



## **Testimony for the Joint Standing Committee of Appropriations and Financial Affairs regarding Governor's Change Package to LD 258**

May 18, 2023

Senator Rotundo, Representative Sachs, and esteemed members of the Joint Standing Committee on Appropriations and Financial Affairs:

BioMaine, FocusMaine, Jackson Laboratory, Bigelow Laboratory, the Roux Institute, and the University of New England have joined together to submit testimony Neither for Nor Against the Governor's proposed change package to LD 258. We understand that the Administration is proposing a number of one-time spending initiatives in this new budget document. While there are certainly important measures included in the change package, we note one crucial missed opportunity – a one-time investment in competitive, statewide Research, Development, and Commercialization (R&D).

Maine lags behind New England and the nation in terms of investment in R&D, with Maine's R&D spending representing 1.0% of total gross domestic product (GDP), compared to 3.0% nationwide. This ranks Maine 44th out of 50 states for R&D investment.

Research and Development (R&D) spending is an indicator of the level of innovation in an economy, which is an important driver of economic growth. Maine companies, nonprofits, and academic institutions are conducting cutting-edge research and developing commercial products that are then exported across the country and the world. These innovations are taking place in Maine's most promising sectors and will be the drivers of our economic growth going forward. But without investment from both public and private sources, this growth will stagnate.

The state's 10-year Economic Development Plan includes "promoting innovation" as a key strategy and states that, during the 10-year period, "Maine will create a combination of public

subsidies, tax incentives, and higher education investments, in order to partner with the private sector to lift this total number [of investment].”

In addition, other third-party reports including the Maine Development Foundation’s *Measures of Growth* and Maine State Chamber of Commerce’s *Making Maine Work* both highlight the need for additional R&D investment to help drive Maine’s economy and support higher-wage jobs.

In 2017, a bipartisan supermajority of the Maine Legislature passed, and Maine voters approved, a \$45 million bond administered by the Maine Technology Institute (MTI). Funds were distributed through a competitive process to Maine-based public and private companies to support infrastructure, equipment, and technology upgrades in MTI’s seven targeted sectors. MTI received 183 proposals from all 16 counties in Maine, totaling more than \$400 million, for these funds. This shows that there is an incredible level of pent-up demand for R&D investment in Maine.

An independent economic analysis of the 18 projects funded through this round of MTI grants calculated that the projects would generate more than 5,350 jobs and \$1.4 billion in economic impact for the state of Maine, reaching every corner of the state. This is a return of more than 31 times the State’s initial investment.

To continue building upon these past efforts, Maine should continue investing in R&D. More frequent and robust state investment in the Maine Technology Asset Fund (MTAF) will increase public-private partnerships, encourage innovation and new ventures, support existing research and development activities, and above all, will help grow Maine’s economy.

Our organizations firmly believe that a one-time investment in R&D would be an excellent use of surplus revenues in the upcoming budget. There is also a bill before your committee that would meet this need, LD 416 An Act to Authorize a General Fund Bond Issue for Research and Development and Commercialization. Whether the Legislature chooses to address this pressing need through a bond or a one-time appropriation, we think action needs to be taken now. If we wait, we will miss an important opportunity to support our most promising and impactful sectors and to grow Maine’s economy.