

**TESTIMONY
OF HEATHER JOHNSON, COMMISSIONER
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

Before the Joint Standing Committee on Appropriations and Financial Affairs and
the
Joint Standing Committee on Innovation, Development, Economic Advancement
and Business

Hearing Date: February 15, 2023

Hearing Time: 10:00 a.m.

**“An Act Making Unified Appropriations and Allocations from the General
Fund and Other Funds for the Expenditures of State Government and
Changing Certain Provisions of the Law Necessary to the Proper Operations
of State Government for the Fiscal Years Ending June 30, 2023,
June 30, 2024 and June 30, 2025.”**

Good morning, Senator Rotundo, Representative Sachs and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Curry, Representative Roberts and members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business. My name is Heather Johnson, and I am the Commissioner of the Department of Economic and Community Development or DECD for short. I am here today to testify in support of LD258, the Biennial Budget.

This budget advances the Governor’s guiding belief that to build a stronger, more prosperous state where opportunity is available to all, we must invest in the infrastructure that supports the people of Maine, our greatest asset.

We look forward to the discussions over the next several months as we outline each initiative and impact of the proposed investments.

Economic and Community Development, Department of

	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Department Summary - All Funds				
Positions - LEGISLATIVE COUNT	36,000	36,000	36,000	36,000
Personal Services	4,273,362	4,584,887	4,858,244	4,675,802
All Other	179,111,125	143,715,118	61,378,121	61,552,731
Total	183,384,487	148,300,005	66,236,365	66,228,533
Department Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	19,000	19,000	19,000	19,000
Personal Services	2,381,610	2,663,251	2,862,351	2,643,990
All Other	10,968,698	13,751,124	13,482,966	13,488,326
Total	13,350,308	16,414,375	16,345,317	16,132,316
Department Summary - FEDERAL EXPENDITURES FUND				
All Other	1,500,500	1,500,500	1,500,500	1,500,500
Total	1,500,500	1,500,500	1,500,500	1,500,500
Department Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	12,000	12,000	12,000	12,000
Personal Services	1,446,026	1,470,726	1,531,471	1,559,225
All Other	18,881,269	20,156,227	24,846,821	25,151,645
Total	20,327,295	21,626,953	26,378,292	26,710,870
Department Summary - FEDERAL BLOCK GRANT FUND				
Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	445,726	450,910	464,422	472,587
All Other	21,260,658	21,260,658	21,260,658	21,260,658
Total	21,706,384	21,711,568	21,725,080	21,733,245
Department Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY				
All Other	126,500,000	87,046,609	287,176	151,602
Total	126,500,000	87,046,609	287,176	151,602

For the Biennial Budget, DECD continues its baseline budget with minimal changes. In addition to our traditional programming, DECD will continue to implement Maine Jobs and Recovery Programming (MJRP) to support businesses, communities, non-profits, and programs around the State during the limited period available.

DEPARTMENT OVERVIEW

DECD has a mission that contributes to the economic prosperity of the state. DECD works statewide and with local partners, private industry, communities, and small businesses to enhance and sustain economic opportunity in Maine. In addition to our core Offices that support and promote community development, business development, business attraction and retention; International business recruitment and promotion; technology and innovation; and national and international marketing and promotional programs through the Offices of Tourism, Film and Outdoor Recreation; DECD also is responsible for the oversight and execution of the 10-Year Statewide Strategic Economic Development Plan. The plan, with one vision, three key goals, and seven strategy areas, will drive the economic strategy of the State through 2029.

Through the biennial budget process, I would like to not only advocate for DECD but emphasize the importance of all our state agency and economic development partners as we work together to continue to grow Maine's economy. As the lead agency in coordinating the 10-year Statewide Strategic Plan, DECD relies on both internal and external partners to ensure the plan's vision and goals can be achieved. Through collaboration and teamwork, we are able to assist business growth and provide key connections to the workings of the State. Over the years, positions and programs assigned to the department have changed significantly.

ADMINISTRATION - ECON & COMM DEV 0069

What the Budget purchases:

The Commissioner's Office provides overall coordination of the Department, including financial and personnel management, administrative and policy development, coordination, legislative and media activities, program development and evaluation; departmental strategic planning, and coordinated management of statewide initiatives relating to workforce development, business attraction and retention and business tax incentive programs. The Commissioner's Office coordinates the programs and services of the department with those programs and services of other state agencies and economic development organizations to create efficiencies and promote Maine as a place to live, work and visit.

	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	702,344	711,350	787,018	797,283
All Other	1,065,246	1,065,246	1,065,246	1,065,246
Total	1,767,590	1,776,596	1,852,264	1,862,529

Program Summary - OTHER SPECIAL REVENUE FUNDS

All Other	1,000,100	30,000	30,000	30,000
Total	1,000,100	30,000	30,000	30,000

Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	81,900,000	48,200,000	283,176	147,602
Total	81,900,000	48,200,000	283,176	147,602

2023-24 2024-25

Initiative: Provides funding for the department's share of the cost for the financial and human resources service center within the Department of Administrative and Financial Services.

GENERAL FUND

All Other			31,842	37,202
Total			31,842	37,202

	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
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Revised Program Summary - GENERAL FUND

Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	702,344	711,350	787,018	797,283
All Other	1,065,246	1,065,246	1,097,088	1,102,448
Total	1,767,590	1,776,596	1,884,106	1,899,731

Revised Program Summary - OTHER SPECIAL REVENUE FUNDS

All Other	1,000,100	30,000	30,000	30,000
Total	1,000,100	30,000	30,000	30,000

Revised Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	81,900,000	48,200,000	283,176	147,602
Total	81,900,000	48,200,000	283,176	147,602

DECD has 7 Offices and 36 permanent positions and four limited period positions covering the department's many responsibilities.

Thirty-three of the department's employees are located on the 3rd floor of the State Office Building, two are located with the Maine International Trade Center in Portland and one is located with the Maine Technology Institute in Brunswick. DECD is responsible for administering Maine's programs related to business growth, community development, tourism, film promotion, outdoor recreation, and broadband expansion.

For DECD, the biennial budget provides baseline funding to support the operational work of the Department with no additional funding for DECD programming. This budget includes an initiative to fund increased costs for the financial and human resources service center within the Department of Administrative and Financial Services; an initiative to bring allocations in line with projected revenues in the Office of Tourism and language relating to the extension of the Pine Tree Development Zone tax incentive program.

ADMINISTRATION – ECONOMIC AND COMMUNITY DEVELOPMENT

The **request** for the Administration account may be found on **page A-196**. The Administration Account supports the Commissioner's Office which provides overall management of the department, including personnel, financial and contractual obligations; directs the implementation of the 10-year Statewide Strategic Plan; oversees the American Rescue Plan Act (ARPA) funding and programs; coordinates the legislative and media activities; develops and maintains the department-wide budget; and represents the administration on various boards, commissions, and task forces. The program includes a General Fund appropriation and allocations for Other Special Revenue Funds and Federal Expenditures Funds

APPLIED TECHNOLOGY DEVELOPMENT CENTER SYSTEM 0929

What the Budget purchases:

The Applied Technology Development Center System encourages early stage development of technology-based businesses through business counseling, shared services minimizing overhead costs for new technology-based companies. Grant funding is provided through a competitive process.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
All Other	178,838	178,838	178,838	178,838
Total	178,838	178,838	178,838	178,838

2023-24 2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
All Other	178,838	178,838	178,838	178,838
Total	178,838	178,838	178,838	178,838

for ARPA programs assigned to DECD. The Administration Account supports 5 General Fund positions and 2 Federal ARPA Limited Period positions.

The initiative in this account relates to the increase in charges by the General Government Service Center within the Department of Administrative and Financial Services who provides centralized accounting, payroll, budgeting, and human resources services to DECD. The DAFS Service Centers are established as internal service funds intended to recoup their costs through billings to departments and agencies for services provided. The Service Centers expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs. This recoupment process results in increased billing rates to departments and agencies.

The **initiative** requests additional General Funds of \$31,842 in FY24 and \$37,202 in FY25 for the department's General Fund share of the increased costs for the centralized services.

APPLIED TECHNOLOGY DEVELOPMENT CENTER SYSTEM

The **baseline budget** for the Applied Technology Development Center System may be found on **page A-197**. This program receives a general fund appropriation and provides funding on a competitive basis, pursuant to statute, to the state-wide Technology Centers. There are three remaining technology centers in the State (Maine Center for Entrepreneurial Development, Maine Aquaculture Innovation Center, and Target Technology Incubator) whose purposes are to support early-stage development of technology-based businesses. Since FY13, these three centers have joined forces to form one entity that applies for and receives the funding of \$178,838 annually. **There are no new initiatives for this program.**

BUSINESS DEVELOPMENT 0585**What the Budget purchases:**

The Office of Business Development provides direct assistance to existing businesses and businesses seeking to relocate or expand in Maine. Through the Business Answer Program, this office responds to the needs of any business with a question or issue regarding state government. Working directly with other state agencies, this office is able to facilitate quick resolution of permitting and licensing issues and is able to connect businesses with the correct assistance needed. Administration of the Pine Tree Development Zone, E-Tif, J-Tif and municipal tax incentive finance programs are also coordinated through this office.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	8,000	8,000	8,000	8,000
Personal Services	879,049	902,193	989,490	1,008,781
All Other	869,604	869,604	869,604	869,604
Total	1,748,653	1,771,797	1,859,094	1,878,385

Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	8,800,000	14,200,000	2,500	2,500
Total	8,800,000	14,200,000	2,500	2,500

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	8,000	8,000	8,000	8,000
Personal Services	879,049	902,193	989,490	1,008,781
All Other	869,604	869,604	869,604	869,604
Total	1,748,653	1,771,797	1,859,094	1,878,385

Revised Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	8,800,000	14,200,000	2,500	2,500
Total	8,800,000	14,200,000	2,500	2,500

BUSINESS DEVELOPMENT

The **baseline budget** for the Office of Business Development may be found on **page A-198**. This program receives a General Fund appropriation that supports 8 positions and All Other funds that help provide direct assistance to existing businesses and businesses seeking to relocate or expand in Maine. Federal ARPA funds allocated thru MJRP are also included in this account and relate to Domestic Trade, Remote Workers, and Co-Working programs. This office provides an invaluable resource to Maine's business community by providing expertise on available business assistance programs, tax incentives and financing options. Working directly with other state agencies, this office can facilitate resolution of challenging issues and is able to connect businesses with the correct assistance needed.

The Office of Business Development manages the Business Answers program, which supports resource navigation and baseline information on State required licensing and permitting. The service provides a searchable database of permitting information as well as email and phone support. The Business Answers page is now translatable into multiple languages. In 2022, 44,201 visitors accessed the Business Answers resource page with 7,548 visitors searching specific licensing and permitting information. We rotate staff so we are available to answer calls and emails and during 2022, answered 1,436 phone calls and responded to 1,500 emails.

In March 2022, the Office of Business Development launched a site selection website which has generated nearly 10,000 page views and attracted more than 1,400 unique visitors who have actively searched available business property locations around the State. This is one example of the investment attraction activity. **There are no new initiatives for this program.**

COMMUNITIES FOR MAINE'S FUTURE FUND Z108

What the Budget purchases:

When funds are available this program exists to assist and encourage communities to revitalize and to promote community development and enhancement projects.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

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COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM 0587

What the Budget purchases:

The Office of Community Development program provides federal funds as grants to municipalities to implement programs to improve economic, social, infrastructure, planning and housing conditions primarily for the benefit of low and moderate-income persons, as well as program administration. State funds provide the required match for federal grant funds that are used for the administration of the Community Development Block Grant Program. This Office also supports the State Landfill Oversight Program, Maine Made Marketing Program and Brownfields Revolving Loan Fund.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	2,000	2,000	2,000	2,000
Personal Services	218,061	220,205	203,039	204,862
All Other	88,262	88,262	88,262	88,262
Total	306,323	308,467	291,301	293,124

Program Summary - FEDERAL EXPENDITURES FUND

All Other	1,500,000	1,500,000	1,500,000	1,500,000
Total	1,500,000	1,500,000	1,500,000	1,500,000

Program Summary - OTHER SPECIAL REVENUE FUNDS

All Other	616,011	616,011	616,011	616,011
Total	616,011	616,011	616,011	616,011

Program Summary - FEDERAL BLOCK GRANT FUND

Positions - LEGISLATIVE COUNT	5,000	5,000	5,000	5,000
Personal Services	445,726	450,910	464,422	472,587
All Other	21,260,658	21,260,658	21,260,658	21,260,658
Total	21,706,384	21,711,568	21,725,080	21,733,245

Initiative: NONE

COMMUNITIES FOR MAINE'S FUTURE FUND

The **baseline budget** for the Communities For Maine's Future Fund may be found on **page A-199**. This Other Special Revenue account was established to accept bond funding when the program was active. The baseline allocation in this inactive account exists as a placeholder only. **There are no new initiatives for this program.**

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The baseline budget for the Community Development Block Grant Program may be found on **pages A-200 and A-201**. The Federal Funds for this program originate at the Federal Department of Housing and Urban Development or HUD which requires a 2% match from the State's General Fund. HUD distributes funds to each State based on a statutory formula which takes into account population, poverty, incidence of overcrowded housing, and age of housing. The annual federal allocation of approximately \$11.5 million is awarded to over 40 communities for a variety of eligible projects, including economic development, public infrastructure, housing, micro-enterprise assistance, downtown revitalization, public service, and workforce development.

The Federal Expenditure Fund in this account includes an allocation placeholder for the Brownfields Revolving Loan Fund and reflects anticipated revenues from the U.S. Environmental Protection Agency. The work of this program is conducted by DEP with financial administration conducted by DECD. The Other Special Revenue funds includes an allocation for the CDBG Federal revolving loan fund that is declining and no longer funded. Two positions in this program are funded by general funds and five positions are funded by federal funds. **There are no new initiatives for this program.**

INTERNATIONAL COMMERCE 0674**What the Budget purchases:**

The Maine International Trade Center (MITC) is a public-private partnership, funded through the Department, membership dues of approximately 300 business members, as well as corporate sponsor contributions. MITC focuses on the expansion of the Maine economy and job creation through increased exports, trade, foreign direct investment and international student attraction. The Trade Center works with all markets, and provides a monthly series of trade education seminars for Maine's growing businesses - attracting over 500 participants throughout the year. MITC coordinates overseas activities including industry specific trade shows and trade missions, as well as foreign direct investment and international student attraction events. Its operations include the Maine North Atlantic Development Office (MENADO), Invest in Maine, StudyMaine and the Canada Desk. The budget includes funding for the Center, the State Director and MENADO Director and the Citizen Trade Policy Commission.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	2,000	2,000	2,000	2,000
Personal Services	287,182	289,277	335,325	338,507
All Other	898,409	924,709	924,709	924,709
Total	1,185,591	1,213,986	1,260,034	1,263,216
			2023-24	2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	2,000	2,000	2,000	2,000
Personal Services	287,182	289,277	335,325	338,507
All Other	898,409	924,709	924,709	924,709
Total	1,185,591	1,213,986	1,260,034	1,263,216

LEADERSHIP AND ENTREPRENEURIAL DEVELOPMENT PROGRAM Z071**What the Budget purchases:**

The 123rd Legislature directed the Department of Economic and Community Development to design a leadership and entrepreneurial development program. A report was submitted to the joint standing committee of the Legislature having jurisdiction over business and economic development matters on March 1, 2009 with a series of recommendations that were not advanced. The account has never received funding but remains in the department.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500
			2023-24	2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

MAINE INTERNATIONAL TRADE CENTER

The **baseline budget** for the International Commerce Fund may be found on **page A-202**. This program receives a General Fund appropriation that supports the Maine International Trade Center (MITC) in Portland. MITC is a public/private partnership, funded by a General Fund appropriation from the International Commerce Fund and contributions from its member companies. MITC provides critical services to Maine's small and medium sized businesses, including customized trade assistance that helps businesses identify and take advantage of opportunities in the global marketplace. MITC's core functions are to provide accurate, relevant international trade education and counseling and to expose Maine businesses to overseas opportunities through facilitated activities. In 2022, MITC assisted over 350 businesses statewide in navigating international markets, resulting in millions of dollars in reported export sales. MITC also manages four specialty subprograms: StudyMaine, which promotes Maine schools as a place to study; Invest in Maine, which promotes the state as an investment destination to global partners; DIME, which engages the 125 businesses in the defense supply chain in international and domestic opportunities; and the Maine-North Atlantic Development Office that leads the state's engagement with the markets of the North Atlantic and Arctic region. MITC is also engaging with the offshore wind roadmap process led by the Governor's Energy Office on behalf of DECD and is assisting the Office of Business Development with targeted domestic trade activities under the MJRP. This account funds two full-time positions assigned to the Trade Center and provides pass-through funding for the administration of the Center and the Citizen Trade Policy Commission. **There are no new initiatives for this program.**

MAINE COWORKING DEVELOPMENT PROGRAM Z195**What the Budget purchases:**

Public Law 2015, chapter 362 established within the Maine Department of Economic and Community Development the Maine Co-working Development Fund to strengthen opportunities for entrepreneurship, stimulate innovation in the State by increasing the availability of collaborative workspace environments and address a regional market demand for affordable environments that support communication, information sharing and networking opportunities.

	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Program Summary - GENERAL FUND				
All Other	100,000	100,000	100,000	100,000
Total	100,000	100,000	100,000	100,000
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

			2023-24	2024-25
Initiative: NONE				
	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Revised Program Summary - GENERAL FUND				
All Other	100,000	100,000	100,000	100,000
Total	100,000	100,000	100,000	100,000
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

MAINE ECONOMIC DEVELOPMENT EVALUATION FUND Z057**What the Budget purchases:**

The Maine Economic Development Evaluation Fund was established to fund a comprehensive evaluation of all of the state's economic development investments. Public Law 2017, chapter 264 included research and development and economic development incentives as part of the evaluation. Utilizing independent, objective reviewers who may consult with the Office of Program Evaluation and Government Accountability, to access data, confidential or otherwise to assess the overall economic performance of various programs, provide recommendations and present areas for improvement. Funding for the evaluation is derived from a 0.8% assessment on agencies and/or private entities that receive General Fund appropriations or general obligation bonds in excess of \$200,000 for economic development.

	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	200,000	200,000	200,000	200,000
Total	200,000	200,000	200,000	200,000
			2023-24	2024-25
Initiative: NONE				
	<u>Actual</u> 2021-22	<u>Current</u> 2022-23	<u>Budgeted</u> 2023-24	<u>Budgeted</u> 2024-25
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	200,000	200,000	200,000	200,000
Total	200,000	200,000	200,000	200,000

LEADERSHIP AND ENTREPRENEURIAL DEVELOPMENT PROGRAM

The **baseline budget** for the Leadership and Entrepreneurial Development Program may also be found on **page A-202**. This program was created in 2009 but has never been funded. The baseline allocation in this inactive account exists as a placeholder only. **There are no new initiatives for this program.**

MAINE COWORKING DEVELOPMENT PROGRAM

The **baseline budget** for the Maine Co-Working Development Program may be found on **page A-203**. This Program was established in 2016 to provide funds through the RFP/Contract process to entities that increase the availability of collaborative workspace environments and support communication, information sharing and networking opportunities. In the most recent grant round, requests totaling \$335,503.00 were received. Thirteen of the twenty applicants were ultimately funded. The program receives a general fund appropriation as well as an Other Special Revenue allocation which is a place holder for private sector funding. **There are no new initiatives for this program.**

MAINE ECONOMIC DEVELOPMENT EVALUATION FUND

The **baseline budget** for the Maine Economic Development Evaluation Fund may be found on **page A-203**. This account was established to fund the biennial Comprehensive Evaluation of Investments in Economic Development report. Through this dedicated Other Special Revenue account, the department is directed to assess an amount not to exceed 0.8% from those agencies and/or private entities that receive general fund appropriations for economic development. The interim program evaluation report was recently completed and distributed to the IDEA Committee. Work has begun on the full program evaluation report which is due in 2025. **There are no new initiatives for this program.**

MAINE ECONOMIC GROWTH COUNCIL 0727**What the Budget purchases:**

As required by law, the Maine Economic Growth Council exists to prepare and maintain an economic plan for the state. The council develops economic indicators, analyze performance of indicators against established benchmarks, and reports findings and recommendations. Funds are provided to the Maine Development Foundation who, by statute, ~~sets~~ and administers the program.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
All Other	90,395	90,395	90,395	90,395
Total	90,395	90,395	90,395	90,395

2023-24 2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
All Other	90,395	90,395	90,395	90,395
Total	90,395	90,395	90,395	90,395

MAINE SMALL BUSINESS AND ENTREPRENEURSHIP COMMISSION 0675**What the Budget purchases:**

The Maine Small Business and Entrepreneurship Commission approves and administers the annual contract for the Maine Small Business Development Centers program. The program promotes and supports economic development by providing comprehensive business management assistance, training, resources and information to small businesses through a network of professional, certified business counselors at centers and outreach offices around the state. An independently validated, impact driven program, the Maine Small Business Development Centers are a partnership involving the U.S. Small Business Administration, Department of Economic and Community Development, the University of Southern Maine, leading state economic development organizations.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
All Other	683,684	683,684	683,684	683,684
Total	683,684	683,684	683,684	683,684

2023-24 2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
All Other	683,684	683,684	683,684	683,684
Total	683,684	683,684	683,684	683,684

MAINE ECONOMIC GROWTH COUNCIL

The **baseline budget** for the Maine Economic Growth Council may be found on **page A-204**. The General Fund appropriation is provided through an annual contract to the Maine Development Foundation for the support and administration of the Maine Economic Growth Council as directed by statute. **There are no new initiatives for this program.**

MAINE SMALL BUSINESS AND ENTREPRENEURSHIP COMMISSION

The **baseline budget** for the Maine Small Business and Entrepreneurship Commission may also be found on **page A-204**. The general fund appropriation is passed through to the University of Southern Maine for the Maine Small Business Development Centers (SBDC) program. DECD staff work closely with SBDC, often referring business owners looking for assistance with business planning and financing. SBDC is a partnership involving the U.S. Small Business Administration, Department of Economic and Community Development, the University of Southern Maine and other leading state economic development organizations. Per their 2022 Annual Report, SBDC's thirteen statewide certified business advisors met with 2,284 clients, they helped start 129 businesses, created, and saved 591 jobs and provided access to \$30.3 million in capital. Over 10,000 hours were spent advising clients towards success. **There are no new initiatives for this program.**

MAINE STATE FILM OFFICE

The **baseline budget** for the Maine State Film Office may be found on **page A-205**. The Maine State Film Office markets Maine as a production location for all forms of production, from feature films to catalog shoots, and supports the economic growth of the film, television, and digital media industry sectors. Productions are actively recruited and supported by the office, which serves as the official liaison

MAINE STATE FILM OFFICE 0590**What the Budget purchases:**

The Maine State Film Office markets Maine as a production location, and supports the economic growth of the film, television and digital media industry sectors. Production: actively recruited and supported by the office, which serves as a liaison between the industry and state agencies and provides essential support services for projects that film in M. This office also administers the Film Tax Credit incentive program.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	1,000	1,000	1,000	1,000
Personal Services	103,779	104,935	109,753	110,745
All Other	170,605	170,605	170,605	170,605
Total	274,384	275,540	280,358	281,350

2023-24 2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	1,000	1,000	1,000	1,000
Personal Services	103,779	104,935	109,753	110,745
All Other	170,605	170,605	170,605	170,605
Total	274,384	275,540	280,358	281,350

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MUNICIPAL GRANT FUND Z323**What the Budget purchases:**

Public Law 2021, Chapter 319 establishes a nonlapsing fund to provide funding for municipalities for projects that further the goals of sustainable economic development. A baseline allocation of \$500 exists should funds be received from federal or private sources to establish program.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - FEDERAL EXPENDITURES FUND				
All Other	500	500	500	500
Total	500	500	500	500
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

Initiative: NONE

between the industry, state agencies, and production companies. The Maine Film Office recently commissioned a study to determine areas of opportunity for the film industry in Maine. That should be available later in the session.

The Maine Film Office is comprised of one staff member and is a division within the Office of Tourism. An eleven-member commission serves in an advisory capacity to the Film Office. The source of Other Special Revenue Funds is a transfer from the Office of Tourism fund for administration of this program. **There are no new initiatives for this program.**

MUNICIPAL GRANT FUND

The **baseline budget** for the Municipal Grant Fund may be found on **page A-206**. Public Law 2021, Chapter 319 established this non-lapsing fund to provide funding for municipalities for projects that further the goals of sustainable economic development. A baseline allocation exists as a placeholder should funds be received from federal or private sources to establish the program. **There are no initiatives for this program.**

OFFICE OF INNOVATION

The **baseline budget** for the Office of Innovation may be found on **page A-208**. This program receives a general fund appropriation that funds two positions and includes pass-through grant funds for the Maine Technology Institute or MTI for short. MTI offers early-stage capital and commercialization assistance in the form of grants, loans, and equity investments, as well as entrepreneurial guidance and mentorship, to diversify and grow Maine's economy by encouraging, promoting, stimulating, and supporting innovation and its transformation into new products, services, and companies, leading to the creation and retention of quality jobs for Maine people. In FY22, MTI made 120 awards totaling \$6.9 million. Those awards leveraged \$45.8 million in private sector matching funds. For some context,

OFFICE OF INNOVATION 0995

What the Budget purchases:

The Office of Innovation's legislative direction is to promote, evaluate and support research and development relevant to the State, including: technology transfer activities to inc the competitiveness of businesses and public institutions of higher education in the state; the development of new commercial products and the fabrication of such products through Maine Technology Institute; and research opportunities that create sustained, inter-institutional multi-disciplinary efforts. The budget includes funding for a position at the Department of Economic and Community Development, and a position who serves as the President of the Maine Technology Institute as well as pass-through funding in support of its operations.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	2,000	2,000	2,000	2,000
Personal Services	294,974	296,352	292,669	294,557
All Other	6,794,260	6,794,260	6,794,260	6,794,260
Total	7,089,234	7,090,612	7,086,929	7,088,817

Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	35,000,000	24,646,609	1,500	1,500
Total	35,000,000	24,646,609	1,500	1,500

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
Positions - LEGISLATIVE COUNT	2,000	2,000	2,000	2,000
Personal Services	294,974	296,352	292,669	294,557
All Other	6,794,260	6,794,260	6,794,260	6,794,260
Total	7,089,234	7,090,612	7,086,929	7,088,817

Revised Program Summary - FEDERAL EXPENDITURES FUND-ARP STATE FISCAL RECOVERY

All Other	35,000,000	24,646,609	1,500	1,500
Total	35,000,000	24,646,609	1,500	1,500

in FY21 MTI made 123 awards for \$7.4 million, and in FY20 it made 113 awards for \$9.6 million. Additionally, MTI was asked in FY22 to help stabilize and grow several key Maine industrial sectors that had been adversely impacted by the global pandemic. Utilizing funding from the Maine Jobs & Recovery Plan, MTI managed \$20 million to support businesses in the forest products industry, more than \$15 million to assist seafood dealers and processors, and nearly \$40 million to support Maine technology businesses. MTI's general fund appropriation is \$6,572,814.00 **There are no new initiatives for this program.**

OFFICE OF TOURISM

The **request** for the Office of Tourism may be found on **page A-209**. The Office of Tourism exists to promote and market tourism in Maine. Its broad directive is to promote Maine as a four-season destination to both consumers and the travel trade. Each year, the office develops a fully integrated, research-based marketing program which includes a mix of paid advertising, public relations, email, fulfillment, social media, consumer and travel trade shows and sales missions. Primary marketing efforts currently cover New England, New York, the Mid-Atlantic States and the Eastern Canadian provinces of Ontario, Quebec, and New Brunswick. As a participating member of Discover New England; a collaboration with four other New England states, Maine is also marketed to the UK, Germany, and France. The Office of Tourism is funded by a dedicated special revenue account which receives a portion of the meals & lodging sales tax collected. Per statute, 10% of the annual allocation is set aside for regional marketing and special events promotion. These funds are distributed in the form of grants through 8 regional marketing organizations and other eligible organizations.

Also funded through this account is the Office of Outdoor Recreation which includes one Director level position.

OFFICE OF TOURISM 0577**What the Budget purchases:**

The Office of Tourism exists to create and implement integrated sales and marketing campaigns (research, advertising, public relations, promotional activities, and travel trade) to attract visitors to Maine, provide oversight of the State visitor centers through contract management, and provide technical assistance and funding to regional tourism organizations. The Office of Tourism includes funding for the Maine Film Office which is responsible for the marketing and promotion of Maine as a production location from feature films to catalog shoots and supports the economic growth of the film, television and digital media industry sectors. The Office of Outdoor Recreation brings awareness of Maine's outdoor recreation activities to Maine citizens and visitors. This office provides a single point person to coordinate awareness and the importance of outdoor recreation that will increase tourism and support statewide economic growth.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	9,000	9,000	9,000	9,000
Personal Services	1,078,684	1,096,167	1,143,605	1,162,919
All Other	15,736,053	17,980,611	17,980,611	17,980,611
Total	16,814,737	19,076,778	19,124,216	19,143,530
			2023-24	2024-25

Initiative: Adjusts funding to bring allocations in line with projected available resources for fiscal year 2023-24 and fiscal year 2024-25.

OTHER SPECIAL REVENUE FUNDS

All Other			4,690,594	4,995,418
Total			4,690,594	4,995,418

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
Positions - LEGISLATIVE COUNT	9,000	9,000	9,000	9,000
Personal Services	1,078,684	1,096,167	1,143,605	1,162,919
All Other	15,736,053	17,980,611	22,671,205	22,976,029
Total	16,814,737	19,076,778	23,814,810	24,138,948

RENEWABLE ENERGY RESOURCES FUND 2072**What the Budget purchases:**

The Efficiency Maine Trust is required to set aside 35% of its Renewable Energy Fund for the Maine Technology Institute for use to further the development of renewable energy technologies. Funding in this account is passed through to the Maine Technology Institute.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	88,000	88,000	88,000	88,000
Total	88,000	88,000	88,000	88,000
			2023-24	2024-25

Initiative: NONE

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	88,000	88,000	88,000	88,000
Total	88,000	88,000	88,000	88,000

The remaining allocation is devoted to the tourism marketing program, visitor research which drives the marketing program, visitor center operations and office operations. In 2022, research shows that visitors stayed longer and spent more during their visit to Maine resulting in direct tourism expenditures of approximately \$8.6 billion, a ten percent increase over 2021. **There is one initiative for this program.**

The **initiative**, which was submitted by DAFS, increases the allocation in FY24 by \$4,690,594 and \$4,995,418 in FY25 to reflect revenue changes projected by the Revenue Forecasting Report. This aligns the allocation with the forecast. You may recall a similar initiative in the Supplemental Budget that adjusted current year revenues to reflect projections.

RENEWABLE ENERGY RESOURCES FUND

The **baseline budget** request for the Renewable Energy Resources Fund may also be found on **page A-209**. This program was established in 2008, when the Maine Legislature authorized the establishment of the Renewable Resources Fund in the Public Utilities Commission with the Maine Technology Institute named as a recipient of an annual distribution of 35% of the funds to support the development and commercialization of renewable energy technologies. An amount is transferred from the Public Utilities Commission to DECD annually and provided to Maine Technology Institute in the form of a grant. The budget is prepared with an estimate of the anticipated transfer. The actual transfer as of July 1, 2022, was \$16,582.24. **There are no new initiatives for this program.**

RURAL WORKFORCE RECRUITMENT AND RETENTION GRANT PROGRAM Z322
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What the Budget purchases:

Public Law 2021, Chapter 420 authorized funding for the rural workforce recruitment and retention grant program designed to advertise and promote jobs in rural regions of the State to locate and retain qualified staff. A baseline allocation of \$500 exists should funds be received from outside sources to continue this program.

	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Program Summary - GENERAL FUND				
All Other	200,000	200,000		
Total	200,000	200,000	0	0
Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500
			2023-24	2024-25
Initiative: NONE				
	<u>Actual</u>	<u>Current</u>	<u>Budgeted</u>	<u>Budgeted</u>
	2021-22	2022-23	2023-24	2024-25
Revised Program Summary - GENERAL FUND				
All Other	200,000	200,000		
Total	200,000	200,000	0	0
Revised Program Summary - OTHER SPECIAL REVENUE FUNDS				
All Other	500	500	500	500
Total	500	500	500	500

RURAL WORKFORCE RECRUITMENT AND RETENTION GRANT PROGRAM

The **baseline budget** request for the Rural Workforce Recruitment and Retention Grant Program may be found on **page A-210**. This program was established in 2021 and provided one-time funds to support the attraction of workforce and talent to four of Maine's rural counties that have experienced significant population decline or stagnation. The counties of Aroostook, Washington, Somerset, and Piscataquis will be served by this program. This program is currently in progress with a deadline of March 8, 2023, for the department to receive requests for funding. A baseline allocation exists should funds be received from outside sources to continue this program. **There are no new initiatives for this program.**

Sec. J-1. 30-A MRSA §5250-J, sub-§5, as amended by PL 2021, c. 398, Pt. III, §1, is further amended to read:

5. Termination. A qualified Pine Tree Development Zone business located in a tier 1 location may not be certified under this subchapter after December 31, ~~2023~~ 2028, and a

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qualified Pine Tree Development Zone business located in a tier 2 location may not be certified under this subchapter after December 31, 2013. All Pine Tree Development Zone benefits provided under this subchapter are terminated on December 31, ~~2033~~ 2038.

Sec. J-2. 35-A MRSA §3210-E, sub-§6, as amended by PL 2021, c. 398, Pt. III, §2, is further amended to read:

6. Repeal. This section is repealed December 31, ~~2033~~ 2038.

Sec. J-3. 36 MRSA §1760, sub-§87, as amended by PL 2021, c. 398, Pt. III, §3, is further amended to read:

87. Sales of tangible personal property and transmission and distribution of electricity to qualified development zone businesses. Beginning July 1, 2005, sales of tangible personal property, and of the transmission and distribution of electricity, to a qualified Pine Tree Development Zone business, as defined in Title 30-A, section 5250-I, subsection 17, for use directly and primarily in one or more qualified business activities, as defined in Title 30-A, section 5250-I, subsection 16. The exemption provided by this subsection is limited for each qualified Pine Tree Development Zone business to sales occurring within a period of 10 years in the case of a business located in a tier 1 location, as defined in Title 30-A, section 5250-I, subsection 21-A, and 5 years in the case of a business located in a tier 2 location, as defined in Title 30-A, section 5250-I, subsection 21-B, from the date the business is certified pursuant to Title 30-A, section 5250-O or until December 31, ~~2033~~ 2038, whichever occurs first. For a business that applies for certification as a qualified Pine Tree Development Zone business with the Commissioner of Economic and Community Development on or after January 1, 2019, the exemption provided by this subsection requires a qualified Pine Tree Development Zone business to obtain a certificate of qualification issued by the Commissioner of Economic and Community Development pursuant to Title 30-A, section 5250-O. As used in this subsection, "primarily" means more than 50% of the time during the period that begins on the date on which the property is first placed in service by the purchaser and ends 2 years from that date or at the time the property is sold, scrapped, destroyed or otherwise permanently removed from service by the purchaser, whichever occurs first.

Sec. J-4. 36 MRSA §2016, sub-§4, ¶A, as amended by PL 2021, c. 398, Pt. III, §4, is further amended to read:

A. Reimbursements made by the assessor pursuant to subsection 2, paragraph A are limited to taxes paid in connection with sales of tangible personal property that occur within a period of 10 years in the case of a qualified Pine Tree Development Zone business located in a tier 1 location, as defined in Title 30-A, section 5250-I, subsection 21-A, and 5 years in the case of a qualified Pine Tree Development Zone business located in a tier 2 location, as defined in Title 30-A, section 5250-I, subsection 21-B, from the date the qualified Pine Tree Development Zone business receiving the property is certified pursuant to Title 30-A, section 5250-O or by December 31, ~~2033~~ 2038, whichever occurs first.

LANGUAGE

Part J of the Language Section may be found on **Pages 16 through 18** and changes the date after which a qualified Pine Tree Development Zone business in a tier 1 location may not be certified from December 31, 2023, to December 31, 2028. It changes the date that all Pine Tree Development Zone benefits are terminated from December 31, 2033, to December 31, 2038, and makes corresponding changes in several sections of Law.

The Pine Tree Development Zone program is Maine's leading business incentive offering. It provides companies with sales and income tax reductions, as well as higher withholding reimbursements through the Employment Tax Increment Financing program. As of the CY2021 annual reports, the 143 participating companies employed over 20,000 people in Maine, providing over \$1.4 billion in wages. That is a net gain of around 10,000 jobs over the baselines companies entered the program with.

We have been examining improvements to the Pine Tree program as we review our business incentive policies. However, with a large and growing business investment pipeline across the state, we want to ensure stability in our incentive offerings. The extension included in Part J provides that stability for the business community.

This concludes my testimony for the Department of Economic and Community Development.

Sec. J-5. 36 MRSA §2529, sub-§3, as amended by PL 2021, c. 398, Pt. III, §5, is further amended to read:

3. Limitation. The credit provided by this section may not be claimed for calendar years beginning on or after January 1, ~~2034~~ 2039.

Sec. J-6. 36 MRSA §5219-W, sub-§4, as amended by PL 2021, c. 398, Pt. III, §6, is further amended to read:

4. Limitation. The credit provided by this section may not be claimed for tax years beginning on or after January 1, ~~2034~~ 2039.

Sec. J-7. 36 MRSA §6754, sub-§1, ¶D, as amended by PL 2021, c. 398, Pt. III, §7, is further amended to read:

D. For qualified Pine Tree Development Zone employees, as defined in Title 30-A, section 5250-I, subsection 18, employed directly in the qualified business activity of a qualified Pine Tree Development Zone business, as defined in Title 30-A, section 5250-I, subsection 17, for whom a certificate of qualification has been issued in accordance with Title 30-A, section 5250-O, the reimbursement under this subsection is equal to 80% of the benefit base each year for which reimbursement is requested and attributed to those qualified employees for a period of no more than 10 years for a tier 1 location as defined in Title 30-A, section 5250-I, subsection 21-A and no more than 5 years for a tier 2 location as defined in Title 30-A, section 5250-I, subsection 21-B. Reimbursement under this paragraph may not be paid for years beginning after December 31, ~~2033~~ 2038.

PART J SUMMARY

This Part changes the date after which a qualified Pine Tree Development Zone business in a tier 1 location may not be certified from December 31, 2023 to December 31, 2028. It changes the date that all Pine Tree Development Zone benefits are terminated from December 31, 2033 to December 31, 2038 and makes corresponding changes in several sections of law.