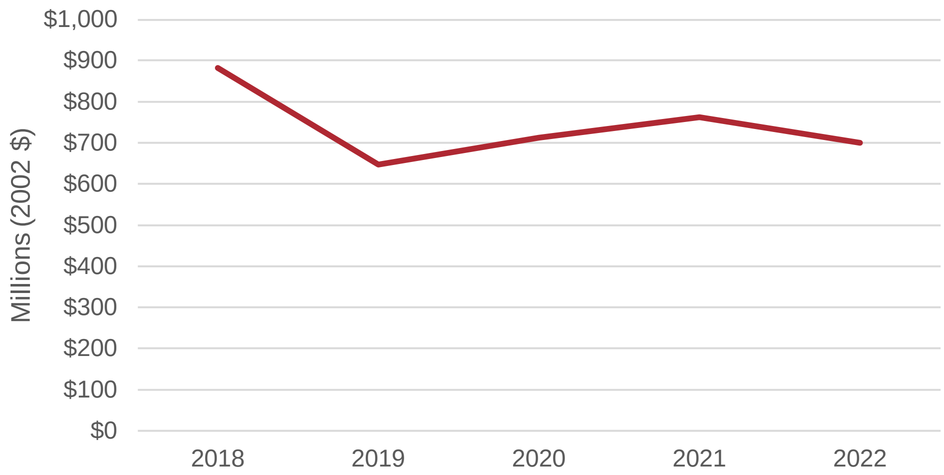
Figure 12. LJIFF Average Wages per Job, 2018-2022 (in 2022 $)



Source: EBP with data from the Loring Development Authority.

Figure 13 illustrates the total amount of LJIFF generated by Loring Commerce Centre employees during the 2018-2022 analysis period, which ranged from a high of $775,500 in 2018 to a low of $576,100 in 2019, with an average of $625,900 per year. The 2022 amount was slightly below this average at $611,700.

Figure 13. LJIFF Allocated to the Loring Commerce Centre, 2018-2022 (in 2022 $)



Source: EBP with data from the Loring Development Authority.

The Role of the LJIFF in Supporting Operations at the Loring Commerce Centre

LDA's 2023 financial statement reported total operating costs of approximately $2.8 million, including $1.9 million for Commerce Centre facility maintenance, water distribution and sewer collection systems, maintenance of road, parking lot, and airfield pavement, wastewater treatment services, and public safety (police, fire, ambulance).

In the same year, the agency received revenues of $1.58 million from a total of four sources. State assistance represented the largest source, $818,700, which represented more than half the agency's total revenues. The majority of state assistance was from LJIFF, in the amount of $611,728, approximately 38% of total revenue. Lease revenues comprised 29% of revenues at $766,000, an increase of nearly 10% over the previous year. Water and sewer fees contributed 18% and federal grants accounted for just 1%.

The LDA's 2023 operating loss was approximately $1.2 million. In 2022, the State of Maine provided the agency with a supplemental allocation of $1 million in addition to LJIFF funds to cover the previous year's budget shortfall and to allow the agency to implement a previously planned business attraction marketing campaign for the Loring Commerce Centre.

As noted above, Commerce Centre tenants paid $766,000 in leases in 2023. As a point of reference, to generate the LJIFF amount of $611,728 from rent in 2023, the Centre would have needed to generate 80% more rental income.

As an alternative point of reference, the $1.9 million the LDA spent for Commerce Centre facility maintenance, water distribution and sewer collection systems, maintenance of road, parking lot, and airfield pavement, wastewater treatment services, and public safety in 2023 was approximately 27% greater than the estimated $1.5 million in property tax collected by the Town in that year.[8] To have generated the $611,728 provided by the LJIFF through property taxes would have required an additional property valuation of nearly $27 million, or a property tax mill rate 40% higher than the 2023 rate of $22.69. Note that these back-of-envelope calculations are provided as points of reference for the scale of the LJIFF contribution relative to other well-known budget figures. They are in no way meant to suggest that such actions are under consideration or are recommended by this evaluation.

[8] The Town of Limestone's 2023 budget was not available at the time of this study, however the State of Maine reported total valuation of $66.3 million in 2023 and the Town's mill rate was $22.69.

The Role of the Loring Commerce Centre in the Local and State Economy

LDA retained consulting firm RKG Associates, Inc. (RKG) to perform an economic impact analysis as part of a broader effort to develop a forward-looking strategic plan. The study, which was completed in 2019 based on 2018 data, used an input-output model to estimate the impact of "removing" Loring's 762 jobs (as of 2018) from the Aroostook County economy.

The analysis found that Loring-based jobs support an additional 1,100 jobs in the county through firm purchases from suppliers ("indirect impacts") and Loring employee re-spending of wages ("induced impacts"). These jobs generate total earnings of over $116 million in the local economy as well as more than $4.3 million in local, state and federal taxes. As a point of reference the study notes that Loring jobs and Loring-supported jobs represent approximately 6% of Aroostook's total 2018 employment (30,400) and states that "between 2010 and 2018 the County lost 2,175 jobs, or 7 %, representing an average annual loss of 272 jobs. The sudden loss of Loring would be the equivalent of nearly 8 years of job losses county-wide."

The report also indicated that the loss of the Loring Commerce Centre would have a significant impact on the Town of Limestone, primarily because Loring is the municipal water and sewer district's largest customer. Loring tenants account for approximately 80% of the utility's operating and capital budget, and the report states that the loss of this customer base could challenge the utility's ability to continue to operate the system.

Recommendations and Future Outlook for Economic Development at the Loring Commerce Centre

The LDA's 2019 Strategic Plan establishes key goals and objectives for the organization, principle among which is the identification of a stable revenue stream to support ongoing operations, maintenance, capital improvements, and marketing of the Loring Commerce Centre. The plan identified the following strategies to achieve this goal:

- Expand and diversify tenant base to reduce business risk,
- Partner with regional educational institutions for workforce development,
- Target aviation users or other productive uses of the airfield, and
- Support and encourage technology development in the forest products industry and value-added processing for agricultural users.

A 2019 market analysis and strategy completed in support of the strategic plan identified the following sectors that could utilize the assets of Loring Commerce Centre and may present future opportunities:

- Unmanned aerial systems (drones) and urban air mobility
- Autonomous vehicle development and testing,
- Solar energy,
- Agriculture production and processing,
- Forest production and processing, and
- Transportation equipment manufacturing and repair.

Loring Commerce Centre assets (land, buildings, systems and infrastructure) are valued at approximately $39.1 million as of the LDA's 2023 financial statements. The market analysis indicated that these assets are valuable for business attraction, however, they require continued investment to remain viable.[9]

In particular, the airfield holds the facility's greatest potential for future growth but requires significant upgrades. If it is to be used as an airport, it will require runway repairs, apron and taxiways repairs, lighting upgrades and landing systems. Development of the airstrip and associated facilities will be guided by an Airport Master Plan currently under development, supported by a grant from the Department of Defense. The LDA's vision is to take advantage of the facility's extensive, unique aviation infrastructure to integrate the airport into the state's aviation system.

> The [Airport] Master Plan is intended to support LDA's longer term goal of the airport being included in the Federal Aviation Administration's (FAA) National Plan of Integrated Airport Systems (NPIAS). This designation would make the facility eligible for federal airport development resources that can support this vision.

LDA anticipates that the airport's focus would be on aviation and aerospace businesses that include large aircraft Maintenance, Repair and Overhaul (MRO), cargo and distribution, testing and development of new aircraft and aircraft systems, including unmanned aircraft systems, urban air mobility and other autonomous air vehicles, and potentially the emerging space industry as a spaceport.

The market analysis also asserted that the opportunity to provide value added services to the County's primary industries such as wood fiber and agriculture depends on the ability to cost-effectively utilize the existing buildings and infrastructure and indicates that continued

[9] RKG Associates, "Economic Development Strategic Plan Additional Information" prepared for Loring Development Authority of Maine, 1 Nov 2019.

subsidization from the State of Maine would be necessary to remain cost competitive.[10] Value added activities in wood fiber and agriculture are both highlighted as part of the Economic Development Strategy.

[10] RKG Associates, "Economic Development Strategic Plan Additional Information" prepared for Loring Development Authority of Maine, 1 Nov 2019.

Municipal Tax Increment Financing (MTIF)

Intent and Objectives

Municipal Tax Increment Financing (MTIF) was created under Maine Revised Statute Title 30-A Chapter 206 30-A M.R.S.A., Chapter 206. MTIF allows municipalities, plantations, and unorganized territories in Maine to leverage new property taxes generated by a specific project or projects within a defined geographic district to fund public infrastructure or amenities needed to catalyze private investment. Private investment increases property values within the TIF district, which creates an incremental increase in property tax levy. This "tax increment" is then used to repay the initial investments used to fund improvements. Owners of properties in the TIF district continue to pay the same property tax rate and the total amount of taxes they pay only increases to the extent that the underlying value of their property increases. Incremental tax revenues continue to fund improvements throughout the life of the MTIF project, after which the entire community continues to benefit from increased property tax revenues that now flow into the municipal general fund with all other property taxes.

Creation of a TIF district may be initiated by a business that approaches the municipality with a proposal for an MTIF investment, or the municipality can create a TIF district around a planned and financed project to earmark a portion of new property tax revenue for specific public uses. The local agency (municipality, plantation) defines the district size, amount of new taxes to be captured, term, and public and private projects to be funded using the tax increment. With regard to term length, TIF Districts are established for a fixed term which can be up to 30 years, though a TIF may end early if it achieves the targeted amount of TIF revenue before the established sunset date or it may be extended by an amendment to the original TIF agreement.

The enabling statute authorizes the use of MTIF:

- To provide impetus for industrial, commercial, transit-oriented or arts district development, or any combination; [PL 2009, c. 314, §1 (AMD)].
- To increase employment; and [PL 2001, c. 669, §1 (NEW)].
- To provide the facilities outlined in the development program adopted by the legislative body of the municipality or plantation. [PL 2011, c. 101, §2 (AMD)].

MTIF district revenues may be used to support development and/or job creation by funding infrastructure and buildings/facilities or by providing assistance directly to developers or businesses.

DECD's MTIF inventory as of January 27, 2021, lists 410 TIF districts in 137 municipalities, representing all 16 counties in the state.

The 2021 Municipal Valuation Return Statistical Summary total statewide amount of TIF District Captured Assessed Value of more than $5.64 billion, with TIF District Tax Revenue of nearly $101.8 million.

Alignment with Economic Development Strategy

The MTIF program does not explicitly address the goals and strategy areas set forth by the Economic Development Strategy Though it could be used to attract businesses that promise to increase annual wages, or businesses likely to increase value added production, or to increase the state labor-force, the enabling legislation contains no provisions that mandate or encourage municipalities to use the program this way. The MTIF program is largely consistent with strategy area E, "Provide supporting infrastructure", particularly to the extent that municipalities choose to use MTIF revenues to support transit and transportation infrastructure and affordable housing. However, with no centralized source of information regarding how MTIF is being used by municipalities, it is difficult to determine whether it supports this strategy area in practice.

Role of the Program in the State's Overall Economic Development Incentive Portfolio

The purpose of MTIF is to fund public infrastructure or amenities needed to catalyze private investment by using a portion of the increase in property value that occurs due to private investment enabled by the MTIF investment. It can be used as a general economic development incentive or as a direct business incentive.

It is used as a general economic development incentive in communities where infrastructure deficits have created barriers to private development and economic activity that has resulted in economic distress. In these cases, MTIF is used to support targeted investments in necessary infrastructure, enabling businesses to locate and expand in the area that could not (or would not) have located there without the public investment in infrastructure. This business growth supports property development and redevelopment, which increases property values and increases the amount of property tax paid. A portion of this incremental increase is then reserved to repay bonds issued to fund the infrastructure and/or make additional infrastructure upgrades.

When used as a direct business incentive, a business expresses interest in locating or expanding at a given location in exchange for property tax abatement in the amount of the tax increment generated by the private investment. The recipient may be obligated to use the amount of the avoided property taxes to fund public infrastructure or they may be allowed to use it simply to off-set the business or developer's private investment in location or expansion (e.g. land purchase, facility construction or equipment purchase).

In 2022, the weighted average of property tax rates for Maine municipalities was $11.21 per thousand (mill rate) in assessed valuation (AV), or 1.121% of AV. For a single year, this represents a very small incentive, however over the course of 10, 15, or 20 years, the savings to the company can be significant. TIF is one of the few incentives most municipalities are able to use for business attraction, though for business attraction or expansion of regional or statewide significance, a TIF may be established by the municipality as part of a broader incentive package offered by the State.

Evaluation Findings

The benefits of MTIF primarily accrue at the local level, but to the extent that MTIF districts result in infrastructure improvement, affordable housing development, and job growth, they contribute to the state's economy. Furthermore, if MTIF revenues are used to support infrastructure or economic development activities that would otherwise be paid for using municipal revenue from a transfer from the State's General Fund, they free up State General Fund revenue for other purposes.

It is difficult to quantify MTIF's benefits due to the lack of standardized tracking of activities and outcomes. As noted above, the State only tracks and audits the amount of increment generated by MTIF districts, the State does not track MTIF activities or outcomes, and the enabling legislation does not require municipalities to track or report MTIF activities or outcomes. Any monitoring of activities or outcomes that does take place is governed by municipal regulations and policies, and as a result, there is no uniform standard for monitoring infrastructure, job creation or business attraction supported by MTIF revenues nor is there a centralized source of such information.

Data collection under the current administrative system is impractical. Because there are more than 400 active MTIF districts throughout the state, it is not practical to contact each municipality to determine if such records are kept. Furthermore, since there is no standard policy or procedure for collecting or maintaining such information, information collected from one municipality may not be comparable to that collected in another, preventing a state-level analysis of activities and outcomes. Finally, new MTIF districts are established each year, while others expire, and while there is a statutory maximum duration for an MTIF district, there is no standard duration. MTIF districts can be dissolved early if revenue goals are met early, and they can be extended if there has been progress toward revenue goals, but more time is needed. At any given point in time, each MTIF district is at a different point in its intended lifespan. As a result, if standardized data could be collected, it would have meaning only as a time series. A snapshot of a single year or period of years would provide little insight into actual MTIF activities and outcomes.

Brunswick Naval Air Station Job Increment Financing Fund

Intent and Objectives

Title 5, Section 13083-S-1 of the Maine Revised Code establishes the Brunswick Naval Air Station Job Increment Financing Fund ("Brunswick JTIF").[11] Under the statute, the State of Maine allocates 50% of the amount of state tax withholding attributable to net new employees (i.e. above the established baseline level) employed within the boundaries of the former Naval Air Station Brunswick and nearby Topsham Annex to the fund to be used to provide municipal services and higher education to support local economic development. Half of JTIF funds are allocated to SMCC which has a campus on the former BNAS site. The other half is allocated to the Midcoast Regional Redevelopment Authority (MRRA) which was created under related legislation for the purpose of redeveloping the former base for economic development and community revitalization.

Naval Air Station Brunswick (NASB) and nearby Topsham Annex[12] were recommended for closure by the 2005 Base Realignment and Closure Commission and officially decommissioned in 2011.

NASB - a 3,300-acre facility - was the state's second largest single-site employer with 3,000 uniformed military personnel,[13] 1,400 reservists, and 700 civilian employees (support personnel, contractors and vendors).[14] NASB activities contributed more than $187 million to the local economy through salaries, contracts and material purchases. Furthermore, military personnel brought more than 3,000 family members to a community with a total population of around 34,600, and military spouses were considered a critical source of skilled labor in the local workforce. A 2007 analysis by the Maine State Planning Office estimated that the loss of BNAS and Topsham Annex would lower statewide employment growth projected for 2006-2012 from 8.4% to 7.7%, representing approximately 6,000 jobs that would not be created.[15]

---

[11] Link to statute.

[12] In this analysis, reference to Naval Air Station Brunswick is meant to include Topsham Annex and reference to Brunswick Landing is meant to include Topsham Commerce Park.

[13] The number of uniformed military personnel fluctuated. This figure is as of October, 2004.

[14] "Impact of the BRAC Ordered Closure of the Brunswick Naval Air Station: A Regional Community Audit", Planning Decisions, Inc. and Career Prospects, Inc. for The Coastal Counties Workforce Board and Defense Employment & Transitions Steering (DETS) Committee, March 2006 (https://brunswicklanding.us/wp-content/uploads/2023/10/Community_Audit.pdf).

[15] "Understanding the Impact: Closing Naval Air Station Brunswick", Maine State Planning Office, January 2007.

In 2007, the State of Maine partnered with the Towns of Brunswick (Brunswick Local Redevelopment Authority) and Topsham (Topsham Local Redevelopment Authority) to create redevelopment plans for both sites. In 2008, the State established the Midcoast Regional Redevelopment Authority (MRRA) to implement the redevelopment plans. Under Maine Revised Statute Title 5 §13083-G through 13083-S, MRRA is granted the authority to acquire former naval air station property and given the mandate to "facilitate the rapid development of the properties within the geographic boundaries of Brunswick Naval Air Station." The statute states that MRRA "shall make every effort" to recover civilian job losses, recover economic losses, and "facilitate the maximum redevelopment of base properties" (§13083-G). The statute stipulates that funds allocated to MRRA are to be used "solely to fund the costs of municipal services, including, but not limited to, water, sewer, electricity, telecommunications, fire protection, police protection, sanitation services and the maintenance of buildings, facilities, grounds and roads in the base area." Note that MRRA was not granted land use decision-making authority over base properties, as that authority remains with the respective municipalities.

Alignment with Economic Development Strategy

The JTIF, MRRA, and Brunswick Landing were established by legislation more than a decade before the Economic Development Strategy was drafted, and they were created to address the urgent and specific economic need created by the NASB closure.

The State legislature recognized the significant impacts that would occur in the local economy, and also that the economic shock was significant enough to lower statewide job growth, as indicated by the Maine State Planning Office study. As a result, the JTIF program focuses tightly on business attraction and economic revitalization through redevelopment of the NASB site and may not perfectly align with the specific goals of increased wages, value added, and workforce expansion set forth by the Economic Development Strategy. Nonetheless, both the SMCC Midcoast Campus and Brunswick Landing have programs and initiatives that align very well with many elements of the Economic Development Strategy and support its goals and objectives. These programs and initiatives are discussed below as they relate to each of the seven strategy areas.

Strategy A: Grow Local Talent. The SMCC Miccoast Campus, located at New Brunswick Landing and supported by a portion of JTIF, aligns with this strategy element in several respects. The community college system is incorporated into this strategy element and Action A4, "engage today's workers in continuing education to achieve credentials for career advancement", assigns the system the responsibility to strengthen partnerships with employers to develop "microcredentials" for specific skills and jobs.

Strategy B: Attract New Talent. The technology- and workforce-training orientation of SMCC Midcoast curriculum addresses Action B1 Increase labor force participation of existing residents and B4 Help new Americans get qualified to work in Maine/attract college educated immigrants and help them get certified in their fields in, while the new residential developments at Brunswick Landing support Action B2 “Welcome Home” which aims to attract people who have an existing connection to Maine such as tourists and people who went to college or summer camp in Maine, as well as immigrants to the state. Brunswick Landing units are already being used to house refugees, and other affordable and market rate units address the need for housing that accompanies population attraction efforts.

More than half of Brunswick Landing’s land area is set aside for conservation and recreation use and the property has numerous outdoor recreation amenities that are consistent with Strategy Action B5 Promote “Quality of Place” investments in recreation, historic places, arts and culture.

Strategy C: Promote Innovation. Several aspects of New Brunswick Landing redevelopment project relate to the broader strategy of promoting innovation. The Maine Advanced Technology & Engineering Center (MATEC), SMCC Composite Science and Manufacturing program, Composites Engineering Research Laboratory (CERL), SMCC’s pre-engineering program and the University of Maine’s Brunswick engineering program are all resources that support research and development and innovation. Though the original target sectors established for Brunswick Landing by the redevelopment plan (aerospace, advanced materials, information technology, cleantech, and life sciences) don’t perfectly align with the four areas of focus set forth by the Economic Development Strategy, they are certainly compatible with one another.

Strategy E: Provide Supporting Infrastructure. Residential developments at New Brunswick Landing align with Action E3 Expand the production of workforce housing.

Strategy F: Maintain a Stable Business Environment. Activities at Brunswick Landing align with Action F3 Control and reduce energy costs (during the state’s transition to a lower-carbon economy) in two ways. First, JTIF funds support infrastructure upgrades that keep utility costs down for Brunswick Landing businesses and residents. Second, 100% of the electricity that powers Brunswick Landing is from renewable sources produced by the Brunswick Renewable Energy Center’s (BREC) anaerobic digester and 1.5 megawatt photovoltaic array.

Strategy G: Promote Hubs of Excellence. The development that has emerged at Brunswick Landing is well aligned with this goal of partnering (through JTIF financial support) to accelerate development which has resulted in an emerging hub characterized by research, higher learning, a skilled workforce, and a livable healthy space, as demonstrated throughout this evaluation.

Evaluation Findings

Program Cost

Tax Expenditure Review reports presented to the Legislature by the Joint Standing Committee on Taxation indicate the following annual fiscal cost to the state budget since the fund was established.

Table 12. Annual Cost to State Budget

Fiscal Year	Impact to State Budget
FY14	$59,201
FY15	$72,048
FY16	$103,924
FY17	$131,697
FY18	$149,711
FY19	$177,676
FY20	$130,735
FY21	$140,000
FY22	$430,000
FY23+	$430,000

Sources: FY2014-2019 from “Joint Standing Committee on Taxation Tax Expenditure Review, December 2018”, FY2020-21 from “2020 Tax Expenditure Classifications by Rationale and Legislative Review Category”, FY22-23+ from “Tax Expenditures – Annual Review of Category Assignments and Schedule Presented to GOC 9/21/22”.

The total fiscal cost for the 2018-2023 analysis period is $1.46 million in current (year of expenditure) dollars, the equivalent of $1.56 million in 2023 dollars.

Brunswick Landing Employment and JTIF Revenue Trends

Table 13 displays the number of employers located at Brunswick Landing, the number of net new employees attracted to Brunswick Landing, the total amount of JTIF revenue collected, and the amount of JTIF generated per employee. As the table shows, the number of jobs at Brunswick Landing grew steadily until 2020, nearly tripling in that 4-year period. However, between 2021 and 2022, the facility lost half of those jobs despite maintaining 21 employers, the same number as in 2021 and greater than the number of employers in 2017-2020. Between 2017 and 2018, JTIF revenue jumped from $144,300 to $493,000. JTIF revenue increased in 2020 and 2021, then dropped sharply in 2022, to $277,400.

Table 13. Key NASB JTIF Measures

Year	# of Employers	Net New NASB Employees	JTIF Revenue	$/Employee
2017	17	536	$144,300	$269
2018	15	1,088	$493,000	$453
2019	15	1,323	$444,700	$336
2020	14	1,541	$597,200	$388
2021	21	1,521	$682,100	$448
2022	21	775	$277,400	$358

Source: DECD.

Purpose and Use of JTIF Allocations

The former NASB and Topsham Annex sites were remediated of chemical contamination and unexploded ordnance between 2011 and 2015 and subsequently made available for redevelopment. As of 2023, the Navy had transferred 1,955 acres to MRRA, out of 2,257 total acres pledged. In addition to former base land and buildings, MRRA was given ownership and responsibility for the former base's extensive network of infrastructure. This infrastructure included 17 miles of water pipeline, the sewer system, 15 miles of electric lines, 25 miles of paved roadways, and the former military airstrip.

The water, sewer and electric utility systems were nearing the end of their useful life and needed substantial investment and upgrading to enable redevelopment of the site for business attraction and the establishment of a SMCC campus at Brunswick Landing. The 2007 Brunswick Naval Air Station Reuse Master Plan projected the total cost of public infrastructure necessary to support full redevelopment of the site at $240 million (the equivalent of $352 million in inflation-adjusted 2023 dollars).

MRRA was assigned responsibility for funding and executing these upgrades because the local utility agencies were unable to take on the task. For example, under Maine state law, a water utility is prohibited from passing on the cost of system upgrades to ratepayers. As a result, the water utility would have been responsible for the cost of the necessary upgrade and could only recoup that cost through the acquisition of new ratepayers, a process which would happen slowly over many years.

Between 2012 and 2022, MRRA invested $7.8 million to upgrade these utilities, according to the agency's 2022 Annual Report. These upgrades allowed MRRA to transfer the gravity sanitary sewer system to the Brunswick Sewer District (BSD) in 2019 and to reconstruct three sanitary sewer pump stations and transfer them to BSD in 2021. Future upgrades are in progress with the aim of continuing to transfer upgraded infrastructure to the sewer district to operate and maintain. MRRA is a state regulated municipal electric utility with 400 electricity customers and a State-Designated Operator of a Public Drinking Water System with 200 water customers.

The airstrip and airport facility also needed significant investment to transition them to civilian use to support aviation and the aerospace industry in the state. Federal Aviation Administration (FAA) regulations for civilian airports are significantly different from those of a military air facility. Airport operational needs differ greatly as well. To meet these needs and regulations, the runway and airfield required an invest $14.5 million and airport buildings needed an additional $20.2 million. The FAA required a 5% local match, which MRRA was able to meet using JTIF funds.

MRRA has been upgrading utility infrastructure with the goal of transferring ownership to the appropriate utility agencies to operate and maintain. These capital expenditures are commonly performed by municipal governments (towns, cities and counties) with the authority to assess and collect property tax. Indeed, Brunswick Landing and Topsham Annex properties contribute approximately $5.4 million in property taxes to the municipalities of Brunswick and Topsham. However, MRRA does receive general fund allocations from either municipality. More recently, the Town of Brunswick approved two Tax Increment Financing Districts (TIFs) to support specific infrastructure upgrades. These TIF districts will use a portion of property tax revenues generated by the incremental increase in assessed property values resulting from the infrastructure upgrades.

MRRA does not receive a direct allocation from the State of Maine's General Fund Budget. Instead, MRRA's operational budget is funded by revenues from property sales, leases, common area maintenance charges and utility customers. Capital improvements are funded by Maine DOT aviation capital improvement funds, the FAA, TIF revenue from the Town of Brunswick, and property sales, leases, utility customers and public area maintenance charges.

In 2022, the State made the determination that many employees of Brunswick Landing's two largest employers – Wayfair and SaviLinx - no longer met the statutory definition of "base area employee". In response to the covid-19 pandemic, these two employers transitioned to an all-remote workforce. Both firms remain tenants at Brunswick Landing. In 2022, Wayfair employed nearly 750 Maine residents while SaviLinx employed 228 residents. The State's determination resulted in a 60% drop in JTIF revenues allocated to MRRA.

The JTIF represents approximately one quarter of MRRA's operating budget and the drop in JTIF revenues had the immediate of causing MRRA to eliminate two salaried staff positions. It has had the ongoing impact of increasing the agency's reliance on revenues from property sales to cover its operating budget rather than decreasing reliance on property sales revenues.

MRRA Mission and Goals

MRRA's statutory mission is to implement the Reuse Master Plans for NASB and Topsham Annex, manage the transition of base properties to civilian uses, redevelop the properties to create high quality jobs, and actively engage the private sector in the redevelopment effort.

The Brunswick Naval Air Station Reuse Master Plan established the following vision and intent:

> "The Reuse Master Plan for the Brunswick Naval Air Station represents a unique opportunity to establish not only a vibrant live, work, play and educate environment, but also centers of excellence for technology innovation, environmental sustainability, and "green" community development."

In addition to the overall vision set forth by the master plan, the enabling statute established specific short-term, intermediate-term, and long-term redevelopment goals for MRRA:

- Short term - Recover the 700 civilian jobs that were lost due to the base closure;
- Intermediate-term - Recover the economic activity resulting from the loss of the base's $140 million total payroll; and
- Long-term – Fully redevelop base properties to accommodate more than 12,000 jobs.

MRRA's 2023 Annual Report to the Governor states that the short-term goal of recovering 700 civilian jobs was achieved in 2015. Despite the drop in employment between 2021 and 2022, it remains well above that short-term target. The annual report also estimates personal income at $97.6 million, representing approximately 70% of the intermediate-term goal of $140 million in payroll. The project's 2,700 employees represent a bit less than one-quarter of the long-term goal of 12,000 jobs. While MRRA's goals do not define short, intermediate, and long term, the project is currently in its 13th year which one could reasonably consider within the intermediate-term period.

Redevelopment Activities

MRRA's 2023 Annual Report to the Governor indicates that the agency has sold 56 buildings and just under 638 acres to 22 businesses and developers. Furthermore, MRRA has just under 144,400 square feet of building space under direct lease to 10 tenants. As of 2023, Wayfair, SaviLinx, Martin's Point, VividCloud, Pathways, Southern Maine Community College, Molnlycke Health Care, STARC Systems, and BIW were among the facility's largest employers. Maine's technology business incubator, TechPlace, hosts 38 early-stage technology businesses representing all five of the target industries established by the Brunswick Landing Redevelopment Plan which are aerospace, advanced materials, information technology, cleantech, and life sciences. Furthermore, 25 businesses have "graduated" from TechPlace, representing 450 new jobs.

MRRA is working with Maine Center for Entrepreneurs, Maine Bioscience Cluster Initiative, The Roux Institute, Maine Technology Institute, SMRT and existing TechPlace tenants to develop a life science incubator at Brunswick Landing.

The Brunswick Executive Airport facility (BXM) has 47 tenants leasing nearly 534,500 square feet of building space as well as four additional tenants leasing airport land. Tenants include a Fixed Based Operator (FBO), several flight schools. In 2022 and 2023, BXM has averaged 24,500 annual operations. In 2021, the facility hosted the Great State of Maine Air Show which had attendance of approximately 20,000. The event organizer, Air Show Network, estimated the impact of the 2-day airshow to the local economy at between $15 and $20 million. That event is scheduled to return to BXM in 2024.

The redevelopment of Brunswick Landing has created other benefits beyond MRRA's specific goals. The 2023 Annual Report indicates that Brunswick Landing has attracted $500 million in private sector investment as well as $74 million in public sector investment.

Residential developments include a 108-unit market rate apartment complex completed in 2021, a 181-unit market rate project completed in 2023, a 63-unit multifamily project with 20% of units reserved for affordable housing, and 60 units of affordable housing currently being used for refugee resettlement. In addition, 85 single family homes have been approved for construction.

A 2023 economic impact analysis of Brunswick Landing reports that base redevelopment efforts have created $200 million in new taxable property value, generating nearly $5.4 million in property tax revenues.

Though the JTIF program is not the only revenue source responsible for the outcomes summarized above, MRRA reports that it is a critical source in terms of:

1. Enabling critical infrastructure upgrades with minimal impact on utility rates and/or prices for building and property sales and leases;
2. Flexibility to meet local share requirements needed to leverage Federal funding sources such as FAA airport grants; and
3. Minimizing the extent to which MRRA must utilize revenue from property sales and leases to cover operating expenses, allowing those funds to be invested in infrastructure and property development to support ongoing business attraction and growth.

Conclusion

During the 2018-2023 evaluation period, the JTIF has incurred a fiscal cost ("loss") of $1.56 million (in 2023 $) to the State's budget in the form of foregone payroll taxes, with a projected future cost of $430,000 annually. However, due to the way eligible jobs are defined, payroll taxes are only diverted from jobs that would not exist in the absence of the Brunswick Landing/Topsham Commerce Park redevelopment efforts, which in turn could not have occurred without the significant investment in infrastructure that has been facilitated by JTIF funds. In this context, it is difficult to view the foregone payroll tax as a loss in the traditional sense. Furthermore, since JTIF only diverts half of payroll taxes, net new jobs at Brunswick Landing have contributed payroll taxes equal to the amount placed in the JTIF Fund, or $1.56 million and can be expected to contribute $430,000 per year according to the most recent projections.

The 2,700 jobs now located at Brunswick Landing contribute an estimated $97.6 million in personal income to the state economy. Though JTIF funds were not the only source of revenue driving redevelopment and job growth at Brunswick Landing, it was important in leveraging significant public and private investment. It enabled MRRA to invest $7.8 million to upgrade utilities, and leveraged total public investment estimated at $74 million. This public investment was primarily from Federal sources, and more recently from local sources in the form of traditional property tax-based TIF revenue from the Town of Brunswick. This analysis did not identify other significant State-level investments in Brunswick Landing beyond JTIF. Infrastructure upgrades and the conversion of the military airstrip to an executive airport has resulted in an estimated $500 million in private sector investment in Brunswick Landing.

Finally, the goals and outcomes supported by the JTIF program align well with many elements of the Economic Development Strategy. In terms of the program's role in the State's overall portfolio of economic development investments, JTIF has enabled redevelopment that has mitigated much of what could have been a devastating loss to the community, a loss that was anticipated to be significant enough to slow statewide job growth.

Commercial Loan Insurance (CLI) Program

Intent and Objectives

The Maine State Legislature created the Commercial Loan Insurance Program in 2003, as codified in Maine Revised Statute Title 10 §1026-A. The program aims to encourage lending to finance creation, expansion, and improvement of businesses. Title 10 mentions industrial, manufacturing, recreational, fishing, and agricultural businesses by name, but also includes "other businesses and natural resource enterprises".

The Legislature specifies that FAME-issued loan insurance may cover up to 90% of the loan amount made to businesses belonging to the industries mentioned above. Additionally, FAME may insure up to 100% of select loans in the following categories: loans to veterans; oil storage facility projects; projects to improve air quality at gasoline service station to comply with federal regulations; biofuel vehicle projects; waste oil disposal site clean up; and a special Plymouth waste oil remedial study.

FAME offers two loan insurance types: pro rata and leveraged. Pro rata insurance covers a percentage of the lender's loss after a default and liquidation, up to 100%. Leveraged loan insurance covers 100% of the lender's loss, up to 25% of the loan balance at the time of default. For term loans, lenders may choose from one-, three- and five-year fee options; for lines of credit, lenders may choose from one- and three-year fee options.

Public loan insurance aims to reduce risk for private financial institutions and supports financing for projects that may otherwise go unfunded or underfunded. FAME is limited to a total insurance exposure of $5.25 million.

Application and Eligibility

FAME offers two pathways for lenders to apply for Commercial Loan Insurance, a traditional application, and the Online Answer (OLA) platform. OLA reduces lender administrative burden when applying for total insurance amounts up to $1,500,000 and maximum insurance of 75% per loan. OLA limits leveraged insurance to $500,000. FAME imposes additional limits on OLA insurance for startup businesses open less than one year, including a 60% insurance maximum per loan and $1,000,000 maximum FAME exposure per lender.

For loan insurance exceeding $1,500,000, FAME requires borrowers to complete a more extensive application, personal financial statement for all principal owners, environmental questionnaire, and business plan. For loans equal to or greater than $1,000,000, borrowers must complete an Environmental Protection Assessment. Businesses with more than 10 employees must fill out an additional Employment Plan. These documents allow FAME to assess creditworthiness of prospective borrowers, comply with legislative requirements for the program, and determine what type of public benefit business loans may create.

FAME can insure up to 90 %of a loan using its traditional paper application, and up to 100%for veterans up to $3,000,000. FAME's website states it cannot exceed $5,500,000 exposure under any one lender relationship, and that it reviews and updates this limit annually. Loan types using a traditional CLI application include term loans, refinancing of existing lender debt, and working capital lines. Special loan types may include refinancing of seller debt, floor plan lending, and construction lending.

Lenders using the traditional paper application may expect an insurance decision within two weeks, compared to receiving a decision within seconds of committing an application using the OLA platform.

Businesses are eligible to receive Commercial Loan Insurance based on FAME's assessment of:

- Jobs created or retained and quality of jobs,
- Environmental impact,
- Target industry or market,
- Regional and community benefits, and
- Total investment/financing capital leveraged.

Additionally, any person or entity owning at least 20%, or owning more than 5% and receiving substantial income from the Borrower should be a guarantor. Exceptions to this requirement must be approved by a two-thirds (2/3) vote of the FAME Board.

FAME's website states the following target industries and markets for CLI:

- Biotechnology,
- Information Technology,
- Composites and Advanced Materials,
- Marine Technology and Aquaculture,
- Forest Products, Fishing and Agriculture,
- Precision Manufacturing, and
- Environmental Products.

The Maine Revised Code prohibits FAME from insuring loans to certain borrowers and for certain purposes, including:

- Investment real estate,
- Religious organizations,
- Fraternal organizations,
- Residential housing, other than congregate or group housing, and
- Consumer loans.

Alignment with Economic Development Strategy

FAME's Commercial Loan Insurance program somewhat aligns with Strategy C: Promote Innovation of the Economic Development Strategy. This strategy has a focus in four thematic areas it identifies as the largest industry opportunities for growth through innovation: Food/Marine, Forest Products, Making/Manufacturing, and Technical Services. These overlap with FAME's stated target industries for the Commercial Loan Insurance Program. However, Commercial Loan Insurance is not named in the Strategy as a critical program for achieving Strategy C.

The Strategy names FAME under Strategy D: Ubiquitous Connectivity, Action D1 as an agency that can provide loan guarantee insurance to high-speed internet providers to improve rural access. One internet provider received loan insurance through CLI from Fiscal Year 2017-2021. Though the program may have potential to support expanded broadband access, nothing about its current design supports this as an objective.

The agriculture, forestry, fishing, and hunting sector received the largest amount of loan insurance through CLI. Manufacturing, another strategic sector in Maine's Economic Development Strategy, received the fourth highest value of loan insurance. Among the top five sectors that received the highest loan insurance value are retail trade, accommodation and food services, and construction. The Strategy does not name these sectors as targets for economic development. The accommodation and food services sector does support the tourism industry, which the Strategy recognizes as an important driver of the Maine economy. However, the Strategy does not establish the tourism industry as a focus for growth.

Because this is a loan insurance program and not a grant or incentive program, CLI is not as targeted as other economic development tools. FAME does not target innovation as an outcome of the program; instead, it focuses on which loans may produce "public benefit" through creating and retaining jobs in the state of Maine, as well as likelihood that a loan will be repaid.

Evaluation Findings

FAME paid a total of $5,426,774 on 52 separate insurance claim payments from Fiscal Year 2017 to Fiscal Year 2021, according to its annual reports. FAME leveraged $325 million in financing through the program, with total FAME exposure of approximately $172 million. FAME financing through this program resulted in businesses creating or retaining 10,389 jobs. Insurance claim costs to FAME were approximately $522 per job created or retained through the program. Other key takeaways from the program's 2017-2021 performance are summarized below.

- FAME insured between 12-85% of any individual loan associated with the program.
- FAME insured, on average, 58% of the total loan amount businesses sought. This resulted in businesses accessing $84,456,951 worth of loans they may not otherwise have been able to qualify for or afford.
- FAME insured 957 loans to 902 businesses from 2017-2021. Industries with the most participation by borrower count are listed in Table 14.
- From 2017-2021, CLI-supported businesses reported 10,389 jobs created or retained because of the loans they accessed through participating financial institutions. Proportionate to the loan value backed by CLI, 5,286 of these jobs were possible because of access to loan insurance through FAME.
- Over five years, the average loan value per Job Retained or Created in association with the program was $31,774, resulting in $16,167 in FAME exposure per job created or retained.

Table 14. Top Five CLI Participating Industries by Business Count, 2017-2021

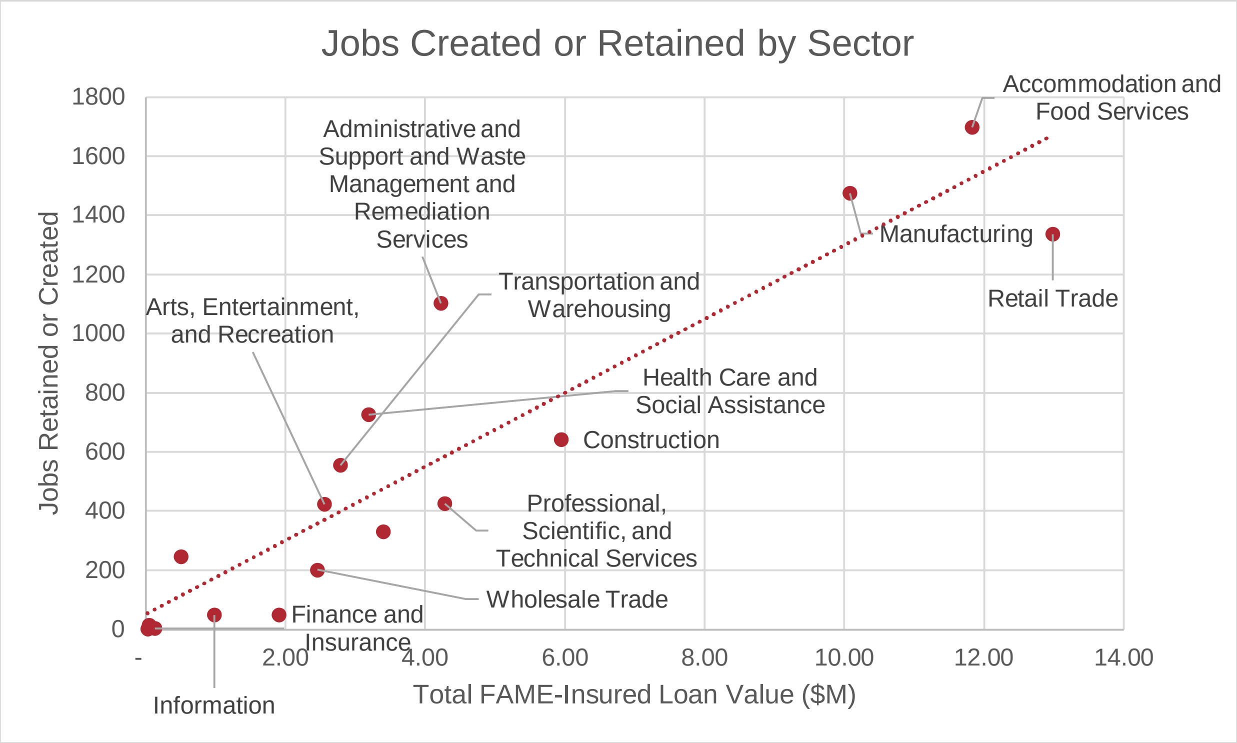
NAICS	Industry	Number of Participating Businesses	Total Jobs Created or Retained	Average Loan Size ($)	Average Loan Amount Insured through CLI ($)
11	Agriculture, Forestry, Fishing and Hunting	183	1103	159,784	91,708
72	Accommodation and Food Services	139	1698	187,469	84,460
44-45	Retail Trade	123	1337	202,699	99,817
31-33	Manufacturing	89	1474	205,101	103,907
23	Construction	75	643	147,698	77,226

Source: FAME and EBP analysis

Figure 14 depicts sectors that received the highest value of FAME support through Commercial Loan Insurance and the jobs they reported creating or retaining in association with the program.

Businesses that reported creating or retaining the most jobs belonged to the Manufacturing, Accommodation and Food Services, and Retail Trade sectors. These sectors also received the highest value of loan insurance through the program.

Figure 14. Jobs Created or Retained by CLI Businesses by Sector, 2017-2021



Source: FAME and EBP analysis

Interview Summary

EBP conducted interviews in September-November 2023 with two lending institutions and two businesses that participated in the CLI program. Businesses belonged to the Beverage and Tobacco Product Manufacturing Industry (NAICS 312) and the Textile Manufacturing Industry (NAICS 313). These semi-structured interviews focused on perceptions of the program, process for accessing benefits, and implications for the greater Maine economy. One borrower used a CLI-backed loan as working capital, another to acquire a business and vest the previous owner.

Interviews with CLI lenders and borrowers yielded the following findings:

- Lenders mentioned the usefulness of FAME's Online Answer (OLA) platform for applying for the program. Lenders and borrowers alike noted the platform is quick, easy, and predictable to use. Several interviewees cited this as a reason they will continue using the program.
- Lenders use the CLI program in conjunction with U.S. Small Business Administration loan programs. One interviewee stated that because of program fee structures, they prefer SBA loans for long-term credit enhancement versus CLI. Borrowers pay a one-time fee for SBA programs vs. fees every one, three, or five years for CLI.
- Lenders lamented that FAME limits post-application communication to the loan officer and one administrative staff. This is a barrier to submitting a high volume of CLI applications and taking full advantage of the program.
- Interviewees perceive FAME as easier to work with than SBA because of fewer bureaucratic barriers. One interviewee noted more of their clients qualify for CLI versus SBA credit enhancement, and that many would go unfunded without the program.
- Lenders value that FAME is a local agency with a small customer pool and simple, straightforward systems. However, one interviewee states CLI is still not ideal for micro-lending due to administrative reporting requirements for the lender and associated fees to the borrower.
- Support from the CLI program makes it possible for banks to offer financing to businesses to which they would not otherwise lend.

Seed Capital Investment Tax Credit Program

Intent and Objectives

The Maine State Legislature enacted the Maine Seed Capital Investment Tax Credit ("MSCTC" or "Seed Credit") in 1987 to promote equity investments in Maine businesses from private investors and venture capital funds (PL 1987 c. 854, §4,5 codified in the Maine Revised Statutes as Title 36 §5216-B). Under this program, administered by FAME, investors receive state income tax credits for 40% of the cash equity provided to eligible Maine businesses for fixed assets, research, or working capital.

The Legislature has modified the program numerous times since its inception. PL 2019, c. 616 tripled the annual program cap from $5 million to $15 million as recommended by the Economic Development Strategy. Subsequently, however, PL 2021, Ch. 412 reduced the total program limits for calendar years 2021 and 2022 from $15 million to $13.5 million, which still more than doubled the original cap amount of $5 million.

Effective in 2020, new legislation reduced the amount of credits from 50% to 40% of eligible investment, reduced the maximum cumulative qualified investment in each company from $5 million to $3.5 million, and limited qualified investment in any one company to $2 million per calendar year.

In 2019, the Legislature added a program evaluation requirement (PL 2019 c. 616 Pt. LL, §12). The governing statute requires the Office of Program Evaluation and Government Accountability (OPEGA) to evaluate the program relative to the following public policy objectives of the tax credit:

1. To increase job opportunities for residents of the State in businesses that export products or services from the State
2. To increase private investment in small new and existing businesses, especially those that experience significant difficulty in the absence of investment incentives in obtaining equity financing to carry the businesses from start-up through initial development
3. To increase municipal tax bases

The statute directs OPEGA to evaluate the program annually as measured by the number and geographic distribution of full-time employees added or retained because of the credit; the amount of in-state businesses; the number of businesses created or retained in the State as a result of the credit; fiscal impact and overall economic impact to the State; and the amount of foregone tax revenue per job created or retained.

Application and Eligibility

To be eligible, businesses must be located in Maine have annual gross sales of less than $5 million, be operated full-time by at least one of its principal owners, and investors may not own 50% or more of the business or otherwise have a controlling interest (as determined by FAME). In addition, the business must meet at least one of the following criteria: (1) be a manufacturer; (2) provide goods or services with 60% of sales derived from outside the state or to out-of-state residents, but with a majority of company employees in Maine; (3) develop or apply advanced technologies; (4) be a value-added natural resource enterprise; or (5) be certified as a visual media production company.

FAME's website lists the following additional program benefits and terms:

- The state may provide tax credits of up to 40% of an investment.
- Investors may provide up to $500,000 per business in any consecutive three-year period
- Aggregate investment limit per business is $3,500,000 for which tax credit may be received.
- Investments must be at risk for five years. Dividends, royalties, interest, stock options or warrants and other forms of return, which are not in the nature of return of principal, are allowed.
- Credits must be taken in 25% increments (of total credit) per year, beginning in the investment year.
- For investment not made through private venture capital funds, credits cannot exceed 50% of total tax due by investor for that taxable year.
- Investments made through private venture capital funds carry additional terms regarding business ownership, location, annual investment caps, and principal repayment.

Alignment with Economic Development Strategy

The Seed Capital Investment Tax Credit aligns with Strategy C and Action C2 of the Economic Development Strategy. Strategy C focuses on four thematic areas – the Food and Marine Industry, Manufacturing Industry, Forest Products, and Technical Services – which align with the eligibility requirements in Advanced Technologies and Natural Resources.

Maine Economic Development Strategy Action C2: Raise the investment cap of the Maine Seed Capital Tax Credit Program.

Every dollar of Seed Capital Tax Credit raises ten dollars of private investment. An increase in the ceiling from $5 to $15 million would help about 40 startups and create 2,300 new jobs.

Source: 2020-2029 Maine Economic Development Strategy.

In its 2021 comprehensive evaluation of the program, OPEGA found FAME's annual report data inconsistent and incomplete for evaluating program outcomes[16]. Additionally, it found the program's design did not support key goals of creating and retaining jobs and increase investment in Maine businesses. OPEGA's overall conclusion was that, although the Maine Economic Development Strategy mentioned MSCTC by name, the program was not specifically designed to "advance innovation".

To enhance alignment with the Economic Development Strategy, OPEGA recommended three major areas for changes to the program:

- Re-evaluate and redefine program goals and adjust program design through statute amendments or agency rules to reflect these goals.
- The Legislature should, in consultation with FAME and DECD, adjust the program's reporting requirements to allow for effective oversight of whether the program is meeting its goals.
- Improve program data collection, analysis and reporting.

Evaluation Findings

From FY 2017-2021, FAME reports that it had issued a total of $32,555,732 credits on $77,770,384 of investments in eligible businesses, as noted in Table 15 below. Keeping in mind the significant annual cap increase in 2020, the total investments in eligible businesses increased by 79% from 2017 to 2021.

This program can be evaluated to some degree by examining two key parameters – participating businesses and investments. FAME reports that 159 businesses have received investments through this program from 2017-2021, including both first-time and follow-on investments. Roughly a third of businesses receiving investments are first-time participants in the program from 2017-2020. This data point was not available for businesses receiving investment in 2021.

The number of businesses receiving investment spiked in 2020, likely related to economic anomaly amid the Covid-19 pandemic, but could be partially attributable to the cap increase from $5 million to $15 million (later reduced to $13.5 million). However, the average number of participating businesses for the 5-year period was 32, suggesting the cap increase did not have significant effect on number of participants. Fewer than half of the businesses receiving these investments were receiving follow-on investments. As shown below in Table 15, 159 businesses in Maine benefited from the program during the analysis period.

---

[16] https://legislature.maine.gov/doc/6954

Table 15. FY 2017-2021 Investments, Credits, and Businesses

Year	Investments	Tax Credits Issued	Annual Cap	Businesses Receiving Investment	Businesses Receiving First Investment	Businesses Receiving Follow-On Investment
2017	$10,009,388	$4,999,994	$5,000,000	27	14	13
2018	$9,991,423	$4,995,711	$5,000,000	33	13	20
2019	$10,212,821	$4,999,902	$5,000,000	20	6	14
2020	$29,592,309	$10,386,948	$15,000,000	46	18	28
2021	$17,964,443	$7,173,177	$13,500,000	33	*	*
Total	$77,770,384	$32,555,732	$43,500,000	159	51	75

Source: OPEGA and FAME.

*Businesses Receiving First Investment and Follow-On Investment was not categorized for 2021 due to lack of relevant data in this year.

From 2017 to 2021, FAME supported over 725 individual investments in the 159 businesses, averaging about 4.5 investments per participating business over this time period. The number of investments associated with the program has also been steadily increasing, from 89 investments in 2017 to 140 investments in 2021.

The average investment across the five-year time frame totals to $110,313, dipping slightly to $96,392 in 2020, but increasing significantly to $128,317 in 2021. It should be noted that the minimum investment has remained steady and the maximum investment has decreased over time, from $2,442,500 in 2016 to $1,500,000 in 2021, suggesting that investors are making smaller, but more frequent investments in eligible businesses.

Table 16. FY 2017-2021 Investments

Year	Number of Investments	Total Investments	Minimum Investment	Average Investment	Maximum Investment
2017	89	$ 10,009,388	$ 2,500	$ 112,465	$ 2,442,500
2018	89	$ 9,991,423	$ 5,000	$ 112,263	$ 2,000,000
2019	100	$ 10,212,821	$ 1,374	$ 102,128	$ 2,000,000
2020	307	$ 29,592,309	$ 1,500	$ 96,392	$ 1,407,041
2021	140	$ 17,964,443	$ 2,500	$ 128,317	$ 1,500,000
Total	725	$ 77,770,384	$ 1,374	$ 110,313	$ 2,442,500

Source: OPEGA and FAME.

Following the Legislature's clarification on reporting requirements for MSCTC in 2020 (PL 2019 c. 616 Pt. LL, §11), FAME updated the survey questions it requires program participants to complete. For Calendar Year 2021, the final year covered in this evaluation, FAME noted 79% of tax credit recipients filed their required annual report.

Those recipients who did file reported employing 488 employees and 40 independent contractors in the state of Maine. FAME reported total payroll for these workers at $30,615,891 for an average salary of $57,985. Of those employees, 229 (43%) have jobs attributable to the MSCTC. Average salary was lower for MSCTC-dependent employees, at $43,802.

Interview Summary

EBP conducted three interviews with program recipients in November 2023. These semi-structured interviews focused on program impact on the businesses, perceptions of the program, and implications for the greater Maine economy.

Interviews with recipients yielded the following findings:

- Recipients have varying views on the efficacy of the program. Some recipients suggest that the program was essential for capital investments, with investors specifically asking about seed capital eligibility, while other recipients suggest that the program played a minimal role with investors.
- Early investors seem to be more interested in the availability of the tax credit while subsequent investors seemed to be more interested in the business' mission and product offering.
- Recipients believe that the program has potential to support investment for the Maine economy, as businesses in Maine remain at a geographic disadvantage for capital investments, in comparison to businesses located closer to New England financial centers.
- Recipients also experienced varying impacts with the program, as some recipients used loans to hire staff, while others used it to retain staff. Nonetheless, recipients intend on expanding operations in the near future, in part due to the availability of the program.
- Recipients value FAME, and the program, for helping bring necessary investment to Maine.

Revenue Obligations Securities Program

Intent and Objectives

The Maine State Legislature codified the Revenue Obligations Securities Program in 1985 in [Title 10 §1041] of the Maine Revised Code (PL 1985, c. 344, §55). Through the Revenue Obligations Security Program, FAME can facilitate access to state tax-exempt bond financing for borrowers in the nonprofit and manufacturing sectors. Benefits from this program may be combined with the Commercial Loan Insurance program (up to the applicable insurance limit, currently $5,250,000).

The program is a tool for the Legislature and Governor to allocated tax-exempt financing dollars up to the state ceiling determined by the federal government. The goal of allocating tax-exempt financing to various Maine State agencies is to ensure it provides the "greatest benefits to the State" (Title 10 §362).

The Maine Legislature regulates FAME's administration of the Revenue Obligations Securities Program—one of the ways available tax-exempt financing is used for economic development—in Title 10 §1041-1055. The Governor may allocate bond financing to other agencies for other purposes, including ensuring adequate affordable housing supply, providing higher education loans, and improving citizens' overall health, safety, welfare, and quality of life.

Application and Eligibility

Title 10 §1041 specifies the types of projects bonds proceeds may finance. Manufacturing and 501(c)(3) borrowers are eligible to participate in the program if they are seeking tax-exempt financing must have a project that qualifies under the Internal Revenue Code.

Eligible organizations must propose to use bond proceeds to build or acquire eligible assets or, with respect to 501(c)(3) borrowers, other uses allowed by tax code (United States Code, Title 26). The application for bond financing asks borrowers to answer questions that determine whether they have an eligible project under the US Internal Revenue Code.

FAME issues loan amounts generally up to $10,000,000 for for-profit businesses and more for nonprofits and "certain specialized projects" allowed by the tax code, including solid waste. The borrower's third-party credit provider determines tax-exempt rates according to the market at time of bond sale.

FAME's website offers conflicting information about program purpose and eligibility[17]. It states the program provides manufacturing and 501(c)(3) borrowers with tax-exempt bond financing. It also states in its Eligibility section that "Any borrower proposing to use bond proceeds for the acquisition or construction of eligible assets" can participate in the program. Information about the program available on FAME's website is limited.

[17] https://www.famemaine.com/business-financing/for-business-owners/fame-financing-programs/bond-programs/revenue-obligations-securities-program/

Alignment with Economic Development Strategy

The Revenue Obligations Security Program does not align with goals named in Maine's Economic Development Strategy. FAME officials noted while this program requires that borrower activities benefit the state of Maine, the program largely acts as a pass through for this federal tax benefit. This program does not rely on state resources aside from staff time for oversight and administration. FAME's 2021 annual report notes that "all costs of originating the bonds, including underwriter's discount, are paid by the borrowers".

Projects benefiting from financing through ROSP loosely align with Strategy Area C: Promote Innovation and Strategy Area E: Provide Supporting Infrastructure.

Maine's Economic Development Strategy identifies the forest products industry as a key opportunity for growth. Among ROSP projects financed from 2017-2021 was tech startup GO Lab Inc.'s renovation of a former Madison Paper Mill that closed in 2016. The project cost $150 million and benefitted from a combination of state and local economic development programs, including: $860,000 in Seed Capital Tax Credit financing, $85 million in ROSP bond financing, and a FAME Direct Loan totaling $1.2M in collaboration with Coastal Enterprises, Inc. and Maine Technology Institute. In roundtable discussions, program administrators identified this deal as one that would have benefited from a more comprehensive incentive package given its size and alignment with the state's economic development goals. Administrators stated they did not have appropriate resource available to offer an incentive package that would make a difference in the company's level of investment in the state.

Evaluation Findings

Nine organizations received tax-free bond financing through the ROSP in FY2017-FY2021. Two organizations received bond financing twice during this period. The average amount of financing per organization was $14,097,182, with a minimum value of $1,706,250 and a maximum value of $45,000,000. Recipients included non-profit and for-profit entities from the health care and social assistance, real estate development, education, scientific research industries. FAME issued $155,069,000 in bond financing over the 5-fiscal year period.

Major Food Processing Manufacturing Facility Expansion Tax Credit

Intent and Objectives

The Maine Legislature created the Major Food Processing Manufacturing Facility Expansion Program in 2019, as codified in 36 MRS §5219-VV. Administered by DECD, the program aims to attract and expand food processing and manufacturing facilities in Maine, thereby stimulating job creation and economic growth.

Program benefits include a 20-year tax credit equal to 1.8% of the certificated applicants' qualified investments up to a cumulative credit of $30,600,000.

Qualified applicants must have been headquartered in Maine for at least five years and intend to invest at least $35,000,000 within five years of application to design, permit, construct, modify, equip, or expand facilities in the State. To continue receiving the credit in any given tax year, the applicant must remain headquartered in and must have a facility in the State.

Upon start-up of the facility, the applicant must have 40 full-time employees. Applicants must also add Maine-based jobs throughout the program's lifecycle to remain eligible. In the first three tax years, the applicant must employ 40 full-time employees above its base level of employment (when its certificate of approval was first issued). After the third tax year for which the credit was claimed, the applicant must employ at least 60 full-time employees above its base level.

To receive the tax credit in any tax year, applicants must demonstrate that at least 75% of their employees' annual income exceeds the most recent annual per capita personal income in the facility's county. Applicants must have maintained in the previous two tax years an ordinary business income between $5,500,000 and $12,000,000.

Alignment with Economic Development Strategy

The tax credit's focus on food processing aligns with the State's goal of innovating its value-added food production (particularly in aquaculture) and manufacturing. With "Food/Marine" as one of the State's four thematic areas of opportunity, Maine aims to leverage its "safe and traceable food production" by meeting more consumer demand for climate-responsible food along the eastern seaboard. For example, Maine aims to increase local production of salmon, 95% of which is currently imported into the US.

The program's requirements for Maine-based job creation align with the State's goal of increasing its workforce amid projections of stagnation.

The program's requirements for above-average per capita personal income aligns with the State's goal of increasing its private sector employees' earnings amid a recent decline, in part due to a shrinking number of manufacturing jobs in Maine. High-paying jobs fit into Maine's larger objectives for improving its residents' quality of life. By 2023, Maine aims to grow the average annual wage by 10% to $49,900.

The program's requirement for business income aligns with the State's goal of increasing its GDP, which has grown below the national average rate. By 2030, Maine aims to increase the value of Maine's GDP per worker by 10% to $95,876.

Maine Venture Fund

Intent and Objectives

The Maine Legislature created the Maine Venture Fund (MVF) in 1996, as codified in Title 10 MRSA §1021. A privately managed public revolving fund with Governor-appointed board members, the program was established to "provide venture capital to businesses that need assistance in order to create or retain jobs."[18] According to its website, the MVF's mission is to "add high quality and long-term jobs in the Maine economy" while also "emphasiz[ing] ethical corporate culture and governance [and] support healthy workplaces that promote equal opportunity and diversity."[19]

If an application is approved, MVF determines an investment amount based on the size of the region served and demand for venture capital investments in that region. Initial checks are usually $100,000 to $200,000. Applicants must receive at least 1:1 matching co-investment, as MVP also helps connect businesses with other potential investors.

Applicants must "operate primarily in Maine," in that they meet one of three criteria: (1) more than half of full-time employees, including one C-suite member are in Maine; (2) the number of Maine-based employees is greater than the number in any other single state; or (3) the "company, suppliers, and partners generate significant economic or financial impact in Maine." Moreover, applicants must "demonstrate a viable plan for return on investment and impact in Maine."[20] Impact can take various forms, such as hiring Maine residents, impacts on community, diversity, and the environment.

According to MVF's website, ideal MVF portfolio companies are "scaling stage businesses that have demonstrated product-market fit" and aim to raise a total of at least $1,000,000 (usually $100,000 to $300,000 from MVF. To receive investment, applicants must employ "fewer than 50 people" or "generate less than $5 million in annual revenue." Job creation is one of the core reporting metrics for MVF.

---

[18] Title 10 MRS §1021
[19] https://www.maineventurefund.com/find-funding/faq/
[20] https://www.maineventurefund.com/find-funding/faq/

Alignment with Economic Development Strategy

MVF's focus on investments into female- and BIPOC-led companies and consideration of how applicants benefit underserved communities align with the Economic Development Strategy regarding diversity in its workforce and society. MVF reported that 33% of its investments from 2019 to 2023 went to female-led companies.

MVF's emphasis on supporting Maine's heritage industries (e.g., farming, forestry, and fishing) aligns with the State's goal to capitalize on its "thematic areas," two of which are Food/Marine and Forest Products. As of FY2023, 41% of MVF's portfolio was into Maine heritage industries (farming, forestry, fishing).[21]

The Economic Development Strategy emphasizes entrepreneurship and innovation as a key mechanism to boost wages and GDP. One of the State's action items to promote innovation is to "support businesses in their efforts to sell products inside the United States – particularly startups, new ventures, and small businesses"; MVF explicitly supports these types of businesses. MVF reported that its 45 portfolio companies generated $80,000,000 in revenue and 772 job years in FY2023.

The Economic Development Strategy also emphasizes that "the time is right for Maine businesses of all sizes and sectors to partner with education institutions, nonprofits, and governments."[22] To that end, MVF partners with Northeastern University's Roux Institute, Upstart Maine, and Dirigo Labs to connect entrepreneurs with accelerator programs and funding. MVF also inaugurated in 2022 the Maine Startup Challenge, a statewide business plan competition for school-age children.

---

[21] 2023 MVF Impact Report
[22] 2023 MVF Impact Report

Renewable Chemicals Tax Credit

Intent and Objectives

The Maine Legislature created the Renewable Chemicals Tax Credit in 2020, as codified in Title 36 MRSA §5219-XX. Administered by the Maine Department of Economic & Community Development (DECD), the program aims to incentivize the manufacture of renewable chemicals, polymers, plastics, and formulated products, as long as they are not sold or used to produce food, feed, or fuel. Renewable chemicals may, however, include cellulose sugar used to produce aquaculture feed and non-caloric food additives, supplements, and vitamins.

The program offers qualified applicants a tax credit of $0.08 per pound of renewable chemical produced in Maine. Unused credit may be carried over for up to 10 taxable years.

The program has no job creation or retention requirements, but applicants must report the number of direct manufacturing jobs created and the dollar amount of capital investment in manufacturing. The program requires that applicants demonstrate that at least 75% of the employees that produced the renewable chemicals in Maine meet the eligibility conditions under the State's Employment Security Law.

Alignment with Economic Development Strategy

The Renewable Chemicals Tax Credit program design supports the State's goal to promote environmentally responsible alternatives to petroleum-based products. The Economic Development Strategy recommends that Maine supports "the continued growth of bio-based alternative products that emerge from the intersection of wood supply, bioplastic, and advanced building material technologies." The tax credit program aligns with the State's goal to "leverage Maine's forest resources and forest-based economy" and sits at the intersection of the Economic Development Strategy's emphasis on forest products and manufacturing.

Educational Opportunity Tax Credit

Intent and Objectives

The Maine Legislature created the Student Loan Repayment Tax Credit (SLRTC), as codified in Maine Revised Statute Title 36 §5217-E, to replace the Educational Opportunity Tax Credit (EOTC) in 2022. Administered by the Maine Revenue Service, the program aims to reduce student debt burden for Maine residents working at least part-time in the state.

Applicants can receive tax credits of up to $2,500 per tax year and $25,000 in total. The tax credit can be applied for both principal and interest on student loans.

Applicants must have lived and worked at least part-time (936 hours annually) in Maine and earned at least the state minimum wage. Unlike its predecessor EOTC, SLRTC offers the credit to borrowers regardless of where they graduated, so long as they graduated after 2007 from an accredited institution.

Alignment with Economic Development Strategy

The replacement of EOTC with SLRTC in 2022 came after the State's Economic Development Strategy recommended the "expan[sion] and simplif[ication of] debt relief programs, such as the Education Opportunity Tax Credit, to help new and existing Maine residents retire student debt, thereby enabling them to invest in housing, transportation, and other critical needs." This change is in alignment with the Economic Development Strategy and at least somewhat simplifies eligibility, potentially improving access to program benefits. To evaluate whether the change has actually resulted in benefits to Maine citizens, MRS should report on the number of taxpayers using the tax credit and amount of debt being retired through this program.

Innovation Finance Program

Intent and Objectives

The Maine Legislature created the Innovation Finance Program, as codified in Maine Revised Statute Title 10 §1026-T, in 2009. Administered by the Finance Authority of Maine, the program aims to make available more venture funds to Maine businesses by enabling the Maine Public Employees Retirement System (MPERS) to invest in venture capital funds. The program has never been utilized.

The Authority authorizes MPERS to invest up to $20,000,000 in venture capital funds. MPERS may not, however, directly invest in businesses. No more than $4,000,000 in tax credits can be invested into one venture capital fund. These funds in turn can benefit businesses.

While there are no strict requirements of presence or impact in Maine, the Authority may approve investments upon consideration of whether the venture capital fund will: (1) maintain "at least a periodic presence" in Maine; (2) "build linkages" with organizations promoting innovation, e.g., the Maine Technology Institute, the Small Enterprise Growth Fund, the Department of Economic and Community Development, the Maine Patent Program, the University of Maine System, and venture capital investors in Maine; (3) "actively prospect for investments in the state; and (4) express "a commitment to seek investments in businesses in [Maine] that meet its investment criteria.

Alignment with Economic Development Strategy

The Innovation Finance Program design aligns well with the State's goal to promote innovation at the intersection of manufacturing and its heritage industries. The Authority approves investments upon consideration of whether the venture capital fund supports the State's "targeted technologies," which include biotechnology, forest products and agriculture, environmental technologies, marine technology and aquaculture, composites and advanced materials, information technology, and precision manufacturing.

Commercial Facilities Development Program

Intent and Objectives

The Maine Legislature created the Commercial Facilities Development Program, as codified in 5 §13120-O, in 2003. Administered by the Maine Rural Development Authority, the program aims to support "the development of new commercial facilities and the acquisition and redevelopment of nonproductive commercial facilities for subsequent return to productive use through sale or lease."[23] The Maine Rural Development Authority can serve as an owner or lender for property (re)development while municipalities, local development corporations or other entities match 25% of the Authority's funding for the project.

The program's legislative purpose is to create and restore employment opportunities, particularly in areas underserved by private investors and nonproductive facilities.

Alignment with Economic Development Strategy

The Commercial Facilities Development Program broadly aligns with the State's objectives to create jobs and serve all populations in the state. However, the Economic Development Strategy does not explicitly focus on commercial property development or redevelopment. Furthermore, the program does not target any specific industry, population or business size which might more clearly align it with the goals and objectives of the Strategy.

[23] https://www.mainerda.org/laws-rules/community-facilities-development-program/#:~:text=The%20Commercial%20Facilities%20Development%20Program,use%20through%20sale%20or%20lease.

Speculative Industrial Buildings Program

Intent and Objectives

The Maine Legislature created the Community Industrial (Speculative) Buildings Program (CIB), as codified in Maine Revised Statute Title 5 §13120-M, in 2005. Administered by the Maine Rural Development Authority, the program aims to encourage business development and job creation by providing financial assistance for industrial and commercial buildings.

CIB can provide loans of up to $500,000 with terms up to 20 years. to local development corporations and communities for the construction and associated costs of speculative commercial and industrial buildings.

To receive financial assistance, projects must be of public use and benefit and must create, retain, or improve employment opportunities or improve the competitiveness of the occupant business.

Alignment with Economic Development Strategy

CIB broadly aligns with the State's objectives to create and retain jobs and support industry. However, as with the Speculative Industrial Buildings Program, CIB does not specify a target industry or population or business size.

Regional Economic Development Revolving Loan Program

Intent and Objectives

The Maine Legislature created the Regional Economic Development Revolving Loan Program (REDRLP), as codified in Maine Revised Statute Title 10 §1026-M, in 1993. Administered by the Finance Authority of Maine, the program aims to help create or retain jobs by making loans to economic development agencies and nonprofits that in turn provide financial assistance to local businesses.

Participating agencies (which currently include at least 20 councils of government, towns, economic development corporations, chambers of commerce, and government agencies) may receive up to $3,500,000 in the form of a loan or a grant. The funds may be disbursed as either a lump sum or periodic disbursements. Businesses can receive up to 50% of project costs for projects between $50,000 and $350,000 and 100% of project costs for projects less than $50,000. The interest rate is negotiated with the regional agency, fees are set by each agency, and the loan term is up to 20 years.

The businesses for which funds are requested must employ no more than 100 employees or have annual sales of no more than $10,000,000. Regardless of sector, the business qualifies if they are a "micro-business" with fewer than 15 employees.

While businesses of various sectors are eligible for a loan or grant, priority is given to projects that will "result in long-term net increase in permanent, quality jobs that meet a local or regional need or the retention of jobs in jeopardy of being lost." Participating organizations must submit a semiannual report that includes the number of jobs created or retained by their funded projects.

The ultimate recipient businesses must also conduct business in one of the following categories:

- Advanced manufacturing technologies,
- Advanced information systems,
- Advanced biological/natural resource technologies,
- Conversion from defense industry,
- Significant export involvement (goods or services),
- Significant research and development,
- Micro-businesses (fewer than 15 employees),
- Quality child-care projects (REDRLP for Day Care is also administered directly by FAME),

- Businesses significantly engaged in commercial and/or mixed-use real estate and/or community facilities development, and
- Businesses significantly engaged in serving tourists, such as outdoor recreation, culture, heritage and hospitality.

Alignment with Economic Development Strategy

REDRLP's enabling legislation emphasizes the importance of "downtown revitalization and build[ing] strong communities and a sustainable economy." This goal aligns broadly with the State's goal to improve the quality of life and support small businesses.

While not exclusively dedicated to Maine's heritage industries, REDRLP aligns with the State's goal to "leverage Maine's forest resources and forest-based economy," as the program's enabling legislation explicitly prioritizes businesses that add "significant value to raw materials or inventory." Similarly, the program targets manufacturing, export industries, research & development, and outdoor recreation & tourism, all of which prominently feature in the Economic Development Strategy.

Childcare projects that apply for REDLP funding can receive 100% of total cost up to $350,000 under this program. Other businesses can receive, at most, 50% of project costs more than $50,000. REDRLP's carveout for childcare businesses aligns with the Strategy's call to "set the bar high for childcare."

Compliance Assistance Loan Program

Intent and Objectives

The Compliance Assistance Loan Program (CALP) is one of FAME's direct loan programs. Administered by FAME in conjunction with the Maine Municipal Bond Bank and the Maine Department of Environmental Protection, the program aims to improve oil storage and disposal as well as air quality improvement equipment.

CALP loans up to $400,000 to businesses to help finance the removal, disposal, or replacement of oil storage equipment. Units of local government and owners of 15 or more gas stations are ineligible. Loans have a fixed interest rate between 1% and current Prime, and a loan term of up to 15 years. The loan includes a loan origination fee of 1.5% and an annual loan administration fee of 0.75%. This program did not provide loans in FY 2023.

Alignment with Economic Development Strategy

While CALP is focused primarily on oil infrastructure and air quality, the program is required to report job creation and retention, which aligns with the Economic Development Strategy. Borrowers must report the number of jobs created, retained, salary, and percentage of health insurance premium covered by the employer.

The program's dedication to oil storage aligns with Maine's vision for an "environmentally-responsible economy" with "high environmental standards and efficient regulatory processes."[24]

[24] DECD, "Maine Economic Development Strategy 2020-2029," 11, 36.

Maine Technology Asset Fund

Intent and Objectives

The Maine Legislature created the Maine Technology Asset Fund (MTAF) 2.5, authorized by voters in 2017, as codified in Maine Revised Statute Title 5 §15302-B. Administered by the Maine Technology Institute (MTI), the bond-funded program "provides funds for investment in research, development and commercialization in the State's 7 targeted technology sectors to be used for infrastructure, equipment and technology upgrades that enable organizations to gain and hold market share and to expand employment or preserve jobs."

MTAF provides investments to Maine companies, university centers, and nonprofit research institution for facilities construction and renovation as well as research, development, and commercialization. Projects may not receive more than $500,000 and must match state dollars with an equivalent amount of federal or private funds.

According to the MTAF 2.5's guidelines, applicants must (1) be a registered Maine business, (2) have a significant presence in Maine or have plans to establish a presence in Maine, and (3) provide at least 1:1 cost-sharing for the project.

Alignment with Economic Development Strategy

In addition to focusing on Maine businesses' market share and revenues, the program requires that applicants demonstrate how MTAF funding will "expand employment" and "preserve jobs," which broadly aligns with the Economic Development Strategy.

MTAF explicitly focuses on the State's 7 strategic technology sectors – biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, information technology, and precision manufacturing technology.

As per MTAF 2.5's guidelines, "MTI will seek to make strategic investments in entities whose business models support goals reflected in the Economic Development Strategy, including those that: 1) stand to increase average annual wage in the State; 2) contribute to increases in value-added production; and 3) attract out-of-state people to Maine's talent pool."

Evaluation Findings

MTI outlines the amount and purpose of funds distributed through the Maine Technology Asset Fund 2.0 in its 2018 and 2020 annual reports[25]. The Maine legislature approved funding for the Maine Technology Asset Fund 2.5 in 2016, with voters subsequently approving funding in 2017. MTI awarded $45 million in funding in 2018, with $2 million forfeited and redistributed in 2020. MTAF2.0 was intended to target technology sectors including: biotechnology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, information technology, and prevision manufacturing technology. Recipients were required to match state dollars with an equivalent amount of federal or private funds.

183 applicants sought MTAF2.0 funding, with applications totaling $400 million in requests for assistance. MTI made funding awards to 18 organizations.

The MTAF2.5 program resulted from $2 million in 2018 MTAF2.0 funding that a recipient forfeited, requiring MTI to open applications in 2020 for redistribution. MTI received 84 proposals seeking a total of $25 million and awarded $2.16 million in funds to ten organizations. MTI's 2020 MTAF2.5 impact report states the ten awards were matched by $31,985,196 in private sector matching funds but does not specify the source of these funds.

MTI also states that "approved projects went through extensive due diligence, with primary focus on the stated desired economic outputs of growth or retention of market share, increased revenues, expanded employment and retained jobs and the feasibility of proposed projects to achieve their projected outputs. Requests were ranked against standard criteria and then against each other in terms of meeting the guiding principles established for the program".

MTI's MTAF 2.0 report mentions an "independent economic impact analysis" estimated awards under the first round of funding would result in 5,350 jobs and $1.4 billion in economic impact over 3 years. However, no public information is available on whether MTI assessed actual economic impact of the awards or has conducted follow-up analysis with award recipients.

MTAF2.0 and MTAF2.5 reports include brief information on each awardee and how they intend to use MTAF funds, location, award amount, and the cost of their proposed investment project. No further information was published or available through information request to MTI. Therefore, we were unable to evaluate program outcomes or success of participating businesses in achieving objectives stated in their applications or published project descriptions.

---

[25] MTI-MTAF 2.0 Impact Report-2018.pdf; MTAF2.5 Impact Report.pdf

Ship-Building Facility Investment Tax Credit

Intent and Objectives

The Maine Legislature created the Shipbuilding Facility Investment Tax Credit Program, as codified in Title 36 §5219-RR, in 2017. Administered by the Department of Economic and Community Development (DECD), the program aims to "create and retain jobs in the shipbuilding industry, encourage investment in shipbuilding businesses, and improve the competitiveness of the State's shipbuilding industry."

For 10 tax years, a certified applicant can claim an annual tax credit equal to 3% (up to $3,000,000 in any given tax year) of their total qualified investment (at least $100,000,000). Another qualified investment of $100,000,000 enables a continued tax credit for 5 additional tax years. Cumulative tax credits may not exceed $45,000,000. The tax credit amount corresponds with employment levels and rewards greater levels of employment, with a benchmark of 5,500 employees, The tax credit reduces with decreases in employment until an applicant has fewer than 4,000 employees, at which point they are wholly ineligible for a tax credit. At the same time, the credit amount increases up to $3,500,000 if the applicant employs at least 7,500 employees.

At the time of application, an applicant must have at least 5,000 qualified employees, i.e., they must be full-time, receive taxable income, be provided group health insurance, and receive a wage above the state's average annual per capita income.

Applicants must own or operate (or propose to construct) a Maine shipbuilding facility and make a qualified investment of at least $100,000,000. Applicants cannot simultaneously qualify for Pine Tree Development Zone Program or the Maine Employment Tax Increment Financing Program.

Alignment with Economic Development Strategy

The Ship-Building Facility Investment Tax Credit's benefits are tied to employment and wage objectives, which are central to the Economic Development Strategy. While shipbuilding is not explicitly mentioned in the Economic Development Strategy, the Ship-Building Facility Investment Tax Credit supports the Strategy to leverage its strengths in marine resources and technology and aquaculture.

Major Business Headquarters Expansion (MBHE) Tax Credit

Intent and Objectives

The Maine Legislature created the Major Business Headquarters Expansion Tax Credit, as codified in Title 36 §5219-QQ, in 2017. Administered by DECD and Maine Revenue Services (MRS), this tax credit intends to create high-quality jobs by encouraging major businesses to locate or expand their headquarters in Maine. The program offers a refundable tax credit of two% of a business's qualified investment ($35-40 million) in a headquarters facility in Maine in years when meeting employment targets (at least 800 new jobs over first 10 years and then maintaining these jobs for years 11-20) limited to $16 million total over up to 20 years for up to two different businesses (and headquarters). The program requires qualified investment to have occurred before December 31, 2022, with tax credits claimable for the following 10 years.

Alignment with Economic Development Strategy

The MBHE credit loosely aligns with the state's Strategy B: Attract New Talent. The tax credit aims to incentivize the creation of high-quality jobs and grow the state's workforce. If this program leads to businesses locating in the State that otherwise would not have chosen this location, then it is likely to support otherwise unrealized entrepreneurship and small business growth.

OPEGA Findings and Program Updates

OPEGA published a comprehensive evaluation of the MBHE Tax Credit in February 2018[26]. Table 17 outlines OPEGA's findings and recommendations in the report for revising design and governing legislation for the tax credit program. The table also details how statute amendments in 2019 and 2023 have addressed OPEGA's 2018 findings and recommendations. DECD has fully adopted all but one recommendation for improving program design and governing legislation.

The OPEGA evaluation also outlined suggested performance measures for the program as well as required data elements to evaluate program performance.

[26] 2018 MBHE Tax Credit OPEGA Report

OPEGA-suggested program performance measures include:

- Number of direct beneficiaries,
- Dollar value of tax benefit to beneficiaries,
- Total direct program cost,
- Total qualified investment,
- Number of new qualifying employees and total employees,
- Average and median wages of new employees and all employees,
- %of new and total employees with access to benefits,
- Average annual spending with in-state vendors,
- Direct cost per new job created,
- Net impact on state budget,
- Estimated change in state and local tax revenues,
- Change in gross state product,
- Return on state's investment–estimated change in tax revenue divided by the direct cost of the tax expenditure, and
- Change in number of major business headquarters in the state.

OPEGA-suggested data inputs include:

- The average and the median wages for the group of new employees added to qualify the business for a certificate of completion and to claim the credit.
- The average and the median wages for all Maine-based employees for each business participant by year.
- %of employees (both new and total) who have access to benefits.
- Participants' annual spending with in-State vendors (itemized or categorized by vendor type to support economic modeling).
- Additional economic modeling inputs: categorized or itemized expenditures that make up the qualified investment; total in-state spending prior to, and after, the business received a certificate of completion; NAICS code(s) of qualified applicants; and the amount of benefit participants receive from other Maine tax expenditure or economic development programs.

To address these findings, the Legislature has modified the program twice since its inception, in 2019 and 2023.

PL 2019 c. 401 Pt. D, §1 adds the following language to the program statute to further define eligibility, specify reporting requirements, and allow routine updates to program rules. This 2019 amendment:

- Adds a clawback provision allowing the DECD commissioner to revoke an approval certificate if a company fails to meet program requirements and investment minimums, ceases operations in the state, or if the approval certificate is transferred to another person without approval. This amendment also prevents the DECD commissioner from issuing certificates of approval to any one person that total more than an aggregate $100 million of qualified investment or $40 million of qualified investment.
- Allows certified applicants to claim a two% tax credit on the actual qualified investment specified in the applicant's certificate of completion beginning the tax year in which it is issued—or 2020, whichever is later. If the amount of qualified investment approved by the commissioner in the certificate of approval is less than the actual investment amount, the two% credit will be issued based on the original approved investment.
- Clarifies the two% tax credit is refundable.
- Adds a provision requiring the State Tax Assessor to report to the Legislature the revenue loss during the report year for each taxpayer claiming the credit, as well as updated revenue loss amounts from any previous tax year. This provision also defines "revenue loss" as the credit claimed by the taxpayer and refunded by the state, stated separately.
- Allows the DECD commissioner and state tax assessor to adopt technical rules for implementing the credit, including those for determining and certifying eligibility or adopting fees to defray actual costs of administering the credit.

PL 2023 c. 401 Pt. D, §1 further defines baseline employment, qualified investment, tax credit limit, and reporting requirements:

- Defines "employees based in the state" to be employees that perform more than 50% of employee-related activities for the employer at a location in the state.
- Defines "qualified investment" to mean an investment of at least $35 million to design, permit, construct, modify, equip or expand the applicant's headquarters in the state. Qualified investments must be made after the DECD commissioner issues a certificate of approval and prior to December 31, 2022.
- Clarifies that cumulative credits may not exceed $16 million under any single certificate of approval.
- Adds a provision clarifying reporting requirements including the first six data inputs suggested by OPEGA and excluding the final bullet that begins "Additional economic modeling inputs". The provision also requires the commissioner to provide copies of an annual report to the State Tax Assessor and Legislature.

- Classifies annual reports for the program as public records.

Table 17. OPEGA Findings and Statute Updates

OPEGA Finding	Statute Amendment	Effect
Statute does not require an employment baseline. An employment baseline should be established to ensure an accurate count of new employees.	PL 2019 c. 401 Pt. D, §1	Defines "employees based in the state" to be employees that perform more than 50% of employee-related activities for the employer at a location in the state.
Clarification is needed for recapture provision. The party responsible for returning funds when a certificate is revoked after having been transferred should be clarified.	PL 2019 c. 401 Pt. D, §1	Adds a recapture provision allowing the DECD commissioner to revoke an approval certificate if a company fails to meet program requirements and investment minimums, ceases operations in the state, or if the approval certificate is transferred to another person without DECD approval.
Credit may be calculated based on planned, not actual, investment amount.	PL 2019 c. 401 Pt. D, §1	Allows certified applicants to claim a 2% tax credit on the actual qualified investment specified in the applicant's certificate of completion beginning the tax year in which it is issued—or 2020, whichever is later. If the amount of qualified investment approved by the commissioner in the certificate of approval is less than the actual investment amount, the 2% credit will be issued based on the original approved investment.
MBHE credits should be calculated based on a participant's actual qualified investment.	PL 2023 c. 401 Pt. D, §1	Defines "qualified investment" to mean an investment of at least $35 million to design, permit, construct, modify, equip or expand the applicant's headquarters in the state. Qualified investments must be made after the DECD commissioner issues a certificate of approval and prior to December 31, 2022.

OPEGA Finding	Statute Amendment	Effect
Some reporting requirements are unclear. Statute should be amended to clearly reflect all intended outcomes against which program's effectiveness will be assessed. Statutory reporting requirements should be clarified.	PL 2023 c. 401 Pt. D, §1	Adds a provision clarifying reporting requirements including the first five data inputs suggested by OPEGA and excluding the final bullet that begins "Additional economic modeling inputs". The provision also requires the commissioner to provide copies of an annual report to the State Tax Assessor and Legislature. It is important to note that these statutory reporting guidelines are not reflected on the DECD webpage explaining the program[27].

[27] https://www.maine.gov/decd/business-development/financial-incentives-resources/specialized-programs/major-business-headquarters-expansion-program

Business Equipment Tax Exemption (BETE) and Business Equipment Tax Reimbursement (BETR)

Intent and Objectives

The Maine Legislature created the Business Equipment Tax Exemption and Business Equipment Tax Reimbursement, as codified in Title 36 §691, in 2005. Administered by the Maine Revenue Services (MRS) with municipal assistance, these tax credits aim to reduce the cost of owning business property in Maine and encourage capital investment by either reimbursing or not collecting businesses' property taxes according to set formulas.

Alignment with Economic Development Strategy

BETE and BETR are designed to encourage small business growth, aligning somewhat with the Economic Development Strategy. However, because OPEGA reports personal property taxes are not a primary factor influencing the purchase of business equipment and the low-to-moderate amount of the benefit received by most businesses, BETR and BETE likely have a "limited on capital investment decisions."[28] Beyond a recent legislative clarification of tax exemptions for solar equipment, these programs do not specify target industries mentioned in the Economic Development Strategy.

OPEGA Findings and Program Updates

OPEGA evaluated the implementation of the BETR and BETE programs and published findings in a February 2020 evaluation report[29]. Findings of the evaluation include:

- Municipalities and businesses are impacted by challenges in determining asset eligibility for BETR and BETE.
- Goals and intended outcomes against which BETR and BETE are to be evaluated are unclear.
- Municipalities are not adequately reimbursed for mandated expenses.
- Maine Revenue Services (MRS) has not provided the Department of Administrative and Financial Services (DAFS) information on the BETE mandates that they administer as required by statute.

[28] 2020 BETR and BETE OPEGA Report
[29] 2020 BETR and BETE OPEGA Report

- MRS' documentation that supports adjustments to BETE payments is inadequate.

Since OPEGA conducted its evaluation, the Legislature modified the program statute in 2019 and 2023. However, these statute amendments do not address OPEGA findings and recommendations. Legislative amendment since the program's creation are summarized below.

PL 2019 c. 659, Pt. B, §2:

- Defines "qualified property" eligible for the program

PL 2023 c. 588 §3-5, 7:

- Excludes any facility that stores spent nuclear fuel from qualifying as business equipment eligible for the program.
- Defines "TIF exempt business equipment" to mean exempt equipment located within a tax increment financing district.

Historic Rehabilitation Tax Credit (HRTC)

Intent and Objectives

The Maine Legislature created the Historic Rehabilitation Tax Credit, as codified in Title 27 §511, in 2007. Administered by the Maine Historic Preservation Commission (MHPC), this tax credit intends to support historic preservation, affordable housing development, and community revitalization, and to create jobs and secondary positive economic impacts. Following procedures established by the National Trust for Historic Preservation and the federal Government Accountability Office (GAO), the HRTC consists of a refundable income tax credit to taxpayers who rehabilitate certain income-producing historic properties for 25% of the project's certified qualified rehabilitation expenditures (or 35% if certified by Maine Housing as a new affordable housing project).

There have been legislative proposals to lower the lower threshold for a small project rehabilitation credit (currently $50,000 - $250,000) and to expand the "income-producing" eligibility definition to include housing.

Alignment with Economic Development Strategy

To the extent that it supports construction jobs and jobs contained in the rehabilitated income-producing building, the HRTC broadly aligns with the State's objectives to create jobs. Unlike other programs, however, the HRTC does not specify target industries, populations, or business size. The Economic Development Strategy moreover does not explicitly focus on commercial property rehabilitation. In addition, the HRTC may support project that remove other resources that support the economy, such as existing housing.

OPEGA Findings and Program Updates

OPEGA's 2021 evaluation report found that the MHPC is aligned with many general tax expenditure best practices and is unique in meeting transparency and reporting requirements among state tax incentive programs. "Tax expenditure best practices focus on, and balance competing priorities between, multiple policy goals including state fiscal responsibility, program oversight, and transparency"[30].

Among tax expenditure best practices the program aligns with, OPEGA cites the following:

[30] https://mainelegislature.org/doc/7498

- Transparency and Accountability: program data is publicly available and regularly provided to the Legislature
- Program Ownership: MPHC has clear ownership of the program and HRTC goals align with broader MHPC goals, incentivizing effective program implementation
- Simplicity for Participants: HRTC is structured similarly to a similar federal credit, keeping the application as simple as possible
- Fiscal Certainty for State and Participants: Tax credit availability is predictable for participants and caps per project refunds, protecting the state from ballooning costs.
- Checks on Program Performance: The program only provides tax benefits to participants after they have completed clearly defined rehabilitation of historic properties.

OPEGA found the program made significant contributions to creating and preserving affordable housing and—to some extent—historic preservation. Finally, OPEGA found the program to have significant community revitalization impacts that available program data does not adequately capture.

OPEGA presents the following opportunities for improvement and recommendations for program implementation and design:

- Improve data management, including internal guidance on data processing and documentation to ensure traceable reporting.
- Improve guidance to reporting entities and consider streamlining the reporting process.
- State policymakers should consider centralizing data management for tax expenditure programs to address interest in using data for oversight of these programs.
- State policymakers should decide the degree to which jobs information is important to their oversight of the HRTC and whether it is worth pursuing new methods for what is collected and reported given lack of centrality and potential cost.
- Policy makers should consider whether biennial reporting for the HRTC meets the Legislature's needs and is efficient.
- Legislature should clearly specify one or more legislative committees to which reports must be submitted and consider whether this should include the policy committees with jurisdiction over relevant areas.
- Policy makers should work with MHPC and stakeholders to clarify the small project credit's purpose to measure its effectiveness in the future.
- Policymakers should consider whether expanding eligibility for the HRTC aligns with state policy priorities while weighing costs and benefits of expanding eligibility.

Since OPEGA conducted its evaluation, the Legislature has not amended the program statute.

Review of Annual Reports and Program Transparency Findings

- Results of the annual report review and program transparency analysis were mixed. For example, FAME's transparency is good both in terms of its outward-facing transparency and how easily businesses can find relevant program information (without having to sift through a lot of irrelevant information). Each program is easily searchable either on the web or from FAME's website using the menus or the site's own search engine. The page for each program presents information in a standard format that includes program purpose, eligibility, benefits caps. Eligibility and application materials are available online for nearly every program with niche exceptions such as the potato marketing loan program.
- Similarly, FAME's annual report stands out as informative regarding program activities. The report contains a summary of each program, including changes to the program implemented since the previous reporting period and forthcoming changes. Each program summary also includes the number of awards made, total amount of awards made including individual award values and recipient names for some programs. Many program summaries include an estimate of cumulative jobs supported by the program since its inception.
- In contrast, MTI programs were more difficult to find using a web search and program details were less visible on the agency's website. MTI operates on an "intake" system, where companies establish a relationship with an agency representative who then helps them assemble an appropriate package of loans, grants, and equity awards. While this is excellent in terms of helping the agency meet the individual needs of businesses, it decreases the visibility of benefits to businesses looking to expand, particularly those searching from out of state or out of the country. Furthermore, some types of support offered through MTI were vaguely named, which made identifying program activities in the agency's annual report more difficult. The agency's annual reports do present detailed information regarding the activities and impacts of temporary special-purpose programs that were active during the annual report year, such as the Emerging Technology Challenge for Maine's Forest Resources and Maine Clean Energy Innovation Challenge Program.
- Tax credit programs, typically administered by MRS, were easy to find on the internet using even very general search terms. Due to the complex nature of some of the program legislation, the amount of benefits was not always immediately apparent or easy to compare with the offerings of other states. Companies looking to make location decisions based on these incentives would likely need to consult an accountant with

experience in business tax credits to determine the level of support. While any company making a location decision would be likely to do this before making a final decision, they may drop Maine locations from consideration rather than introduce these calculations at the long-list stage of their search. MRS does not make a public report of the amount of credits issued under these tax credit programs. The evaluation team was able to obtain this data for the State's largest programs (ETIF, PTDZ). One limitation of the data obtained was the lack of industry identification of each beneficiary which limited the team's ability to determine the extent to which these programs are being used to support the State's targeted industries.

- Finally, required legislative reports were not available via web search for several economic development programs. The enabling legislation for many of the programs and incentives establishes specific reporting requirements that designates what is to be reported, to whom it should be reported and the frequency of reporting. However, such reporting was not found for some of these programs. For example, the legislation that created the Commercial Facilities Development Program and Speculative Industrial Building Program (also known as the Community Industrial Building Program), which is administered by the Maine Rural Development Agency, requires annual reporting on program activities to the Governor and Legislature. However, no such report was found on the administering agency's website nor with a search of the Legislature's online document repository.

Economic Development Strategy Alignment Findings

- The portfolio is not expressly aligned toward the Goals set forth by the Economic Development Strategy. While the Strategy establishes goals with specific, measurable performance targets related to increasing wages, increasing value added, and expanding the State's talent pool, most of the state's economic development programs—including its most active and widely used programs—are oriented toward more general business growth such as job retention and creation and investment attraction. Broadly speaking, this holds true in terms of program purpose, program design, and program activities. To some extent, this appears due to the proliferation of "legacy" programs in the State's portfolio—programs created by the Legislature to serve a specific need at a specific time that may not currently be relevant. In many cases, these more general programs could be administered in a way that directs resources towards the State's "Focus Areas" or to support specific Strategy Areas or Goals. This does not appear to be occurring across the State's portfolio.

- Program reporting is not aligned with determining outcomes related Strategy Areas or specific Goals nor the relative level of investment in each of the Strategy Areas or Goals. Annual reports don't typically reference the Economic Development Strategy, nor do they 1) identify how programs support 10-year Goals or Strategy Areas, 2) report on program activities by Strategy Area, or 3) report outcomes in terms of contribution to Strategy wage, value added and workforce expansion goals. The incompleteness of reporting regarding the state's investment in each program, number of beneficiaries, and beneficiary industry and activity supported by the award makes it difficult to measure the relative investment toward each Goal, in each Strategy Area and toward each Area of Focus.
- The sheer number of programs, incentives, and investments makes it difficult to determine the portfolio's alignment with Economic Development Strategy Goals. The proliferation of economic development programs and incentives across many agencies makes it difficult to determine the extent of duplication of efforts as well as identify gaps that may exist in the State's portfolio. This is exacerbated by the reporting issues discussed above.

State Benchmark Assessment Findings

Current Benchmarking Limitations

In the Interim Report, EBP replicated Benchmark 3 and Benchmark 4 in the 2018 evaluation. The results reported in the following sections are therefore meant for comparative purposes.

Although IncentivesFlow is one of the most comprehensive sources for incentive data, it does not provide complete information for Maine. According to FT Locations, this is primarily due to limited transparency around incentives in Maine, which is itself a finding of this evaluation. Still, IncentivesFlow provides enough information to position incentive performance in Maine relative to the United States. In this context, IncentivesFlow should be interpreted as a benchmarking tool rather than a reporting tool.

Since the midterm evaluation, EBP collected data on the value of tax incentives through state-level GASB 77 filings. Benchmarks 3 and 4 include comparative analysis of FT Locations and GASB 77 filing data. This update informs EBP's recommendations to improve transparency and data availability for Maine incentive programs.

EBP compared Maine's portfolio of economic development incentives with those in states across the country, including states in the New England region and states with programs that target sectors like those targeted by Maine. This assessment will help DECD understand at what rate companies take advantage of Maine incentives, Maine's general business environment, incentive transparency, and investment performance against national and regional benchmarks. This section also reviews best practices for economic development programs based on data from peer states.

Benchmark 1: Investment by State	
Description	EBP used data from the FDI Markets Database to explore Maine's competitive position in attracting FDI projects from different markets, industries, and activities.
Main Findings	• On average, Maine ranks 43rd nationally in terms of investment attraction, which represents an improvement from 44th in 2018 and 46th in 2016, as noted in the 2018 Comprehensive Report. • Notable Maine projects not reflected in the FDI Markets database include a $25 million investment by Pleasant River Lumber Company and a $65 million investment by Penobscot McCrum.

Benchmark 1: Investment by State	
	• The largest source of international investment into Maine over the past five years is Canada, with six projects, followed by the Netherlands and Switzerland, with two projects each.

Benchmark 2: Business Environments	
Description	This assessment is based on a location analysis which uses economic and demographic data to compare the competitive position of MSAs in Maine with MSAs in other locations across the U.S. using common corporate location decision factors that were tailored to the key opportunity industries put forward in Maine's Economic Development Strategy.
Main Findings	• The Maine MSAs of Portland, Bangor, and Lewiston ranked 6th, 16th, and 18th respectively overall among 23 comparator MSAs of similar size and character. • The Maine MSAs ranked highest in industry-specific employment and occupation-specific employment relative to their rankings in other categories. They have populations that skew older, impacting the availability of a stable future workforce. • Portland's comparatively high housing growth, population growth rates, and educational attainment contribute to its higher overall ranking. • Bangor and Lewiston have much lower and even declining growth rates and lower levels of educational attainment. • Beyond Maine MSAs, Boston ranked first, primarily because of its much larger population, sufficient occupation-specific employment and best access to transportation and markets.

Benchmark 3: Incentive Awards	
Description	This assessment uses data from FT Locations IncentivesFlow Database to evaluate trends in incentive use across the U.S.
Main Findings	• Maine has a relatively high incentive cost per job created ($82,239) and a relatively low return on investment ($2.71). • From 2017 to 2021, Maine spent $74.9 million on 17 incentive awards ($4.4 million per project), placing Maine slightly below par for the U.S. On

Benchmark 3: Incentive Awards	
	average, any given state spent $995.8 million on 380 incentive awards ($2.6 million per project), suggesting that Maine spent disproportionately more on incentives when compared to the rest of the U.S. • From 2017 to 2021, an incentive granted to a project resulted in an average of 146 new jobs and capital investments of $31.2 million, at the national level. For Maine individually, an incentive granted to a project resulted in an average of 54 new jobs and capital investments of $11.9 million, with both metrics below the national averages. • Analysis of GASB 77 filings in Maine and among peer states reveals these filings are not complete, consistent or reliable sources of data on investment trends, though they are somewhat useful in benchmarking the completeness of IncentivesFlow data.

Benchmark 4: Incentive Transparency	
Description	Using data from FT Locations IncentivesFlow Database, EBP developed an Incentive Productivity Index to assess and rank states according to their incentive deal figures. The primary indicators used include number of awarded incentives, value of capital investments, and number of newly created jobs.
Main Findings	• Maine ranked 46th on average for incentive productivity. Despite this, the State has gained ground over the last five years, improving from its ranking of 48th in 2017. • In 2017, Maine ranked 48th with only one incentive deal recorded. In 2021, the State moved to 44th with six incentive deals recorded. Although these six deals did not bring capital investment into the state, they did bring 599 new jobs, placing Maine 43rd nationally for new jobs created.

Benchmark 5: Peer States	
Description	This assessment involves examining peer states' programs similar to ETIF and PTDZ. The states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont, Florida, Idaho, Maryland, and New Jersey – were selected based on similarities of location, share of gross domestic product, and incentive distributions, in addition to input from DECD.

Benchmark 5: Peer States	
Main Findings	• All peer states offer at least one incentive program similar to the PTDZ and ETIF programs. • These programs offer income tax credits of $500 - $9,000 per new, full-time job. • These programs have a wide range of eligibility requirements, restrictions, and incentives bonuses based on factors, including job wage, location, industry, employee characteristics (economically disadvantaged, veteran, etc.), and job type (i.e. apprenticeship). • Most programs offer benefits for under ten years, and some allow unused credits to rollover or be disbursed as a tax refund. • Most peer states offer workforce training incentives, including reimbursements for training costs.

Opportunities and Recommendations

Recommended Changes to Economic Development Portfolio and State Investment Levels

- Consolidate and simplify programs with similar legislative intent or objectives. Simplify the state's portfolio of economic development programs. Make fewer programs more applicable to a broader array of companies. Programs with similar intent and objectives include: ETIF, PTDZ, Business Headquarters Expansion Tax Credit, Speculative Industrial Buildings Program, Ship Building Facility Investment Tax Credit, Renewable Chemicals Tax Credit, and the Business Equipment Tax Exemption and Tax Reimbursement. While maintaining an array of tax credit programs to meet various business needs is okay, the State should consider marketing only a few as flagship incentives for which site selectors can easily understand benefits and eligibility criteria. Closely monitor initial reception of Dirigo Business Incentive program and consider moving benefits from other programs under this umbrella to simplify incentive offerings.
- Expand eligibility and benefits under FAME's Commercial Loan Insurance program. Roundtable participants identified the CLI program as one of the most beneficial resources available to Maine businesses. Because this program is administered through financial institutions, it is directly tied to businesses' need for capital. Additionally, the program is governed by clear underwriting criteria, including a computerized scoring system for instant approval via its Online Answer (OLA) platform. However, the program is not targeted at business in specific industries or conducting certain activities. The state could consider

expanding this program with targeted eligibility criteria and additional benefit to business projects that align with the Economic Development Strategy.

Recommendations to Improve Transparency and Accountability

- Increase incentive program public data accessibility. In replicating the incentive productivity benchmarks from the 2018 evaluation, we discovered that one of the leading databases of incentive information—IncentivesFlow—has incomplete data for Maine. This is reportedly because it has been difficult to obtain necessary information from the state through web-scraping and public records review, especially in comparison with other New England states. This points to a need for improved data accessibility around incentives, not specifically to fulfill information requests from third parties, but to enable easier access to data for outside evaluators and the public. One way to improve transparency is to make more program data, evaluations, and reports available on the web, possibly through a searchable database. It is important that all incentive programs have an easy-to-find online footprint regarding their purpose, how they work, eligibility, application process, level of benefits and number of beneficiaries, and annual impact reports.
- Aggregate and market incentive programs to prospective investors. Expand external-facing tools like Maine Funding Network to aggregate available incentives across programs and agencies for prospective investors. This type of tool should also include aggregated information on the number and level of incentives historically offered by the state. Marketing materials for state incentive programs should clearly explain the state's target industries and/or economic activity, as well as the appropriate market segments for each type of program.
- Focus efforts on addressing root causes of business challenges. While most interviewees appreciated the financial benefits of incentive programs, they also face other challenges that these programs may be unable to address. These include workforce and housing availability as well as costs of transportation, energy, and other inputs to production. Incentives are only likely to be efficient if the underlying business dynamics (labor, markets, infrastructure, government regulation, etc.) already are aligned with the needs of businesses. For this reason, we recommend that DECD continue to focus its efforts on ways it can partner with organizations throughout the state to support businesses beyond direct financial incentives. These root issues merit dedicated attention and solutions, as incentive programs alone cannot fully solve these fundamental problems. Where state agencies already have programs and funding allotted to address housing and childcare challenges, improved program data collection and evaluation are needed to understand if these investments have been effective.

General Recommendations

- Develop a targeted incentive to attract high-value investments. Program administrators expressed a lack of incentives marketed toward high-value investment projects. In one instance, multiple agencies combined benefits from several programs to offer only a modest incentive package to a project that clearly aligned with the state's development goals. We recommend Maine consider establishing financial facilities to support larger investment projects, i.e. those worth $10-100M in capital expenditures. Current economic development investments do not allow the state to offer competitive incentive deals for large projects, and coordination of existing resources across agencies is inefficient. One interviewee noted these large investments will be necessary to attract new talent and create mid-career and senior-level, high-paying jobs. Without significant outside investment, workforce availability and attraction remain barriers to economic growth.
- Articulate how program eligibility guidelines and objectives contribute to achieving Maine's Economic Development Strategy Goals. We found during this evaluation that economic development programs each have their own set of qualifying industries defined in their respective eligibility criteria. For many programs, the rationale behind the selected industries was either unclear or not explicitly linked to the Economic Development Strategy. We recommend program administrators articulate rationale for selecting eligible target industries in the context of the Economic Development Strategy on agency websites and within annual reports. Additionally, program guidelines should explicitly state how program eligibility and performance metrics support attraction, expansion, and retention of businesses in these areas to provide clear criteria for assessment during the next comprehensive evaluation.
- Authorize and mandate a permanent arm of state government to collect and maintain performance data on each of programs and participants. Furthermore, establish a clear, transparent mechanism communicating program evaluation results in updates to strategy and public policy. Under current reporting practices, which are completely independent of Economic Development Strategy goals, it is not possible to tell which programs effectively address barriers to achieving Strategy goals or the level of investment toward each goal.
- Create an action plan that articulates how agencies implementing incentive programs should contribute to achieving the state's economic development goals. DECD should identify specific agencies, programs, and actions that will support specific goals stated in the Economic Development Strategy. Stakeholders participating in roundtable discussion identified a perceived lack of follow-through and alignment of state actions and funding levels with the Economic Development Strategy. While they believed the Strategy was well designed with ample input from stakeholders across the state, they were unsure it aligned with actions taken by state agencies in the years since its publication.

Implementation Recommendations

- Define distinct performance metrics for each program type. The State should be explicit in defining performance metrics for each program, matching them to the type of assistance provided (tax credit, grant, technical assistance, tax increment financing (TIF), etc.), and relating them to strategic goals in the Economic Development Strategy. Defining the same performance criteria for similar program types would aid in simplifying reporting guidelines and increasing program transparency.
- Conduct a comprehensive audit of user experience. Program administrators and participants identified application and reporting to be a barrier to program effectiveness. Reporting requirements seem to limit the types of businesses that benefit from state programs, while a lack of reliable data hinders appropriate program evaluation. To better understand how to balance reporting requirements with the need for program data, the state could conduct an audit to understand how Maine's incentive processes compare to those in other states where Maine-based companies also operate. This audit could include a blend of semi-structured interviews to assess pain points, and a survey that compares business experience using Maine programs versus those in other states. In addition to making Maine's incentive programs easier to use, the outcomes of this audit may offer valuable data on current and best practices in other states to inform program design.
- Consider expanding FAME OLA-style platform for multiple programs. Administrators and participants interacting with FAME's Commercial Loan Insurance program highlighted the OLA platform as being particularly helpful for accessing assistance. The OLA platform allows a participating financial institution to determine almost instantaneously if it is eligible to provide FAME-backed pro-rata and leveraged insurance. The platform works well because it requires only a limited amount of data and does not require face-to-face, time-delayed interaction with an agency representative. Other programs and agencies should consider adopting similar principles in developing application and reporting requirement to improve both data quality and user experience.
- Standardize data collection from program participants. Because Economic Development Strategy metrics are income, value added, and workforce expansion, programs should report data on these metrics. The state's current non-standardized practices increase administrative burden for program administrators and intended beneficiaries alike, and they limit the state's ability to track impact. Many businesses participate in multiple programs that require them to report distinct sets of information. Roundtable participants identified reporting as a barrier for small businesses to access incentive programs. During this evaluation, data collection was especially challenging, as available data was not consistent or complete across programs, and often offered only basic information about participants. Some programs did not report any measures of

performance, and business information was often duplicative or missing. Low survey response rate and poor quality of survey responses also hindered analysis.

- Collect primary and secondary NAICS codes from all award recipients to facilitate data analysis and program evaluation. One way to standardize data collection across programs and agencies is to ensure all awards are associated with a primary and secondary NAICS code. This practice enables an evaluator to classify recipients by industry and compare their performance to businesses that did not receive incentive awards, as well as to that of businesses and industries in peer states.
- Consider using QCEW data to evaluate company growth after receiving economic development assistance. Given program data availability challenges, EBP requested access to QCEW data from Maine DOL to obtain accurate employment and payroll data for participating companies. The survey, conducted by the US Bureau of Labor Statistics, provides a quarterly count of employment and wages reported by employers covering more than 95% of US jobs. This data provides a reasonably accurate benchmark by which to evaluate participating versus non-participating business performance. This quasi-experimental design offers a methodology for “ex-post” evaluation—or evaluating program outcomes after they have occurred. Ex-post evaluation allows DECD to compare the intent and expected impact of programs to their actual impact, and use the results to inform future program funding, design and implementation decisions.

Appendix A: Outcomes of Prior Evaluations

2023 Midterm Evaluation findings included:

- Enforce company information requests. Low survey response rates and incomplete responses negatively impacted our evaluation of program performance. As sections 3 and 4 of this report discuss, low response rates meant that the survey results are likely skewed toward companies that may want additional support from DECD, and therefore not fully representative of the entire population of companies that have benefited from PTDZ and ETIF. Difficulties gathering complete information from participating companies has been and continues to be a critical weakness in the evaluation process, mentioned in every report since at least 2014. We recommend that DECD require companies to fulfill information requests as part of the initial application process and as a condition of receiving support. This could include more detailed annual reporting that requests the exact information necessary for regular evaluations. It could also include mandatory surveys that occur annually or bi-annually. This must be weighed against risks to financial confidentiality and data security that some companies expressed in interviews and open-ended survey responses.
- Consider making programs perpetual. In the context of PTDZ and its scheduled sunset date, at least one interviewee noted that it is difficult to do long-term business planning when there is uncertainty around which programs will exist in the future and for how long. This has a broader impact on competitiveness: Because programs like PTDZ influence investment decisions, companies must factor in the risk that a program will not be available to them. This could be a risk they can avoid in other states. We recommend that DECD work with the Legislature to keep programs in operating in perpetuity or at least for longer periods so that companies have more certainty about resources available to them.
- More closely align PTDZ & ETIF with the Maine Economic Development Strategy. PTDZ and ETIF generally support the objectives of the Economic Development Strategy by (a) promoting job creation and wage growth in economically distressed communities, and (b) in the case of PTDZ, focusing on specific industry sectors involved in innovation. Related to the previous recommendation, the programs could support Strategy F, Maintain Stable Business Environment, by becoming permanent offerings for businesses. This would help ensure that businesses considering relocating to or expanding in Maine are not deterred by uncertainty around the support they will receive from the State.
- Focus efforts on addressing root causes of business challenges. While most interviewees appreciated the financial benefits of incentive programs, they also face other challenges that these programs may be unable to address. These include workforce and housing availability as well as costs of transportation, energy, and other inputs to production. Because these factors seem more fundamental to company location and

expansion decisions, we recommend that DECD continue to focus its efforts on the Economic Development Strategy and ways it can partner with organizations throughout the state to support businesses in ways that extend beyond direct financial support.

- Increase incentive program transparency. In replicating the incentive productivity benchmarks from the 2018 evaluation, we discovered that one of the leading databases of incentive information—IncentivesFlow—has incomplete data for Maine. This is reportedly because it has been difficult to obtain necessary information from the state through web-scraping and public records review, especially in comparison with some other New England states. This points to a need for improved transparency around incentives, not specifically to fulfill information requests from third parties, but to enable easier access to data for outside evaluators and the public. One way to improve transparency is to make more data and reports available on the web, possibly through an online data hub or portal that is updated regularly and easily searchable.

2018 Evaluation findings included:

- Companies reported that the programs were generally effective in helping them to either grow more than they otherwise would have or sustain them during challenging times.
- Though programs are generally effective, companies would like the programs to be better advertised, more straightforward, and simplified. Companies and individuals expressed that a lack of clarity around incentives contributes to a negative perception about doing business in Maine.
- Companies and individuals said that the general operating and regulatory environment in Maine raises concerns about the stability of incentive programs, further contributing to a negative perception about the state's business environment. Some companies and institutions expressed concern as to whether or not the report findings would lead to positive policy changes.
- Interviewees suggested the state should have a unifying vision for economic development and innovation shared by all state governing bodies.
- Available support programs do not directly address critical needs of companies in the 20-100 employee range; there is a need for more support for start-up companies looking to become more established.
- Companies and institutions said it was difficult to find qualified workers and suggested that the state focus on workforce development. In addition, Maine DECD should consider broadening business retention and growth efforts to all incentive program participants as well as to companies that are not participants.
- Some institutions and enterprises recommended that Maine be more aggressive in supporting innovation by promoting relationships between research, business, and

finance. Furthermore, Maine should better define the role of pure scientific research in the state's economic success.

- The Economic Development Survey, which ICA used to gather information from participating companies on doing business within the State of Maine and to collect input values for the Cost Benefit Models (CBM), had a completion rate of over 90%. The CBM has been repurposed as the Return on Investment Model for the current evaluation.
- ICA constructed CBMs for four programs. The methodology and results for each are as follows:
  - Business Equipment Tax Reimbursement (BETR)
    - Methodology: Evaluated using the unmodified internal rate of return (IRR) model.
  - Results: Provides a positive IRR of 86.7%, implying a return of nearly $1.867 on each dollar invested into the BETR program.
    Finance Authority of Maine (FAME)
    - Methodology: Evaluated using the unmodified IRR model.
    - Results: Shows a positive IRR of 66.5% for CLI/ERLP, implying a return of $1.665 for each dollar invested.
  - Maine Technology Institute (MTI)
    - Methodology: Evaluated using the unmodified IRR model.
    - Results: Shows a positive IRR of 4.2% for the development loan (DL) program, implying a return of $1.042 for each dollar invested.
  - The PTDZ program
    - Methodology: Evaluated using the IRR model but included a sensitivity factor based on the assumption that companies would not have proceeded to locate in Maine without the incentive.
    - Results: Shows a positive IRR of 297.2%, implying a return of $2.972 for each dollar invested.
- Maine's incentive productivity is similar to that of New Hampshire, Rhode Island, and Vermont. Connecticut and Massachusetts gave a greater number of incentive awards with higher value of those awards, resulting in greater capital investment and job creation. Maine continues to trail other states in measures of incentives data availability.

The 2018 Evaluation findings informed the resulting recommendations (organized by category):

- Structure and Targets of Incentive Programs
    - Organize a clear Economic Development and Research & Development strategy
    - The program design process should be led by simplicity, clarity, certainty, and objectivity
    - The State should be explicit in matching performance measures to the type of assistance provided. Furthermore, establish a clear, transparent mechanism communicating how the measurement and evaluation of programs results in updates to strategy and public policy
    - The State should examine programs that could be augmented to meet the needs of post start-up companies (20-100 employees)
    - Within each program, establish a clear and transparent framework for both investors and recipients
    - Loosen requirements for personal equipment tax exemptions in the PTDZ program
    - The State should focus on growing and supporting all business sectors in Maine, rather than focusing on seven specific sectors
- Eligibility and Benefits of Programs
    - Ensure that investment incentive programs are clear and simple with pre-determined criteria
    - Keep administrative processes as simple and clear as possible
    - Descriptions and details on incentive program websites should also be clear and transparent
- Monitoring and Evaluation of Incentive Programs
    - The State should create a searchable repository of information on all programs, including clear statements of goals, outcomes, and evaluation and monitoring procedures
    - Program administrators should follow up with program applicants who are deemed ineligible for or are not chosen to receive funding
    - Again, the State should establish a clear and standardized reporting tool for all program recipients which provides a means for recipients to give feedback to the State on their experiences on the utility and efficacy of the programs
    - Once a company receives an incentive award, the State must continue to honor the award until either it expires, or the company falls out of compliance
    - The State should consider revising the metrics it uses to evaluate the effectiveness of its research programs

  - Similarly, the State should fully recognize the distinction between pure research performed by educational and non-profit institutions, and commercial research and development performed by industry
  - An Incentive Working Group comprised of representatives from government institutions and corporations should be established to facilitate collaboration
  - The Maine Revenue Service and DECD should coordinate to hold investment incentives holders responsible to report within the standard fiscal reporting system
  - There should be an annual review of incentives and purge of non-compliant companies in addition to a full fiscal review on a biannual basis
  - There should be clear guidelines for the types of matches allowed under programs that require fund matching
  - To allow for regular independent evaluation, the State should establish fixed program durations
  - The State should work to resolve redundancy of incentive program evaluations
- General Observations and Recommendations
  - Continually examine and refine economic development and R&D strategy
  - Continue to support large non-profit laboratories
  - Better refine the role of pure research in the State's development strategy
  - Improve the searchability of programs
  - Improve the accuracy of program data online
  - Develop a central storage system for reporting documentation
  - Adjust program confidentiality to allow for evaluation of program data as required
  - Work collaboratively across various public and private entities
  - Understand workforce recruitment and retention as an economic development issue
  - Expand the current Opportunity Maine program
  - Work with businesses to determine areas with educational needs
  - Consider establishing a business retention program
  - Consolidate tax credit programs that are very similar or nearly identical

Appendix B: List of Abbreviations

Abbreviation	Definition
AIS	Annual Impact Survey (MTI)
AV	Assessed Value
BETE	Business Equipment Tax Exemption
BETR	Business Equipment Tax Reimbursement
CALP	Compliance Assistance Loan Program
CIB	Community Industrial (Speculative) Buildings Program
CLI	Commercial Loan Insurance
DECD	Maine Department of Economic and Community Development
DOL	Department of Labor
EIS	Economic Impact Survey (MTI)
EOTC	Educational Opportunity Tax Credit
ESOP	Employee Stock Ownership Program
ETIF	Employment Tax Increment Financing
FTE	Full-time employees
FAME	Finance Authority of Maine
FY	Fiscal Year
GAO	Government Accountability Office (US)
GDP	Gross Domestic Product
ICA	Investment Consulting Associates
IRR	Internal Rate of Return
LDA	Loring Development Authority
LJIFF	Loring Job Increment Financing Fund
LSAM	Large Scale Additive Manufacturing
MBHE	Major Business Headquarters Expansion
MHEJBF	Marine Economy and Jobs Bond Fund
MHPC	Maine Historic Preservation Commission
MRO	Maintenance, Repair, and Overhaul
MRS	Maine Revenue Services
MRSA	Maine Revised Statutes Annotated
MSCTC	Maine Seed Capital Investment Tax Credit
MTAF	Maine Technology Asset Fund
MTI	Maine Technology Institute

Abbreviation	Definition
MTIF	Municipal Tax Increment Financing
MPERS	Maine Public Employees Retirement System
MVF	Maine Venture Fund
NAICS	North American Industry Classification System
OLA	Online Answer
OPEGA	Office of Program Evaluation & Government Accountability
PTO	Paid time off
PTDZ	Pine Tree Development Zones
QCEW	Quarterly Census of Employment and Wages
R&D	Research & Development
REDRLP	Regional Economic Development Revolving Loan Program
ROI	Return on investment
ROSP	Revenue Obligations Security Program
SBA	Small Business Administration
SCTC	Seed Capital Tax Credit
SLRTC	Student Loan Repayment Tax Credit
TIF	Tax Increment Financing

Appendix C: Stakeholder Roundtables

Purpose

Stakeholder roundtables are designed to bring together key administrators and participants in state economic development programs to:

- Collect inclusive feedback
- Enhance understanding of successes and challenges
- Increase stakeholder buy-in
- Improve the quality of data used in program evaluation

This collaborative approach ensures a comprehensive and effective evaluation process.

EBP has proposed to conduct roundtables with three stakeholder groups:

1. Program administrators from DECD, FAME, MRS, and MTI
2. Chambers of commerce and industry groups
3. Incentive program participant businesses

Discussion guides were tailored to each of these audiences.

Format and Methodology

Roundtables will follow a semi-structured format, with pre-written questions to guide discussion of Maine's economic development program portfolio. The format is intended to be informal to encourage open exchange of ideas and experiences. Stakeholder contributions from past roundtables have included discussions of:

- Business cycles
- Experiences operating in Maine
- Research and development
- State employees and customer service
- Program experiences
- Suggestions for improving the state's business environment

In order to differentiate these conversations from ongoing DECD Office of Business Development strategy work, we have modified discussion guides to focus on the design and implementation of incentive programs. Discussion questions also attempt to gauge if and how well the current suite of programs meets business and state needs.

Agenda

- EBP introduction and welcome
- Roundtable participant introductions (abbreviated if necessary)
- EBP presents project background, evaluation goals, and how EBP will use results of the day's discussion
- Open discussion
- EBP presents closing comments and next steps

Program Administrators Discussion Guide

- What state incentive programs do you work on?
- What has been your experience in the past administering incentive programs? What is your current experience?
- How would you describe Maine's current suite of Economic Development incentive programs? What types of businesses benefit most from these programs?
- Do business participants benefit from participating in more than one incentive program? If so, how?
- Can you share a success story where these programs have made a significant positive impact for participant businesses and/or the state?
- What components played a factor in their success? (Administrative leadership, personal relationships, external relationships, innovation, reporting processes, planning, etc.)
- Can you describe how the various agencies represented here work together in administering economic development incentive programs, if at all?
- What data or metrics do you think are most important in evaluating the success of these programs?
- What successful elements of the current programs would you like to see expanded or enhanced?
- Do you have any suggestions not related to state incentive programs for improving the business climate in Maine?
- What have we not asked about that we should be asking?
- Allow time for any additional comments, questions, or suggestions from participants.

Chambers of Commerce Discussion Guide

- EBP provided a brief overview of the current economic development incentive programs in Maine. This highlighted key objectives and intended outcomes of these programs.
- What has been your experience interacting with state economic development incentive programs and the state agencies that administer them?

- Do businesses you serve participate in incentive programs? What types of businesses engage the most with these programs? Which programs are most popular?
- Can you share any specific examples of successes or challenges you've observed?
- Tell us a little about your experience operating in Maine – what has worked, what needs improvement?
- Are there particular points in the business cycle that you observe are more difficult than others in your community? How can they be made easier?
- What successful elements of the current programs would you like to see expanded or enhanced?
- What emerging opportunities should we consider to ensure future program success?
- What have we not asked about that we should be asking?
- Allow time for any additional comments, questions, or suggestions from participants.

Business Participant Discussion Guide

- EBP provided a brief overview of the current economic development incentive programs in Maine. This highlighted key objectives and intended outcomes of these programs.
- Which state incentive programs have you used?
- Are there particular points in your business cycle that are more difficult than others? Are these specific to Maine? How can they be made easier?
- Tell us a little about how incentive programs may have improved your experience operating in Maine. What has worked, what needs improvement?
- How has your experience been working with the state employees?
- How has your experience been working the incentive programs?
- Do you have any suggestions for improving the business climate in the state of Maine?
- What have we not asked about that we should be asking?
- Allow time for any additional comments, questions, or suggestions from participants.

Schedule and Attendance

- Augusta, Maine 19 November 2024 - Program administrators from DECD, FAME, and MRS
- Virtual, 12 December 2024 – 15 representatives from regional councils of government, chambers of commerce, and industry groups
- Virtual, 14 December 2024 – Two representatives from businesses participating in state economic development programs. EBP was more successful at soliciting feedback on individual program benefits and challenges through one-on-one semi-structured interviews, summarized in program-specific evaluation sections.

Results

Participants in the program administrators' roundtable session included administrators from DECD, Maine Revenue Services (MRS), and FAME. This session yielded the following findings:

- Participants suggested it would be useful to simplify the state's portfolio of economic development programs. Make fewer programs more applicable to a broader array of companies.
- Administrators expressed a need to increase collaboration and communication among implementing agencies to reduce duplicative efforts in business attraction and expansion. One participant noted that current programs require extensive cross-agency collaboration to offer a relatively small incentive package to large investors. This process is currently time- and resource-intensive.
- Administrators agreed that expanded external-facing tools like Maine Funding Network would help aggregate available incentives across programs and agencies for prospective investors.
- It was mentioned that the state could enhance investments in economic development by also investing in related policy areas that boost the state's appeal as a business location. This includes initiatives to improve childcare and housing availability.
- Participants were optimistic that the new Dirigo Business Incentives program will improve the business experience and make program guidelines easier to understand.
- Participants highlighted the Commercial Loan Insurance program as an effective vehicle for economic development in the state, particularly because it is tied to the business cycle.
- Participants from multiple agencies expressed the need for financial facilities to support larger investment projects, i.e. those worth $10-$100M. Current economic development investments do not allow the state to offer competitive incentive packages for large projects.

A roundtable session with representatives from regional government, chamber and industry groups yielded the following findings and recommendations:

- Participants expressed concerns regarding a lack of regional representation and outreach from DECD. Stakeholders recommended DECD decentralize efforts to support key sectors and hire employees with technical sector knowledge.
- Participants noted the structure and implementation of pandemic-era economic recovery hubs was beneficial to the businesses they serve and recommended expanding ongoing benefits under a similar program.

- Participants expressed that they were uninformed about follow through from DECD on the Economic Development Strategy. While they believed it was well-structured with input from a diverse set of stakeholder groups, participants noted a lack of connection between the Strategy and program design, funding, and implementation.
- The group noted that medium and large business seem to benefit most from state incentive programs; those with enough staff capacity to comply with application and reporting requirements. Small businesses lose out on funding due to lack of organizational capacity.
- Participants suggested that it could be desirable to create a one-stop-shop that allows companies, particularly those out-of-state, to better understand what programs exist, who is eligible, and how to participate.
- Further, participants suggested that the state or some other entity provide technical assistance for succession planning, as a lack of planning is a key reason for businesses closing or moving out of state.
- It was suggested that the state invest in supports for housing, childcare, and transportation—issues that remain barriers to people getting to work. Employers can't solve these themselves.
- A suggestion was raised to reinvigorate previously active MTI technical boards.
- Participants noted that logging and trucking industries are affected by seasonality, extended mud season, and that this runs counter to some program eligibility requirements.
- The group suggested that the state could promote zoning reform for downtowns to allow small footprint manufacturing.
- Further discussions regarding the overall systems for economic ecosystems resulted in the suggestion that the state incentivize cold and dry storage infrastructure to scale agricultural exports and increase income to the state.

A roundtable session with business participants yielded the following findings:

- Application and reporting processes can be confusing.
- One participant mentioned that Maine struggles to compete with neighboring states, and that recently-approved R&D bond funding (to be distributed by MTI) will be key to competing.
- Opportunity to expand state investments in education. New Hampshire has apprenticeship programs tied to specific employers.

Appendix D: Benchmark 1 Investment by State

EBP compared Maine's portfolio of economic development incentives with those in states across the country, including peer states, states in the New England region, and states with programs that target sectors like those targeted by Maine to help DECD understand at what rate companies take advantage of Maine incentives, Maine's general business environment, incentive transparency, and investment performance against national and regional benchmarks.

The intention of this benchmark assessment is not to evaluate Maine's objective performance in business attraction, and FDI Markets—the database used for this analysis—likely underreports true investment from 2017-2021 in the state. However, this benchmark assesses the state through data that is generally available and accepted by corporate decision-making executives when reviewing a site location candidate. Making more information on investment performance in Maine to major database providers could improve the state's profile in these categories.

Notable projects not reflected in FDI markets data include a 2018, $25 million investment by Pleasant River Lumber Company, and a 2020, $65 million investment by Penobscot McCrum.

Absolute State Investment Performance

Figures from FDI Markets show that 8,083 investment projects were registered for the U.S. from 2017 through 2021. Of these, 482 projects were located in New England, with 17 in Maine.

Table 18. National Investment Performance

	United States	New England	Maine
Total Projects	8,083	482	17
Total Capital Investments (M $)	$368 B	$12 B	$556 M
Total Job Creation	710,477	32,671	1,007

Source: EBP Analysis of FDI Markets, 2017-2021.

As noted in Table 18, the investment projects in the U.S. represent about $368 billion in capital investments and about 710,500 jobs. The subset of investment projects in New England represents about $12 billion in capital investments and about 32,700 jobs, with about $556 million in capital investments and 1,000 jobs in Maine.

On average, Maine ranks 43rd nationally in terms of investment attraction, which represents an improvement from 44th in 2018 and 46th in 2016, as noted in the 2018 Comprehensive Report. New England states, such as New Hampshire, Rhode Island, and Vermont, perform generally similarly to Maine. In fact, with over $556 million in capital investments and 1,000 jobs, Maine outperforms Rhode Island and Vermont in both categories. When analyzed on a per capita basis, Maine ranks 35th nationally, surpassing Vermont.

Average Investment Performance

Comparing average investment performance values reveals that Maine outperforms New England states in terms of capital investments and slightly underperforms in terms of jobs per investment project. From 2017 to 2021, the average investment project in Maine generated capital investments of $32.7 million and 59 new jobs.

The average investment project generated capital investments of $45.5 million and 88 new jobs in the U.S., and capital investments of $24.9 million and 68 new jobs in New England, specifically. Thus, Maine can be considered on par with the rest of New England in terms of performance.

Table 19. Average Investment Performance

	United States	New England	Maine
Average Capital Investments ($ M)	$45.5 M	$24.9 M	$32.7 M
Average Job Creation	88	68	59

Source: EBP Analysis of FDI Markets, 2017-2021.

Maine Investment Performance

As shown in Table 20, although annual investment performance remains similar year over year in Maine, Maine received more capital investments and jobs in 2017 and 2018, peaking with $90.8 in capital expenditures and 90 jobs per project in 2018. Maine has experienced a downturn in investment performance since 2020, with only $69 million in capital expenditures and 168 jobs generated by five projects. This downturn is likely associated with the COVID-19 Pandemic.

Table 20. Maine Investment Performance

Year	Total Projects	Capital Investments (M $)	Jobs Created
2017	4	$153.2	382
2018	3	$272.3	269
2019	5	$61.5	188
2020	3	$13.3	1
2021	2	$55.6	167
Grand Total	17	$555.93	1,007

Source: EBP Analysis of FDI Markets, 2017-2021.

The renewable energy and food and beverage sectors have been the most frequently targeted for investment projects in Maine, with seven projects in the past five years.

In terms of jobs created, the food and beverage sector leads with an average of 248 jobs created per project, followed by the aerospace and hotels and tourism sectors with 186 jobs and 159 jobs created per project, respectively. In terms of capital investments, the food and beverage sector generates $130 million per project, followed by the hotels and tourism sector and paper, printing, and packaging sector, with $126 million and $111 million, respectively.

Table 21. Maine Investment Sectors

Sector	Share	Sector	Share
Renewable Energy	23.5%	Hotels and Tourism	5.9%
Food and Beverage	17.6%	Paper, Printing, and Packaging	5.9%
Information Technology	11.8%	Plastics	5.9%
Aerospace	5.9%	Real Estate	5.9%
Financial Services	5.9%	Textiles	5.9%
Healthcare	5.9%		

Source: EBP Analysis of FDI Markets, 2017-2021

As shown in Table 22, over the past five years, the largest source of international investment into Maine has been from Canada, with six projects, followed by the Netherlands and Switzerland, with two projects each. In terms of new jobs created, Atol Avion (Finland) generated 186 new jobs and Huttopia (France) generated 159 new jobs. In terms of capital investments, Huttopia generated $126 million and ND Paper (United Kingdom) generated $111 million.[31]

Table 22. Maine Investment Sources

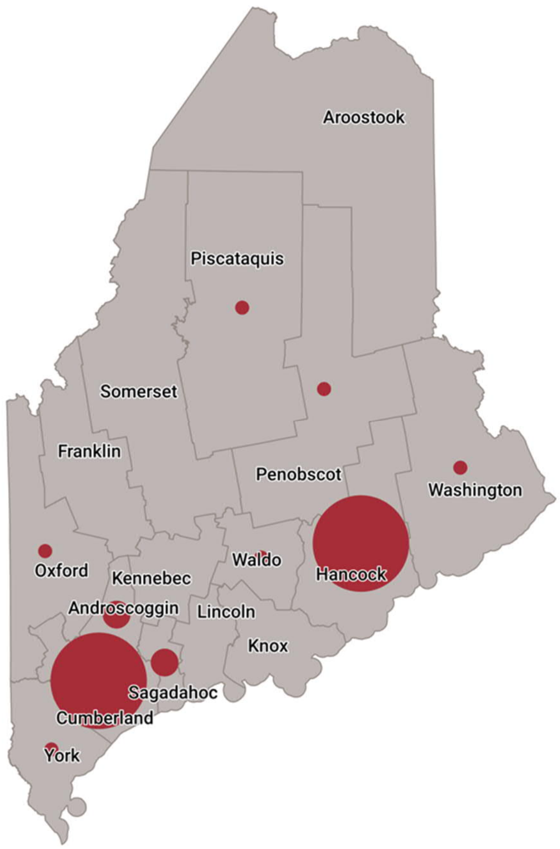
Sector	Share	Sector	Share
Canada	35.3%	France	5.9%
Netherlands	11.8%	Germany	5.9%
Switzerland	11.8%	Israel	5.9%
Australia	5.9%	Norway	5.9%
Finland	5.9%	United Kingdom	5.9%

Source: EBP Analysis of FDI Markets, 2017-2021.
Note: 36% of investments were sourced from Finland, France, Germany, Israel, Norway, and the United Kingdom.

[31] According to FDI Markets, "ND Paper operates as a subsidiary of Hong Kong-based Nine Dragons Paper Holdings, itself a subsidiary of British Virgin Islands-based Best Result Holdings."

As shown in Figure 15, Cumberland County, specifically Portland, has attracted the largest share of state investment with seven investment projects. The remaining 10 projects are located in other counties across Maine, largely in Androscoggin and Penobscot counties.

Figure 15. Maine Investment Distribution



Source: EBP Analysis of FDI Markets, 2017-2021.

To reveal whether Maine has actually attracted investment in the fastest growing industries according to available data, we can compare Maine's investment in them with their national growth rates. For instance, Maine has attracted several investment projects in the software and information technology services and financial services sectors, both of which have experienced above-average national growth over the last five years. In addition, utilities and accommodation and food services are two growing industries in which Maine has attracted investment. Of particular note is the 31% growth in Maine's accommodation and food services since 2017.

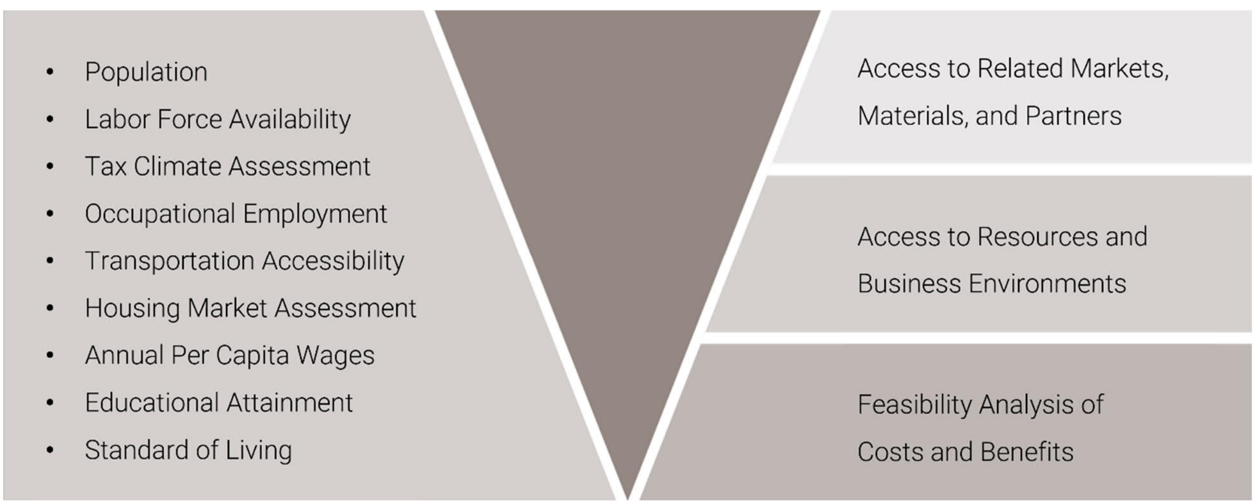
Conversely, Maine's attraction of foreign investment in other nationally fast-growing industries, including transportation and warehousing, professional and business services, and scientific and technical services, has been limited, with few or no projects identified since 2017.

Appendix E: Benchmark 2 Business Environment Competitiveness

EBP conducted a “Reverse Site Selection” (RSS) Analysis, which compared locations of interest in Maine (i.e. major Maine metropolitan areas) with peer locations in the rest of the United States in a competitive context to evaluate Maine’s business environment. Companies making expansion or relocation decisions typically undergo a multi-phase process of selecting the best location. These site selection analyses use a data-driven approach to weight and rank locations based on a variety of categories, such as labor markets, access to customer markets, infrastructure, tax environment, and incentives, shown in Figure 16. The process continues to narrow down the list of options until a short list is selected to begin field confirmation of the business environment and contextual themes that data alone cannot reveal.

EBP’s RSS Analysis emulates and reverses the initial stage of this national site selection process and helps to determine and compare the strengths and weaknesses among locations of interest. This allows a municipality or region to take a corporate project perspective and identify its own strengths and weaknesses compared to its peers. These results can be used to strategize how to capture opportunities by addressing threats and positioning for future growth.

Figure 16. Site Selection Categories



In the first phase of this project and documented in the interim report, EBP conducted a preliminary RSS Analysis using standard comparison factors and weightings. The results of this preliminary analysis ranked Bangor, Portland, and Lewiston at 18th, 20th, and 25th respectively of the 25 locations. The updated RSS Analysis presented here modified the list of comparator locations, comparison factors, and weightings to provide more useful results and comparisons that also are based on Maine’s economic goals.

Methodology

Site Selection Factors

The RSS model ranked locations by categories of common corporate location decision factors with data collected from a range of publicly available and proprietary sources, listed in Table 23. For the analysis, the locations were ranked by quintile for each factor with scores aggregated by category using weighted values. While the results included locations' rankings by category, an overall rank also was calculated using a weighted aggregation of these category rankings. Please see Table 29 for a list of the factors, ranking methodology, and aggregation weightings.

Table 23. Data Sources

Category	Data Source
Population and Demographics	US Census Bureau American Community Survey, ESRI Business Analyst Online
Industry-Specific Employment	ESRI Business Analyst Online
Occupation-Specific Employment	ESRI Business Analyst Online
Labor Force Availability	ESRI Business Analyst Online
Household Statistics	ESRI Business Analyst Online
Educational Attainment	ESRI Business Analyst Online
Transportation and Market Access	ESRI ArcGIS, Google Maps, The Texas A&M Transportation Institute 2023 Urban Mobility Report
Tax Regime	Tax-rates.org for generalized state income and property taxes
Quality of Life	CDC National Center for Health Statistics, NOAA National Centers for Environmental Information, FBI Uniform Crime Reporting (UCR) Program

While the factors themselves were intended to be general and indicate overall economic competitiveness, the factors were weighted based on the following key industries advanced by the Economic Development Strategy for having the highest potential for growth:

- Forest Products,
- Life Sciences,
- Marine/Aquaculture,
- Food/Agriculture,
- Outdoor Recreation, and
- Clean Energy.

As Maine is seeking businesses in these industries to move to the state, EBP adjusted the factors' weightings to prioritize those industries' needs. This was done with caution, however, because one reason Maine is focusing on these industries is because the state already is competitive with these industries in at least some significant ways named in the Economic Development Strategy. For this reason, no additional detailed, industry-specific factors were added to the model, such as proximity to an ocean, which likely would be required for a marine/aquaculture business. This analysis is more general, and it would not be useful to expect all comparator locations to be perfectly competitive in these industries.

Comparator Locations

For the preliminary RSS Analysis included in the 2023 interim evaluation report, DECD selected the Portland, Lewiston, and Bangor Metropolitan Statistical Areas (MSAs) in Maine and 20 other MSAs across the United States, which were evaluated using non-customized site selection factors and weightings. The results of this analysis found that Portland, Lewiston, and Bangor ranked Bangor, Portland, and Lewiston at 18th, 20th, and 25th respectively of the 25 locations, shown in Table 24. As opposed to showing that these MSAs are not economically competitive, these results showed that the comparator locations may not be sufficiently analogous.

Table 24. Interim Report Reverse Site Selection Comparator Locations

Major City	State	Major City	State	Major City	State
Bangor	ME	Baton Rouge	LA	Columbus	OH
Lewiston	ME	Boston	MA	Portland	OR
Portland	ME	Ann Arbor	MI	Harrisburg	PA
Pine Bluff	AR	Kansas City	MO	Pittsburgh	PA
Tampa	FL	St. Louis	MO	Richmond	VA
Savannah	GA	Hattiesburg	MS	Madison	WI
Boise	ID	Raleigh	NC	Milwaukee	WI
Indianapolis	IN	Albany	NY		
Louisville	KY	Rochester	NY		

To provide more useful results and comparisons in this final report, EBP updated the list of ranked locations using the following criteria:

1. Represent a variety of states with diverse economic development policies and industries and include multiple MSAs from the same states to give insight into differences based on state policies or local policies.
2. Include MSAs from all New England states other than Vermont.

3. Ensure some of the comparator MSA's qualities were analogous to the Maine MSAs, such as industry, size, distance to major city/international transportation hub, and others.

These criteria reflect elements a business would consider for creating an MSA shortlist during a location search. A business that requires immediate access to a major international airport would not consider the Maine MSAs in the first place. The updated list, shown in Table 25 includes MSAs from across New England and the country and was selected with DECD's approval. Many of these MSAs are analogous to the Maine MSAs in various dimensions, including population, regional locations and importance, and largest industries. Each also differs in some of these respects. Boston, the economic center of New England, was included for reference, though it is far more competitive than the Maine MSAs in some factors that were not normalized by population.

Table 25. Updated Reverse Site Selection Comparison Locations

Major City	State	Major City	State	Major City	State
Boston	MA	Harrisburg	PA	Hattiesburg	MS
Springfield	MA	Madison	WI	Baton Rouge	LA
Manchester	NH	Charleston	WV	Spokane	WA
Providence	RI	Winston-Salem	NC	Tacoma	WA
New Haven	CT	Chattanooga	TN	Pine Bluff	AK
Bridgeport	CT	Boise	ID	Dayton	OH
Syracuse	NY	Rochester	NY		

Findings

As shown in Table 26, Portland ranked sixth, and Bangor and Lewiston ranked 16th and 18th respectively out of the 23 locations. In addition, Bangor and Lewiston rank similarly in all categories. The three MSAs ranked highest in industry-specific employment and occupation-specific employment relative to their rankings in other categories. This indicates that they are well suited for the key opportunity industries mentioned in the Economic Development Strategy.

Portland's comparatively high housing growth, population growth rates and educational attainment contribute to its higher overall ranking. Bangor and Lewiston have much lower and sometimes declining growth rates and lower levels of educational attainment. Maine MSAs have populations that skew older, which contribute to high homeownership rates, but also impacts the availability of a stable workforce in the future. (Maine has the highest percentage of its population aged 65 years and older in the U.S.[32]) Maine MSAs also rank lowest in tax regime, along with the Massachusetts MSAs, and rank high in quality of life. Portland has the best access to transportation and markets.

Beyond Maine MSAs, Boston ranked first, primarily because of its much larger population, sufficient occupation-specific employment and best access to transportation and markets. Other New England MSAs ranked from seventh (Providence) to 21st (New Haven). Boise also ranked highly in many categories with growing population and housing and the highest-ranked quality of life. Most MSAs had high and low rankings for different categories. Charleston and Pine Bluff ranked low in most categories. Table 27 and Table 28 provide comparisons between the Maine MSAs and other MSAs by category for Portland (Table 27) and Bangor and Lewiston (Table 28).

32 Population Research Board.

Table 26. Reverse Site Selection Rankings (ordered by category weightings and MSA overall rankings)

Category	Boston, MA	Boise, ID	Madison, WI	Tacoma, WA	Dayton-Kettering-Beavercreek, OH	Portland-South Portland, ME	Providence, RI	Spokane, WA	Harrisburg-Carlisle, PA	Chattanooga, TN-GA	Manchester-Nashua, NH	Winston-Salem, NC	Rochester, NY	Hattiesburg, MS	Baton Rouge, LA	Bangor, ME	Syracuse, NY	Lewiston-Auburn, ME	Bridgeport-Stamford-Danbury, CT	Springfield, MA	New Haven, CT	Charleston, WV	Pine Bluff, AR
Population and Demographics	1	2	2	2	7	6	4	3	4	4	7	5	7	4	4	11	9	10	8	11	8	13	12
Industry-Specific Employment	12	5	11	2	11	2	1	1	3	5	12	13	11	7	6	7	4	10	12	9	14	8	15
Occupation-Specific Employment	6	3	4	5	1	2	5	5	3	2	8	5	9	7	9	9	12	7	11	8	11	10	4
Labor Force Availability	1	4	4	4	2	4	3	5	4	2	4	4	6	2	5	2	5	4	6	5	7	4	7
Household Statistics	9	2	4	17	7	5	12	6	6	8	18	4	3	11	1	16	10	15	13	13	18	10	14
Educational Attainment	9	1	2	8	4	3	15	3	14	12	7	14	5	13	16	11	10	13	6	17	12	18	18
Transportation and Market Access	1	12	10	1	5	7	3	14	8	11	2	6	6	11	13	9	4	12	12	3	7	15	12
Tax Regime	10	9	5	7	1	10	5	7	4	2	3	7	8	7	6	10	8	10	7	10	7	7	5
Quality of Life	3	1	7	8	14	5	9	8	12	17	1	15	10	13	16	4	9	2	2	6	8	11	16
Overall Ranking	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23

Source: EBP Analysis of Data Sources.

Table 27. Portland Business Environment Analysis

Advantages	Disadvantages
Population and Demographics: 6, lowest: 12	
Higher growth population growth rate	Smaller population, older population
Industry-Specific Employment Ranking: 2, lowest: 15	
High shares of people working in agriculture, forestry, fishing, and hunting; manufacturing; wholesale trade; retail trade; transportation and warehousing; professional, scientific, and technical services; health care and social assistance; arts, entertainment, and recreation; and accommodation and food services	Small population in the labor force
Occupation-Specific Employment Ranking: 2, lowest: 12	
High shares of people with an occupation in sciences; health; art, culture, recreation, and sport; sales and service, trades; and manufacturing	
Labor Force Availability Ranking: 4, lowest: 7	
Low unemployment rate	Small population
Household Statistics Ranking: 5, lowest: 18	
Higher housing growth rate; high ownership rate	High household and per capita income; lower number of housing units
Educational Attainment Ranking: 3, lowest: 18	
High percentages of population with university education or non-university certificate or diploma	
Transportation and Market Access Ranking: 7, lowest: 15	
Middle distance to major airport; lower annual delay per auto commuter; middle airport connections; intercity rail connection	

Advantages	Disadvantages
Tax Regime Ranking: 10, lowest: 10	
	High state income taxes, high state corporate income tax
Quality of Life Ranking: 5, lowest: 17	
Higher life expectancy; very low violent crime rate and low crime rate	Colder

Table 28. Bangor and Lewiston Business Environment Analysis

Advantages	Disadvantages
Population and Demographics: 10 (Lewiston), 11 (Bangor), lowest: 12	
	Smaller populations, older populations, and low or negative growth rates
Industry-Specific Employment Ranking: 7 (Bangor), 10 (Lewiston), lowest: 15	
Higher shares of people working in agriculture, forestry, fishing, and hunting; manufacturing; wholesale trade; retail trade; transportation and warehousing; professional, scientific, and technical services; health care and social assistance; arts, entertainment, and recreation; and accommodation and food services	Small labor force population
Occupation-Specific Employment Ranking: 7 (Lewiston), 9 (Bangor), lowest: 12	
	Lower shares of people with an occupation in sciences; health; art, culture, recreation, and sport; sales and service, trades; and manufacturing
Labor Force Availability Ranking: 2 (Bangor), 4 (Lewiston), lowest: 7	
Middle unemployment rate	Very small population

Advantages	Disadvantages
Household Statistics Ranking: 15 (Lewiston), 16 (Bangor), lowest: 18	
Higher ownership rate; lower household and per capita income	Low housing growth rate; lower number of housing units
Educational Attainment Ranking: 11 (Bangor), 13 (Lewiston), lowest: 18	
	Lower percentages of population with university education or non-university certificate or diploma
Transportation and Market Access Ranking: 9 (Bangor), 12 (Lewiston), lowest: 15	
Lewiston: Lower distance to major airport, low annual delay per auto commuter Bangor: Lower annual delay per auto commuter	Lewiston: No airport connections Bangor: Longer distance to major airport
Tax Regime Ranking: 10 (Bangor), 10 (Lewiston), lowest: 10	
	High state income taxes, high state corporate income tax
Quality of Life Ranking: 2 (Lewiston), 4 (Bangor), lowest: 17	
Higher life expectancy; very low violent crime rate and low crime rate	Colder

Sensitivity Analysis

EBP conducted a sensitivity analysis by running the RSS model multiple times and changing the category weightings. As can be seen from the included rankings (Table 26), many MSAs have a wide range of rankings among the categories. As weightings change, rankings realign to match more closely to the categories that are more heavily weighted.

These values only would be extremes for weighting the ranking entirely to a category. When weightings are shifted more reasonably, the overall rankings shift but not much for most MSAs. For example, when increasing the weights of Industry-Specific Employment to 25% and Occupation-Specific Employment to 20%, reducing the weights of Population and Demographics to 10% and reducing other categories' weights minimally, Portland moves up to 5 from 6, and Bangor and Lewiston remain at 16 and 18. In addition, Boston remains ranked first through many different variations of weightings. Only when, in addition to the previously described changes, the weighting of Tax Regime is increased 10% and the weighting of Transportation and Market Access is reduced to 5% does Boston's rank decrease to third. (The Maine MSAs remain unchanged.)

Rankings do not change considerably when the weightings of factors within each category or factors' ranking methodologies are changed. When prioritized industries and occupations are flipped, Bangor and Lewiston decline by a few rankings, and Portland increases by one. This is not surprising, because final rankings are influenced by Maine's key industries. A few other MSAs are impacted significantly (Tacoma, Madison, Bridgeport); however, most are not.

Ultimately, a significant number of changes would be required to change the outcomes of this RSS Analysis significantly. This indicates that this RSS Analysis is a useful starting point for understanding how Portland, Bangor, Lewiston, and Maine would be considered by national or multi-national businesses looking to expand. It offers bounds and comparison examples for what is attractive to businesses in these MSAs and what could be improved.

Factors, Ranking Methodology, and Weighting

Table 29. Ranking Factors, Methodology, and Weighting

Category	Factor	Ranking Methodology	Weight
Population and Demographics 20% Total	2017 Total Population	Higher is Better	1.18%
	2024 Total Population	Higher is Better	1.18%
	2024 Total Population, Ages 15-24	Higher is Better	2.35%
	2024 Total Population, Ages 25-34	Higher is Better	2.35%
	2024 Total Population, Ages 35-44	Higher is Better	2.35%
	2024 Total Population, Ages 45-54	Lower is Better	1.18%
	2024 Total Population, Ages 55-64	Lower is Better	1.18%
	2024 Median Age	Lower is Better	2.35%
	2029 Total Population	Higher is Better	1.18%
	2017- 2024 Population: Annual Growth Rate (%)	Higher is Better	1.18%
	2024-2029 Population: Annual Growth Rate (%)	Higher is Better	3.53%

Category	Factor	Ranking Methodology	Weight
Industry-Specific Employment 15% Total	2024 Industry: In the Labor Force	Higher is Better	0.50%
	2024 Industry 11: Agriculture, Forestry, Fishing, and Hunting (%)	Higher is Better	1.00%
	2024 Industry 21: Mining, Quarrying, and Oil and Gas Extraction (%)	Higher is Better	0.50%
	2024 Industry 22: Utilities (%)	Higher is Better	0.50%
	2024 Industry 23: Construction (%)	Higher is Better	0.50%
	2024 Industry 31-33: Manufacturing (%)	Higher is Better	1.00%
	2024 Industry 41: Wholesale Trade (%)	Higher is Better	1.00%
	2024 Industry 44-45: Retail Trade (%)	Higher is Better	1.00%
	2024 Industry 48-49: Transportation and Warehousing (%)	Higher is Better	1.00%
	2024 Industry 51: Information and Cultural Industries (%)	Higher is Better	0.50%
	2024 Industry 52: Finance and Insurance (%)	Higher is Better	0.50%
	2024 Industry 53: Real Estate and Rental and Leasing (%)	Higher is Better	0.50%
	2024 Industry 54: Professional, Scientific, and Technical Services (%)	Higher is Better	1.00%
	2024 Industry 55: Management of Companies and Enterprises (%)	Higher is Better	0.50%
	2024 Industry 56: Administration and Support, Waste Management and Remediation (%)	Higher is Better	0.50%
	2024 Industry 61: Educational Services (%)	Higher is Better	0.50%
	2024 Industry 62: Health Care and Social Assistance (%)	Higher is Better	1.00%
	2024 Industry 71: Arts, Entertainment, and Recreation (%)	Higher is Better	1.00%
	2024 Industry 72: Accommodation and Food Services (%)	Higher is Better	1.00%

Category	Factor	Ranking Methodology	Weight
	2024 Industry 81: Other Services (Except Public Administration) (%)	Higher is Better	0.50%
	2024 Industry 91: Public Administration (%)	Higher is Better	0.50%
Occupation-Specific Employment 15% Total	2024 Occupations in Management (%)	Higher is Better	1.00%
	2024 Occupations in Business, Finance, Administration (%)	Higher is Better	1.00%
	2024 Occupations in Sciences (%)	Higher is Better	2.00%
	2024 Occupations in Health (%)	Higher is Better	2.00%
	2024 Occupations in Social Sciences, Education, Government, Religion (%)	Higher is Better	1.00%
	2024 Occupations in Art, Culture, Recreation, Sport (%)	Higher is Better	2.00%
	2024 Occupations in Sales and Service (%)	Higher is Better	2.00%
	2024 Occupations in Trades, Transport, Operators (%)	Higher is Better	2.00%
	2024 Occupations Unique to Primary Industries (%)	Higher is Better	0.00%
	2024 Occupations Unique to Manufacture and Utilities (%)	Higher is Better	2.00%
Labor Force Availability 10% Total	2024 Civilian Population, Ages 16+	Higher is Better	2.00%
	2024 Employed Population (In the Labor Force: Employed)	Lower is Better	2.00%
	2024 Unemployed Population (In the Labor Force: Unemployed)	Higher is Better	2.00%
	2024 Unemployment Rate	Middle is Better	4.00%
Household Statistics 10% Total	2024 Housing Units	Higher is Better	1.33%
	2024 Owned Dwelling (%)	Higher is Better	0.67%
	2029 Housing Units	Higher is Better	1.33%
	2029 Owned Dwelling (%)	Higher is Better	0.67%
	2024-2029 Annual Housing Growth Rate (%)	Higher is Better	2.00%

Category	Factor	Ranking Methodology	Weight
	2024 Average Household Income	Lower is Better	0.67%
	2029 Average Household Income	Lower is Better	0.67%
	2024 Per Capita Income	Lower is Better	0.67%
	2029 Per Capita Income	Lower is Better	0.67%
	2024-2029 Average Household Income Annual Growth Rate (%)	Lower is Better	0.67%
	2024-2029 Per Capita Income Annual Growth Rate (%)	Lower is Better	0.67%
Educational Attainment 10% Total	2024 No Certificate, Diploma, or Degree	Lower is Better	0.83%
	2024 High School Diploma or Equivalency Certificate	Lower is Better	0.83%
	2024 Combined Non-University Certificate or Diploma and University Below Bachelor	Higher is Better	0.83%
	2024 Combined Bachelor Level or Above	Higher is Better	0.83%
	2024 No Certificate, Diploma, or Degree (%)	Lower is Better	1.67%
	2024 High School Diploma or Equivalency Certificate (%)	Lower is Better	1.67%
	2024 University Bachelor Level or Above (%)	Higher is Better	1.67%
	2024 Combined Non-University Certificate or Diploma and University Below Bachelor (%)	Higher is Better	1.67%
Transportation and Market Access 10% Total	Distance to Major Airport (Miles)	Lower is Better	3.08%
	Served by Intercity Rail	Higher is Better	0.77%
	Annual Delay per Auto Commuter (Person-hours)	Lower is Better	2.31%
	Airport International Destinations	Higher is Better	1.54%
	Airport Domestic Destinations	Higher is Better	1.54%
	Airport Cargo Destinations	Higher is Better	0.77%

Category	Factor	Ranking Methodology	Weight
Tax Regime 6% Total	Median State Property Tax Rate (%)	Higher is Better	1.20%
	Lowest Income Tax Bracket	Lower is Better	1.20%
	Average Income Tax Bracket	Lower is Better	1.20%
	Highest Income Tax Bracket	Lower is Better	1.20%
	Corporate Income Tax	Lower is Better	1.20%
Quality of Life 4% Total	Crime Rate - City	Lower is Better	1.00%
	Violent Crime Rate - City	Lower is Better	1.00%
	Average Annual Temperature (Fahrenheit)	Middle is Better	0.50%
	Annual Precipitation (Inches)	Middle is Better	0.50%
	Life Expectancy	Higher is Better	1.00%

Appendix F: Benchmark 3 Incentive Award Productivity

Governmental Accounting Standards Board Statement No. 77 (GASB 77) is an accounting standard that requires state and local governments to disclose information about tax abatement agreements for the purpose of economic development in their financial statements. Reporting standards and quality vary widely across jurisdictions, and many tax abatements are complex and may not be fully captured by GASB 77 requirements. Data is reported at the school district, municipal, county, and state level, though this analysis references state-level filings only. This standard does not capture expenditures on other types of incentive programs including loan insurance, job training, site preparation, or infrastructure upgrades.

Nonetheless, this data provides a benchmark against which to assess the completeness and limitations of data sourced from IncentivesFlow.

EBP developed an Incentive Award Productivity Benchmark using data from the FT Locations IncentivesFlow Database.

Current Benchmarking Limitations

In the 2023 Interim Report, EBP replicated Benchmark 3 and Benchmark 4 in the 2018 evaluation. The results reported in the following sections are therefore meant for comparative purposes.

Although IncentivesFlow is one of the most comprehensive sources for incentive data, it does not provide complete information for Maine. According to FT Locations, this is primarily due to limited transparency around incentives in Maine, which is itself a finding of this evaluation. Still, IncentivesFlow provides enough information to position incentive performance in Maine relative to the United States. In this context, IncentivesFlow should be interpreted as a benchmarking tool rather than a reporting tool.

Since the midterm evaluation, EBP collected data on the value of tax incentives through state-level GASB 77 filings. Benchmarks 3 and 4 include comparative analysis of FT Locations and GASB 77 filing data. This update informs EBP's recommendations to improve transparency and data availability for Maine incentive programs.

Absolute State Incentive Productivity

As noted in Table 30, the six New England states awarded 1,425 (7.35%) of the 19,400 incentives on record for the U.S. from 2017 through 2021. These 1,425 awards had a total budget of $1.45 billion. Incentives awarded in Maine, however, represent just a small fraction of the incentives awarded in New England, since only 17 (1.19%) of the 1,425 incentives were awarded to corporations in Maine. The state's incentives totaled $74.92 million.

Table 30. National Incentive Award Count Distribution

State	Share	State	Share	State	Share
New York	10.3%	Utah	1.8%	Vermont	0.5%
Ohio	8.1%	Arizona	1.8%	Nebraska	0.3%
Michigan	7.7%	Colorado	1.5%	Delaware	0.3%
Indiana	7.5%	Wisconsin	1.4%	Rhode Island	0.3%
Pennsylvania	5.2%	Illinois	1.4%	Idaho	0.3%
Kentucky	5.1%	New Mexico	1.4%	Washington	0.2%
California	5.0%	Louisiana	1.3%	Oklahoma	0.2%
Massachusetts	4.6%	Minnesota	1.2%	Arkansas	0.2%
North Carolina	3.9%	Kansas	1.1%	West Virginia	0.2%
Virginia	3.4%	South Carolina	1.0%	Oregon	0.1%
Tennessee	2.9%	Nevada	0.9%	Maine	0.1%
Missouri	2.8%	New Jersey	0.9%	Wyoming	0.1%
Florida	2.8%	South Dakota	0.8%	Alaska	0.1%
Iowa	2.5%	Mississippi	0.8%	North Dakota	0.1%
Maryland	2.1%	Alabama	0.7%	New Hampshire	0.1%
Texas	2.1%	Georgia	0.7%	Hawaii	0.0%
Connecticut	1.9%	Montana	0.5%		

Source: EBP Analysis of FT Locations IncentivesFlow, 2017-2021.

In terms of economic benefits, the 1,425 incentivized investment projects in New England have created about 64,960 new jobs, with about 910 new jobs in Maine. This job creation has been accompanied by capital investment worth $11.46 billion in New England, with about $203 million in Maine. The lowest number and value of incentives in New England were awarded by Maine, New Hampshire, and Rhode Island. These three states share similar economic performance, with their incentive budgets ranging from 0.07% to 0.44% of the collective budget for incentives nationally.

Table 31. National Incentive Value Distribution – GASB 77 Filings

State	Share	State	Share	State	Share
New York	15.2%	Alabama	1.7%	Maine	0.3%
Texas	13.3%	Oklahoma	1.5%	South Dakota	0.2%
Michigan	7.9%	Massachusetts	1.4%	Delaware	0.2%
Florida	6.2%	Wisconsin	1.4%	Minnesota	0.1%
Louisiana	5.6%	Colorado	1.3%	Idaho	0.1%
Pennsylvania	5.1%	Kansas	1.3%	Montana	0.1%
Missouri	4.8%	Virginia	1.2%	New Hampshire	0.0%
New Jersey	4.0%	Arkansas	0.7%	Arizona	0.0%
Washington	3.5%	Vermont	0.6%	Wyoming	0.0%
Ohio	3.5%	Nevada	0.6%	California	0.0%
Nebraska	3.3%	Maryland	0.5%	Alaska	0.0%
Connecticut	2.1%	North Carolina	0.5%	Georgia	0.0%
Tennessee	2.1%	New Mexico	0.5%	West Virginia	0.0%
Illinois	2.1%	Rhode Island	0.5%	North Dakota	0.0%
Indiana	2.0%	Mississippi	0.4%	South Carolina	0.0%
Kentucky	1.8%	Utah	0.4%	Hawaii	0.0%
Iowa	1.8%	Oregon	0.4%		

Source: EBP Analysis of Good Jobs First GASB 77 filing data, aggregated from state financial reports.

Nationally, states reported spending $43.1 billion on tax credits for economic development from 2017-2021, an average of $862 million per state. Maine reported spending $147.97 million during this time period, close to double the value reported by IncentivesFlow. Tax abatement agreements in New England totaled $2 billion, with Maine reporting $148 million. This expenditure most closely matches that of Rhode Island, at $196 million.

Relative State Investment Performance

Comparing the number of awarded incentives against their value reveals the states that spent disproportionately more or less on their incentive budgets. From 2017 to 2021, Maine spent $74.92 million on 17 incentive awards ($4.41 million per project), which would place Maine slightly below par for the U.S. On average, any given state spent $995.78 million on 380 incentive awards ($2.62 million per project), suggesting that Maine spent disproportionately more on incentives when compared to the rest of the U.S.

Table 32. Awarded Incentives Distribution in New England

State	Share	State	Share
Massachusetts	61.9%	Rhode Island	3.6%
Connecticut	26.2%	Maine	1.2%
Vermont	6.5%	New Hampshire	0.8%

Source: EBP Analysis of FT Locations IncentivesFlow 2017-2021.

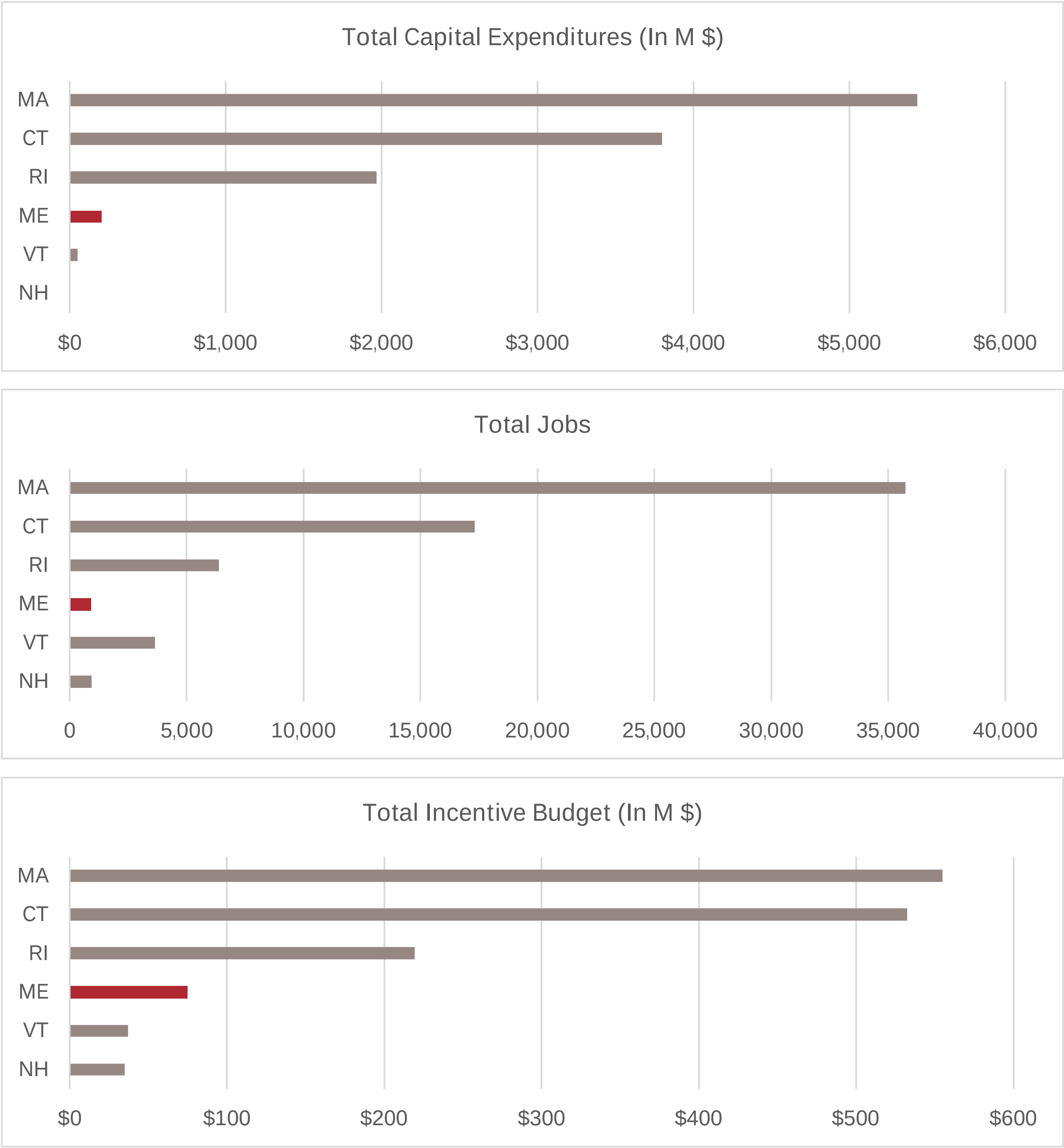
In terms of economic benefits, the job creation and capital investment associated with awarded incentives can reveal the best and worst performing states. Maine ranks with Montana, New Hampshire, North Dakota, Washington, and Wyoming for both attracting job creation and capital investment. However, because the incentive budgets of these states are relatively small compared to larger states, it is important to assess their incentive-related economic performance in a manner that "normalizes" for these smaller budgets. The following indicators achieve this by allowing one to compare incentive impacts across states in a more normalized and objective manner:

- Incentive Per Job Created: The result of dividing the total value of awarded incentives by the total number of jobs created per state. This indicator provides a value of what states "paid" for each job created by incentive.
- Return on Investment: The result of dividing the total volume of capital investment by the total value of awarded incentives. This indicator provides a value for the return on one dollar of incentive. For instance, a return on investment of three dollars means that for every dollar spent on an incentive, a capital investment worth three times the incentive investment was generated.

Applying these indicators shows that Maine has a relatively high incentive cost per job created ($82,239) and a relatively low return on investment ($2.71). According to these indicators, Maine performs similarly to New Jersey, although incentivized investment projects have brought greater job creation and capital investment to that state, in terms of absolute dollars.

However, given the lack of reliable, publicly available data on the value and number of incentives Maine distributed from 2017-2021, this productivity measure is useful as a performance benchmark rather than an objective performance measure. If Maine were to increase the amount of publicly available data it publishes on incentive distribution—as well as associated investment and job creation—it could improve its ranking against these indicators.

Figure 17. Average New England Incentive Productivity



Source: EBP Analysis of FT Locations IncentivesFlow, 2017-2021.

Average State Incentive Productivity

From 2017 to 2021, an incentive granted to a project resulted in an average of 146 new jobs and capital investments of $31.17 million, at the national level. For Maine individually, an incentive granted to a project resulted in an average of 54 new jobs and capital investments of $11.94 million, with both metrics below the national averages.

Table 33. Maine Incentive Sectors

Sector	Share	Sector	Share
Services	23.5%	Basic Materials	5.9%
Defense	17.6%	Electronics	5.9%
Consumer Goods	17.6%	Food and Drink	5.9%
Leisure and Tourism	17.6%	Life Sciences	5.9%

Source: EBP Analysis of FT Locations IncentivesFlow, 2017-2021.

In terms of incentive productivity in New England, Maine generally outperforms its peers in job creation and capital investment per incentivized investment project. However, per incentivized project, Rhode Island gained more capital investment than Maine and New Hampshire experienced more job creation per incentivized project.

Within New England, Maine's incentive productivity is similar to that in New Hampshire and Vermont. Maine outperformed New Hampshire and Vermont in terms of capital investment but underperformed in terms of job creation. It should also be noted that Maine also spent more on its incentive budget than New Hampshire and Vermont, combined.

Maine State Incentive Trends

Six of the 17 incentive deals in Maine occurred in 2021, with the number of incentive deals steadily increasing since 2017. The total value of the 17 incentive deals peaked in 2018 with an investment in the aerospace, defense, and marine sector of $60 million, and averaged around $2.06 million in the remaining years. The total value of the 14 incentive deals since 2018 has also steadily increased, doubling from $1.32 million in 2019 to $3.99 million in 2021.

Based on available data, businesses in the service industry received the greatest incentive value with four incentive deals totaling $1.63 million. Maine also provided three incentive deals in the consumer goods industry, also with a total value of $1.63 million three incentive deals in the leisure and tourism industry, with a total value of $4.04 million.

It should be noted that three incentives awarded to investment projects in the aerospace, defense, and marine industries, mainly comprised of a significant investment in 2018, totaled

$61.87 million (82.58%). These three incentives have translated into disproportionately large economic benefits more broadly, representing over $200 million in capital investment in Maine.

Comparing the strongest growing industries in the country with the allocation of incentives in Maine also indicates potential opportunities for awarding and targeting incentives. Maine has awarded most of its incentives to the service industry, which has experienced an annual revenue growth rate of 3.6% in Maine, above the national growth rate of 2.9%.

Maine awarded 15 incentives to local corporations, with only two incentives awarded to corporations based outside of the state (one each from Massachusetts and Virginia). The largest incentive package, at $60 million, was awarded to a General Dynamics in Virginia, generating $200 million of capital investment in Maine. This can be attributed to the capital-intensive nature of the incentivized investment project, which was one of the aforementioned projects in the aerospace, defense, and marine industry.

Appendix G: Benchmark 4 Transparency in Incentives

States vary considerably regarding the public disclosure of information on the number, value, and economic performance of their incentive programs. To address this obstacle to evaluating incentive performance, we developed the Incentive Productivity Index.

The objective of the Incentive Productivity Index is multi-fold. The Index largely contributes to greater transparency on incentive programs, as it provides an assessment of incentive productivity. Full disclosure of incentive information among states can also mitigate the “race to the bottom,” in which states fiercely compete against each other on the number of incentives rather than the value of incentives and ultimately, multiplier effects for their respective communities.

The Index also functions as an instrument for legislatures and authorities that wish to evaluate the performance of their incentive programs against those of other states. It thus enables one to make more informed decisions regarding the design and evaluation of their incentive programs.

Methodology

To produce the Incentive Productivity Index, EBP analyzed IncentivesFlow data at the state level. Constructing the Index consists of four steps.

Step 1: Calculate values for each indicator.

For each state, EBP collected and calculated the values for three indicators:

- Indicator 1: Number of Awarded Incentives
- Indicator 2: Value of Capital Investments
- Indicator 3: Number of Newly Created Jobs

It should be noted that this evaluation method handicaps smaller states that cannot award as many incentives as larger states. Nonetheless, these indicators provide insights into the returns that incentive deals can provide to states.

Step 2: Convert each indicator value into state rankings.

We now convert each indicator into a national ranking, where the state with the highest value ranks first (1) and the state with the lowest value ranks last (50). The ranking of Indicator 1 (Number of Awarded Incentives) forms the baseline of the Index, which is then measured and verified against the rankings of the two other indicators.

Step 3: Calculate total scores.

We then calculate the three rankings associated with the three indicators to determine final state-by-state scores.

Step 4: Produce the Incentive Productivity Index.

The final step includes ranking the final scores, which results in the Incentive Productivity Index. As shown in Table 34, states are ranked by averaging the ranks of the three indicators.

Table 34. Incentive Productivity Index

Ranking	State	Ranking	State	Ranking	State
1	New York	18	Wisconsin	34	Arkansas
2	Indiana	19	Colorado	35	Idaho
3	Ohio	20	Georgia	36	Rhode Island
4	California	21	South Carolina	37	Nebraska
5	North Carolina	22	Maryland	38	Delaware
6	Texas	23	Iowa	39	Oklahoma
7	Kentucky	24	Illinois	40	Vermont
8	Michigan	25	New Mexico	41	Montana
9	Tennessee	26	Alabama	42	Oregon
10	Virginia	27	Minnesota	43	Washington
11	Florida	28	Nevada	44	North Dakota
12	Pennsylvania	29	Connecticut	45	West Virginia
13	Arizona	30	Mississippi	46	Maine
14	Missouri	31	Kansas	47	Wyoming
15	Massachusetts	32	New Jersey	48	Alaska
16	Utah	33	South Dakota	49	New Hampshire
17	Louisiana			50	Hawaii

Source: EBP Analysis of FT Locations IncentivesFlow, 2017-2021.

High Performers

On average, New York, Indiana, and Ohio scored the highest on the Index as they have generally awarded the largest number of incentives, created the largest number of new jobs, and generated the largest amount of capital investments. Their high performance is also due to effective, publicly available reporting that makes it easy to relate the number of incentives awarded and their value with jobs created in the state. This is best practice for incentive programs and communicates to the public clear outcomes of state tax expenditures.

The second tier of states rank just below Ohio. These are states that either have made progress on evaluating their incentive programs but already have relatively high levels of transparency (e.g., North Carolina, Kentucky, Tennessee, Virginia) or states that are leading in incentives evaluation but are in the process of improving the transparency of their incentive programs and evaluations (e.g., Florida, Pennsylvania, Arizona, Massachusetts, Louisiana). These states represent likely future competitors for New York, Indiana, and Ohio.

Low Performers

Eight states were found to be low-performing on one or both indices and moderately on the other index or poorly on both indices. The latter includes Washington, North Dakota, West Virginia, Maine, Wyoming, Alaska, New Hampshire, and Hawaii. These are states with relatively small economies that often do not heavily rely on incentives as instruments to encourage economic development, and also do not have a system in place for evaluating the already limited use of these programs.

Improving States

States that particularly improved their rating over the last five years include New Mexico (+18), Arizona (+15), Kansas (+12), Oklahoma (+12), Georgia (+10), and Minnesota (+10). New Mexico's strong improvement can be partly attributed to the number of incentives administered as reported by IncentivesFlow, as the state rose in the ranks from 37 in 2017 to 19 in 2021. The same is true for Arizona, for which IncentivesFlow registered 74 incentives (9th) in 2021 vis-à-vis 55 (24th) in 2017. These changes illustrate how publicly disclosing more information on incentives results in higher ranking on the Incentive Productivity Index.

At the other end of the spectrum, New Jersey (-15), Connecticut (-14), Louisiana (-11), Colorado (-11), and West Virginia (-9) lost ground. New Jersey's steady decline can be partly attributed to a decrease in the number of incentives administered, declining in rankings from 18 in 2017 to 33 in 2021. The same is true for Connecticut, for which IncentivesFlow registered only 20 incentives (20th) in 2021 vis-à-vis 155 (34th) in 2017.

High Transparency States

According to FT Locations (the data provider for IncentivesFlow), limited incentive data for some states is primarily due to limited transparency in incentive reporting. Table 35 lists states with

GASB 77 filing figures that closely match the total value of incentive deals from 2017-2021 reported in IncentivesFlow. These states are therefore a reasonably accurate benchmark against which to compare incentive cost per job as reported by IncentivesFlow.

Approximately 50% of Maine's incentive value reported in GASB 77 filings was reported by IncentivesFlow, with a cost per job of $82,239. Among high transparency states listed in Table 35, the average incentive cost per job is $30,294.

EBP's review of GASB 77 filings revealed that IncentivesFlow both underreports and overreports the number and value of incentive deals depending on the state and types of incentives offered. States that use tax credits as the primary vehicle for incentive deals are most likely to have a high match between values reported in GASB 77 filings and IncentivesFlow deal values.

Finally, 'Incentive Cost per Job' as reported by IncentivesFlow may not adequately capture jobs retained in Maine that may have left the state but for an incentive deal. IncentivesFlow primarily captures jobs created by new business locations and expansions.

Table 35. States with GASB 77, FT Locations Incentive Cost Match

	State	IncentivesFlow Incentive Cost / GASB 77 Incentive Cost	IncentivesFlow Incentive Cost per Job (USD)
High Transparency States	New Jersey	1.07	91,446
	Iowa	1.02	58,357
	Michigan	0.95	38,427
	Rhode Island	1.12	34,312
	Massachusetts	0.89	15,523
	Delaware	1.11	12,744
	New Mexico	1.01	8,096
	New York	1.09	7,074
	Maryland	1.06	6,663
Maine + Peer States	Maine	0.51	82,239
	New Hampshire	4.87	37,038
	Connecticut	0.58	30,760
	Vermont	0.13	10,140

Maine Ranking

Although Maine ranked 46th on average, the state has gained ground over the last five years. In 2017, Maine ranked 48th with only one incentive deal recorded. By contrast, it moved to 44th in

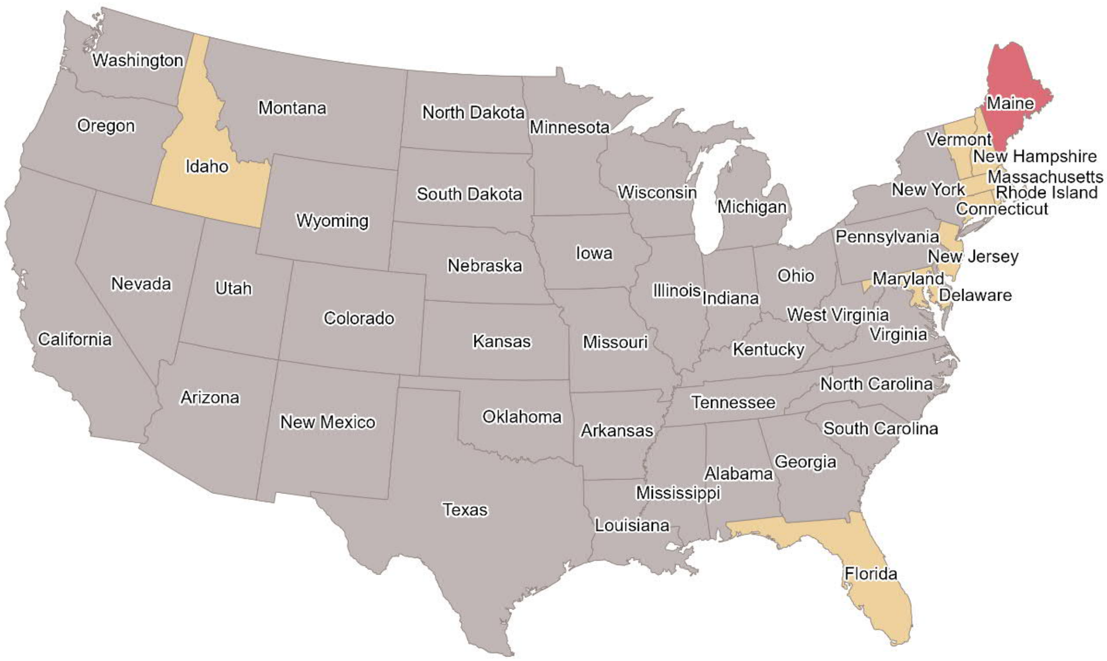
2021 with six incentive deals. Although these six deals did not bring capital investment into the state, they did bring 599 new jobs, placing Maine 43rd nationally for new jobs created. Maine is consistently trailed by or grouped with New Hampshire, Alaska, Nebraska, and Wyoming – which often have no incentives recorded in IncentivesFlow. Overall, the evaluation shows Maine performs similarly to New Hampshire and Vermont. Outside of New England, Maine also ranks similarly to Oregon, despite Oregon's larger geographic size and contribution to the national gross domestic product.

Appendix H: Benchmark 5 Peer States Programs

EBP benchmarked Maine's incentive programs, focusing on the Pine Tree Development Zone (PTDZ) Program and Employment Tax Increment Financing (ETIF) Program, against programs in nine other states (shown in Figure 18): the five other New England states (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), and Florida, Idaho, Maryland, and New Jersey. With input from DECD, EBP selected these states for benchmarking based on their similarities in terms of location, share of gross domestic product, and incentive distributions.

The PDTZ and ETIF programs support job creation in Maine through the financial incentives of tax credits and income reimbursements. Regarding incentive distributions, most of these nine states have at least one incentive program similar to the PTDZ and ETIF programs in that they support economic development through rewarding increasing employment. The following section provides a summary of characteristics of peer states' programs and the sections that follow this summary describe the relevant incentive programs by state.

Figure 18. Selected Peer States



Characteristics of Peer States' Programs

All nine peer states have incentive programs that are analogous to the PTDZ and ETIF programs. The following are major common characteristics:

- Business income tax credits of $500 - $9,000 per new, full-time job.
- Up to ten years of benefits, sometimes including rollover of credits or refunds for unused benefits.
- Jobs must pay wages of at least a percentage the state minimum wage or industry-specific private sector wages.
- Prioritize or restrict to specific industries.
- Prioritize or restrict to specific areas ("enterprise zone", "opportunity zone", "economic revitalization zone", "brownfield zone", urban area, rural area, economically distressed area, etc.), some with escalating benefits based on an area's tier.
- Increase in benefits based on employee characteristics (economically disadvantaged, veteran, intellectual or developmental disabilities, previously unemployed).
- Capped by total annual credits per business and total annual program benefits.

Peer states enact and publicize programs differently. For example, Florida provides a multitude of programs, each focusing on a specific characteristic (rural and urban, brownfields, "individuals with unique abilities", and veterans). Differently, Maryland's Job Creation Tax Credit (JCTC) factors in bonuses based on economic zone and whether an employee is a veteran and includes a separate credit for small businesses.

Many programs have specific eligibility requirements. For example, Maryland's Job Creation Tax Credit (JCTC) also requires that eligible jobs provide specified benefits, including the right to collectively bargain for wages and benefits, paid leave, workers compensation, and health insurance. Many programs also depend on a discretionary business eligibility approval or determination of benefits. These programs include Vermont's Employment Growth Incentive (VEGI), Massachusetts' Economic Development Incentive Program Credit (EDIPC), New Jersey's Emerge Program, Maryland's Economic Development Opportunities (Sunny Day) Program Fund for "extraordinary economic development opportunities that create and retain employment as well as create significant capital investments," and Idaho's Tax Reimbursement Incentive, which requires "significant economic impacts to the community and to Idaho".

In addition, many peer states have workforce development programs that provide tax credit benefits on a per-employee or per-apprentice basis, including Massachusetts' Apprenticeship Tax Credit, Rhode Island's Apprenticeships program, and Florida's Experiential Learning Tax Credit Program. Florida's Individuals with Unique Abilities Tax Credit Program provides a $1 tax credit per hour work by employees with physical or intellectual impairments. Peer states also offer programs that reimburse training costs. These include New Hampshire's WorkInvestNH, the Vermont Training Program (VTP), and Florida's Incumbent Worker Training (IWT). Idaho's Workforce Development Training Fund (WDTF) Grant Programs are industry- and job-specific with different eligibility requirements, fund availabilities, reimbursable expenditures, performance metrics, and grant durations. Florida's Quick Response Training Grant Program prioritizes reimbursements to trainings for jobs that are in certain industries or pay a minimum wage level.

Many peer states' programs do not directly provide credits per job but prioritize job creation by making it an eligibility requirement. Examples include Connecticut's Accumulated R&D Tax Credit Expansion Program, New Hampshire's Economic Revitalization Tax Credit, and the Idaho Business Advantage program. Some of these programs, like Connecticut's Urban/Industrial Sites Reinvestment Tax Credit, also require significant levels of investment and have a greater discretionary review. Idaho's Tax Reimbursement Incentive is similar to other per-job tax credits; however, it requires a minimum number of new jobs and then provides a 30% tax credit on a business's income, payroll, and sales taxes for up to 15 years. While Maryland offers a per-job tax credit, it also offers an alternate program (One Maryland Tax Credit) with an income tax credit based on the project's acquisition, construction, rehabilitation, installation, and equipment costs that escalates based on number of jobs created.

Uniquely among the peer states' programs, Rhode Island's Jobs Growth Act provides benefits directly to employees of companies that hire over 100 new employees in above-minimum-wage positions by offering employees tax exemptions on their bonuses. Massachusetts' Workshare for Workers program provides groups of workers pro-rated unemployment benefits during temporary reductions in regular work hours.

New Jersey has one identified program similar enough to Maine's PDTZ and ETIF programs; however, it has a wide range of incentives programs that do not provide per-job tax credits but do provide funding, grants, and tax credits to businesses in specific industries or locations for business costs. New Jersey's Green Workforce Training Grant Challenge provided funding competitively to organizations that developed workforce training programs in target industries, which is a different process than other states' workforce training incentives but may achieve similar outcomes. In general, peer states have a variety of other incentives programs, such as film industry incentives, innovation grants, sales tax rebates, and lease grants, among many others.

Finally, some peer states, including Florida, Rhode Island, and New Hampshire, include federal programs, such as the Research and Development Tax Credit and Work Opportunity Tax Credit, in their publicized lists of business incentives.

Connecticut

JobsCT Tax Rebate Program

Weblink: https://portal.ct.gov/DECD/Content/Business-Development/JobsCT/JobsCT-Tax-Rebate-Program

Businesses may be able to earn a tax rebate of 25-50% of withholding taxes from net new employees, depending on their location. Eligible firms must create at least 25 new full-time jobs with a minimum wage of $37,500 and at least 85% of the median household income of the municipality where the jobs will be located. The tax rebate is earned in years 3 through 7 with two additional discretionary years. The program prioritizes businesses creating jobs in economic-based industries, particularly those involved in manufacturing, corporate headquarters, life sciences, entertainment/digital media, clean energy, insurance/financial services, R&D facilities, aerospace/defense, and information technology sectors, and businesses located in distressed municipalities and opportunity zones. In addition, the program offers additional incentives for hiring employees with intellectual or developmental disabilities.

Accumulated R&D Tax Credit Expansion Program

Weblink: https://portal.ct.gov/DECD/Content/Business-Development/06_Tax_Incentives/Tax-Credits/Accumulated-Tax-Credit-Expansion-Program

Businesses that create at least 50 new jobs in state or spend $5 million on capital can be eligible to offset taxes. Eligible entities must have over $500,000 of Connecticut R&D tax credits without the ability to use them in the next two years and employ more than 10 people.

Urban/Industrial Sites Reinvestment Tax Credit

Weblink: https://portal.ct.gov/decd/content/business-development/06_tax_incentives/tax-credits/urban-industrial-sites-reinvestment-tax-credit/urban-industrial-sites-reinvestment-tax-credit

Businesses that invest $5 million in distressed communities, $2 million for a historic preservation facility redeveloped for mixed use, or $50 million in any other community may be eligible for a corporate tax credit of up to 100% for an investment, up to a maximum of $100 million if locating in an urban area or on an industrial site. For both urban and industrial sites, the investment must increase employment and generate significant additional tax revenue. The program is capped at a total of $200 million. Requests undergo an extensive due diligence process, and those over $20 million must be submitted by the Connecticut Department of Economic and Community Development's commissioner to the Legislature for its approval.

Enterprise Zone Program

Weblink: https://portal.ct.gov/decd/content/business-development/06_tax_incentives/enterprise-zones/a-summary-of-ct-enterprise-zone-program

This wide-ranging program is intended to help the targeted investment communities under 10 types of zone designations, with over 45 communities participating as of 2021. Its goals include expanding job opportunities for zone residents, and five zone types (Airport Development, Bioscience Enterprise Corridor, Contiguous Municipality, Defense Plant, and Manufacturing Plant) are established under the Urban Jobs Program. Eligible companies involved in manufacturing, research associated with manufacturing, and distribution warehousing, as well as certain service companies in eligible zones may receive a five-year 80% abatement of local property taxes on qualifying real estate and personal property (machinery and equipment) and additional benefits as allowed by law. Eligible businesses must invest in capital improvements to land and/or buildings either through renovation, construction, or acquiring a currently idle facility (with timescale depending on number of employees) with further requirements for leased facilities. Some zones might specify a range of North American Industrial Classification System (NAIC) codes, priority industry clusters, and/or pre-approved non-manufacturing and service business operations.

Massachusetts

Economic Development Incentive Program Credit (EDIPC)

Weblink: https://www.mass.gov/info-details/economic-development-incentive-program-credit-edipc

Companies committed to significant investment and/or creating and retaining jobs are potentially eligible for state and/or local property tax incentives. The incentive award depends on the details of the project and may be up to 10% of the cost of qualifying property purchased for business use and up to 40% in other cases. Businesses that are certified as job creation projects may receive credits up to $5,000 per job created. Companies are approved by the MA Economic Assistance Coordinating Council (EACC) comprised of public officials and appointees by the governor. The EACC has access to refundable tax credits, local tax incentives, tax increment financing, and other special tax assessments.

Life Sciences Refundable Jobs Tax Credit

Weblink: https://www.mass.gov/info-details/life-science-credits#life-sciences-refundable-jobs-tax-credit-

Certified life sciences companies that commit to creating at least 50 net new permanent full-time jobs in Massachusetts may receive this tax credit against their personal income taxes or corporate excise taxes and may receive a refund if the credit claimed exceeds the taxes due.

Apprenticeship Tax Credit

Weblink: https://www.mass.gov/how-to/apply-for-a-registered-apprentice-tax-credit-ratc

Businesses that employ apprentices and are part of the healthcare, tech, or manufacturing sectors may receive a tax credit or refund equal to 50% of wages up to $4,800 per apprentice and a total of $100,000 per year for up to two consecutive years for each individual apprentice.

Workshare for Workers

Weblink: https://www.mass.gov/workshare-for-workers

The Department of Unemployment Assistance provides employers and workers with proportional unemployment benefits during temporary reductions in regular work hours when the reduction is uniform for all workers under the employer's plan.

New Hampshire

Economic Revitalization Tax Credit

Weblink: https://www.gencourt.state.nh.us/rsa/html/NHTOC/NHTOC-XII-162-N.htm

Taxpayers with certified projects that are located in a designated economic revitalization zone and created new jobs in the state may access a tax credit up to $40,000 in a calendar year. The total tax credit in a program may not exceed $825,000 in a calendar year; however, if fewer credits are allotted in a calendar year, the remaining credits may be issued in following years. The credit amount is determined by a weighted sum of the salaries of each created full-time job and potentially the cost incurred for facility-related construction and equipment purchases.

Coos County Job Tax Credit

Weblink: https://www.revenue.nh.gov/resource-center/frequently-asked-questions/coos-county-job-tax-credit

This tax credit is available to businesses in Coos County that have hired new, full-time, year-round employees with actual wages equal or exceeding 150% of the current state minimum wage. The Department of Resources and Economic Development will award credit equal to $750 or $1,000 for each qualified employee hired. This program currently is time-limited to any taxable period ending on or before December 31, 2018, and renewable for four consecutive additional years, provided that no additional tax credit shall be granted for any tax period after December 31, 2027.

WorkInvestNH

Weblink: https://www.nhes.nh.gov/services/employers/work-invest-nh.htm

This program provides a 1:1 cash match grant of $750 to $100,000 for customized training of a company's employees for: structured, on-site laboratory or classroom training; basic skills; technical skills; quality improvement; safety; management and supervision; English as a second language; and other training programs that enhance the state's workforce development.

Opportunity Zones

Weblink: https://www.nheconomy.com/grow/opportunity-zones

Under the federal Opportunity Zone program of 2018, New Hampshire has designated 27 census tracts designated as opportunity zones. Investors can defer capital gains on earnings that have been reinvested in the zones through opportunity funds, which are private sector investment vehicles that invest at least 90% of their capital in opportunity zones. Long-term investments maintained for over 10 years do not have to pay additional capital gains taxes on earnings from opportunity zone investments.

Rhode Island

Jobs Growth Act

Weblink: https://dlt.ri.gov/employers/rhode-island-tax-credits

Eligible businesses can offer employees tax exemptions on half the money they make in bonuses and instead pay a 5% tax on the income. To qualify, a business must hire at least 100 new employees in the state making over 125% of the state's average minimum wage and add at least $10 million to its state payroll.

Qualified Jobs Incentive Tax Credit

Weblink: https://commerceri.com/incentives/tax-credits-and-financing/

Businesses that expand their workforce or relocate jobs from out of state can qualify for annual redeemable tax credits for up to 10 years. Depending on wage level and other factors, credits can be up to $7,500 per job per year. The minimum number of jobs created to qualify varies by industry and company size with target industries including biomedical innovation, IT/software, cyber-physical systems, data analytics, defense shipbuilding and maritime, and advanced business services.

New Employment Tax Incentive

Weblink: https://dlt.ri.gov/employers/rhode-island-tax-credits#NewTax

Businesses that hire Rhode Island residents who have been unemployed can be eligible for a deduction or modification of 40% of the employee's first year wages up to $2,400 per employee.

Apprenticeships

Weblink: https://dlt.ri.gov/employers/rhode-island-tax-credits

Employers that hire an apprentice as a machine toolmaker, machinist, model-maker, gage maker, pattern-maker, plastic process technician, tool and machine setter, die-sinker, mold-maker, tool and die maker, and similar occupations may be eligible for a tax credit of 50% of actual wages or $4,800, whichever is less. The apprentice must be enrolled in a registered qualified program through the Rhode Island Department of Labor and Training's State Apprenticeship Council.

Investment Tax Credit

Weblink: https://dlt.ri.gov/labor-market-information/other-resources/investment-tax-credit

Employers classified in manufacturing, wholesale trade, finance, insurance, real estate and selected services industries are eligible for a 10% investment tax credit to business corporation tax and the personal income tax, if the employer is paying above average wages determined by median wage compared to statewide average wages by NAICS code or is investing at least 2% of total payroll costs in worker training. In addition, more than half of the revenue of non-manufacturing firms must come from out-of-state sales or sales to the federal government.

Adult Education Credit

Weblink: https://tax.ri.gov/sites/g/files/xkgbur541/files/forms/2020/Credits/RI-6324_b.pdf

Employers are eligible for a 50% corporate tax credit for the direct costs of worksite or non-worksite vocational training or basic education for employees, who are employed for at 13 weeks and paid for at least 455 hours. The credit is limited to $300 per employee and $5,000 per employer.

Vermont

Employment Growth Incentive (VEGI)

Weblink:
https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/ED/VEGI/Programsummary.pdf

Companies may receive a cash incentive for proposed economic activity that would create new, permanent, and full-time jobs above a wage threshold and would not occur or would occur in a significantly different manner if not for the incentive. The Vermont Economic Progress Council (VEPC) approves applicants before a company decides to proceed with the project. After the project starts, the company has to set and meet annual performance requirements. There are no restrictions on the type or size of company that can apply or the number of jobs that must be created.

Vermont Training Program (VTP)

Weblink: https://accd.vermont.gov/economic-development/vtp

VTP provides performance-based workforce grants of up to 50% of the cost for pre-employment training, training for new hires, and training for incumbent workers on-site or through an outside provider. VTP also support employers who provide work-based learning programs or activities developed in partnership with a school or educational program. The most requested programs are for advanced manufacturing skills like lean technology, computer-aided design, and computer numerical control machining, and supervisory and management trainings.

Opportunity Zones

Weblink: https://accd.vermont.gov/OpportunityZones

The Tax Cuts and Jobs Act of 2017 included the creation of a new tax-incentive aimed at increasing private investment in low-income census tracts. Investors in these zones receive preferential tax treatment when they invest in a newly created “opportunity fund.” 25 census tracts in 17 communities are designated as opportunity zones.

Florida

Rural Job Tax Credit

Weblink: https://floridarevenue.com/taxes/taxesfees/Pages/corp_tax_incent.aspx

This program provides a tax credit of $1,000 to $1,500 per new job at businesses located within designated rural counties up to $500,000 per business per year. Unused credit may be forwarded for five years.

Urban High-Crime Area Job Tax Credit

Weblink: https://floridarevenue.com/taxes/taxesfees/Pages/corp_tax_incent.aspx

This program provides a tax credit of $500 to $2,000 per new job at businesses located within designated urban areas. Unused credit may be forwarded for five years.

Brownfields Redevelopment Act Job Bonus Tax Refund

Weblink: https://floridadep.gov/waste/waste-cleanup/content/brownfields-program

This refund provides $2,500 for each new job created by an eligible business on or abutting a site with a Brownfield Site Rehabilitation Agreement (BSRA), regardless of the business’s industry.

Experiential Learning Tax Credit Program

Weblink: https://floridarevenue.com/taxes/taxesfees/Pages/corp_tax_incent.aspx

This program, currently limited to 2022-2025, provides a tax credit of $2,000 per apprentice, preapprentice, or student intern at qualified businesses up to $10,000 per business per year and $2.5 million total for the program per year. Unused credit may be forwarded for two years.

Individuals with Unique Abilities Tax Credit Program

Weblink: https://floridarevenue.com/taxes/taxesfees/Pages/corp_tax_incent.aspx

This program, currently limited to 2024-2026, provides a tax credit of $1 per hour a qualified employee with a physical or intellectual impairment works up to 1,000 hours per employee and $10,000 per business per year and $5 million total for the program per year. Unused credit may be forwarded for five years.

Quick Response Training Grant Program

Weblink: https://careersourceflorida.com/business-services/training-grants/qrt/

CareerSource Florida reimburses a portion of instructor, curriculum development, textbooks and manuals, and travel expenses to businesses that create new, permanent, full-time jobs in qualified target industries, including cleantech, life sciences, infotech, aviation/aerospace, homeland security/defense, and financial/professional services, among others, that require customized, high-level skills training not available at the local level. The per-trainee reimbursement amount is based on the industry, wage, location, and reimbursable expense amounts and calculated based on the number of preapproved new hires that have completed training. Priority is given to jobs offered in distressed, urban inner city, rural area, opportunity zone, or Brownfield areas or have an average annual wage of at least 115% of local or state private sector wages, whichever is lower. The program's funding for 2024-2025 is $7.5 million.

Veterans Florida Business Training Grant

Weblink: https://lakelandedc.com/wp-content/uploads/2019/09/incentive-veterans-florida-business-training-grant.pdf

This program matches 50% of specified training costs for hiring or training veterans for jobs that pay an average annual wage at least 115% of the state, metropolitan statistical area, or local average (or 100% for projects in a rural city, rural community, or a designated brownfield area or for manufacturing projects) up to $8,000 per veteran/employee and $100,000 per business per year. Unused credit may be forwarded for two years.

Incumbent Worker Training (IWT)

Weblink: https://careersourceflorida.com/business-services/training-grants/iwt/

This program provides grants for continuing education and training of current full-time employees at Florida companies, focusing on industry- or business-specific skills, technical or computer skills, or foundational skills, such as leadership, teamwork and management, and prioritizing training that represents significant skills upgrades for employees or the greatest potential for impacting the business's competitiveness. Eligible businesses may be reimbursed up to 50% of direct training costs, while businesses that have 25 or fewer employees or are located in a rural area/county, distressed area, brownfield or hub zone may be reimbursed up to 75%. For 2024-2025, the maximum a company may receive through this program is $100,000.

Qualified Target Industry (QTI) Tax Refund

Weblink: https://www.flsenate.gov/Laws/Statutes/2020/288.106

This incentive, enacted through 2022, provided state tax refunds to qualified target industry businesses that originate in, expand in, or relocate to Florida. For businesses in target industries that created at least 10 net new, full-time jobs and, for expanding businesses, increased employment at the business by at least 10%, the refund comprises $3,000 for each job in general or $6,000 for each job in a rural community or an enterprise zone with an additional $1,000 possible for each job paying at least 150% of the average private sector wage in the area or an additional $2,000 for above 200%, along with other additional refunds for jobs in businesses that meet criteria related to high-impact sectors and increasing exports. Target industries include life sciences, technology, manufacturing, and aerospace.

Idaho

Tax Reimbursement Incentive

Weblink: https://commerce.idaho.gov/incentives-and-financing/incentives/idaho-tax-reimbursement-incentive/

This incentive offers up to a 30% tax credit on income, payroll, and sales taxes for up to 15 years to businesses in a board range of industries, including aerospace, agriculture, food processing, and high-tech, that expand in or relocate to Idaho and create at least 20 new, full-time jobs (or 50 for businesses located in urban centers) that pay at least the average county wage. Businesses must have meaningful community engagement, be stable with a significant economic impact to the community and to Idaho, and prove that the incentive is a critical factor in the expansion or relocation decision.

Idaho Business Advantage

Weblink: https://commerce.idaho.gov/content/uploads/2022/01/Business-Advantage2024.pdf

Businesses that invest a minimum of $500,000 in new facilities and create at least 10 new jobs paying at least $40,000 annually (and an average wage of $15.50 per hour for all new jobs created during the project period) may receive multiple tax incentives, including: a 3.75% income tax credit on new, depreciable personal property; a 2.5% credit on real property (not qualified for the previous tax credit); a 25% sales and use tax rebate; and an additional income tax credit per new, high-wage job.

Workforce Development Training Fund (WDTF) Grant Programs

Weblink: https://wdc.idaho.gov/grants/

These programs fund training that leads to wage gains and retention and assist job creation and technology integration targeted to the following areas: industry sectors (i.e. a business entity representing a consortium of at least three industry partners with a similar talent development needs); innovation (a community-based team with representation and support from business, education and other community partners); preceptor (preceptorships to work-based learning for nurse practitioners, physician assistants, pharmacists and prescribing/clinical psychologists); apprenticeship (registered apprenticeship program to train new or newly promoted employees); employer (employer increasing its current workforce and/or retraining existing workers with skills necessary for specific economic opportunities or industrial expansion initiatives); and outreach (for state agencies, educational institutions, non-profit organizations, and employers). Each grant program has different eligibility requirements, fund availabilities, reimbursable expenditures, performance metrics, and grant durations.

Maryland

Job Creation Tax Credit (JCTC)

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit

Businesses that are engaged in qualifying activities and create new, full-time jobs with wages of at least 150% the state minimum wage or at least the prevailing wage rate may receive an income tax credit equal to $3,000 per job up to $1 million per business per year and a total of $4 million for the program per year. The credit increases by $2,000 per job for businesses located in "revitalization areas" and by $1,000 per job that is filled by a qualified veteran employee. Unused credit may be forwarded up to five years.

The business must create at least 60 jobs, at least 25 jobs in a JCTC Priority Funding Area, or at least 10 jobs in counties with low employment or median household incomes. These jobs must provide specified benefits, including the right to collectively bargain for wages and benefits, paid leave, workers compensation, and health insurance, among other benefits. Small businesses (i.e. 50 or fewer full-time employees) may claim the credit for up to five qualified veteran employees per year, provided the new employees are not hired to replace a laid-off employee or an employee, who is on strike. All claimed new jobs must be created within a two-year period and be filled for at least 12 months before the final approval. A business cannot claim both the Job Creation Tax Credit and the One Maryland Tax Credit in the same year.

One Maryland Tax Credit

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/one-maryland-tax-credit

Businesses in eligible sectors that create at least ten new, full-time jobs within two years with wages of at least 120% the state minimum wage in specified priority funding areas in specified counties based on equity metrics (average employment or median household income) are eligible to receive an income tax credit based on project costs of at least $500,000 related to acquiring, constructing, rehabilitating, installing, and equipping an economic development project or relocating to Maryland. Maximum credits are based on the number of new jobs: $1 million for 10-24 jobs; $2.5 million for 25-49 jobs; and $5 million for at least 50 jobs. A business cannot claim both the One Maryland Tax Credit and the Job Creation Tax Credit in the same year.

Enterprise Zone Tax Credit

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit

Certified eligible businesses that create new, full-time jobs with wages of at least 150% the state minimum wage in one of 35 specified enterprise zones or 7 designated focus areas receive income tax credits of $1,000 per employee for one year and an additional $500 if located in a focus area. If the business employs an economically disadvantaged employee, it is eligible for an income tax credit of $3,000 per year, decreasing by $1,000 per year, for three years and, if located in a focus area, an additional credit of $1,500 per year, decreasing by $500 per year.

In addition, certified eligible businesses that make investments in these enterprise zones receive real property tax credits for real property expansion, renovation, or capital improvement for ten years at 80% for the first five years, decreasing by 10% for each of the next five years. In focus areas, certified eligible businesses receive an 80% real property tax credit for all ten years and an 80% personal property tax credit on local personal property taxes on new investment in personal property within the focus area for ten years. Property tax credit eligibility depends on local requirements; however, a business at least must hire new employees or invest in capital improvements.

Regional Institution Strategic Enterprise (RISE) Zone Program

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/rise-zone-program

This program offers income tax credits and real property tax credits to businesses that relocate to or make significant capital investment or expansion within one of four designated zones that is targeted for increased economic and community development and has strong a nexus with a qualified institution of higher education, regional higher education center, or non-profit affiliated with a federal agency. The income tax credit is either a one-time $1,000 for each qualified new job or $6,000 claimed during a three-year period for hiring an economically disadvantaged employee. The real property tax credit is at least 50% of a portion of the real property expansion, renovation, or capital improvement for the first year and at least 10% of this eligible assessment for the next four years.

As stated on the program website:

> The purpose of RISE Zones is to access institutional assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within the zone. The program also incentivizes the location of innovative start-up businesses based on technology developed licensed or poised for commercialization at or in collaboration with qualified Maryland institutions.

Economic Development Opportunities (Sunny Day) Program Fund

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/sunny-day

This is a broad program that supports "extraordinary economic development opportunities that create and retain employment as well as create significant capital investments." Projects are evaluated on a competitive basis and must be consistent with the Economic Development Strategy and generate substantial employment, particularly in areas of high unemployment.

More Jobs for Marylanders Tax Credit

Weblink: https://commerce.maryland.gov/fund/programs-for-businesses/more-jobs-for-marylanders

This program, which ended in mid-2024, promoted tax incentives for new manufacturing jobs in general or non-manufacturing jobs in opportunity zones. Depending on two location tiers based on equity metrics (average employment or median household income), qualified manufacturing businesses that created at least 10 or 20 new, full-time jobs with wages of at least 150% the state minimum wage were eligible for a refundable income tax credit of 4.75% of the wages for each qualified job. Depending on the location tier, the credit was available over a 5- or 10-year benefit period. Non-manufacturing businesses (with specific sectors excluded) were required to be in opportunity zones and create at least 10 new, full-time jobs with wages of at least $50,000.

New Jersey

Emerge Program

Weblink: https://www.njeda.gov/emerge/

Businesses that create at least 35 new, full-time jobs and meet minimum capital investment requirements in an eligible incentive location may receive a corporate business tax credit or insurance premiums tax credit of $500 – $9,000 per job, depending on location, industry, alignment with other policy objectives, inclusion of a labor harmony agreement, and other factors. The credits also may be transferred or surrendered for at least 85% of their value. The program is capped at $1.1 billion per year.