



HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1440
TTY: (207) 287-4469

John "Jack" E. Ducharme III

34 Heald Street
Madison, ME 04950
Cell: (207) 431-0775
Jack.Ducharme@legislature.maine.gov

TESTIMONY IN FAVOR OF LD 1918

An Act to Modernize Maine's Business Incentive Programs by Creating the Dirigo Business Incentives Program and Eliminating Certain Other Tax Incentive Programs

MAY 19, 2023

Senator Curry, Representative Roberts, and esteemed members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business -

My name is Jack Ducharme and I proudly represent the people of Cornville, Madison and Norridgewock in the Maine House of Representatives. I come before you today in support of LD 1918, *An Act to Modernize Maine's Business Incentive Programs by Creating the Dirigo Business Incentives Program and Eliminating Certain Other Tax Incentive Programs*.

In 2003, the Maine Legislature created the Pine Tree Development Zone Program with a worthy goal of job creation here in our state. Its premise was simple, to lower state taxes for up to a decade on eligible businesses if they created or brought good jobs to Maine. In the years that have followed, the legislature has followed the programs progress to its initial mission and a rising cost associated to it. In the twenty years since its inception, it has become clear that we can do better. The only way to get rid of it, from an economic development perspective, is to replace it with a new program that is more robust and designed to meet the needs of Maine today. I believe that the Dirigo Business Incentive Program will do just that while allowing additional time for a bridge between the programs before the former's inevitable sunset.

The Pine Tree Development Zone Program was created in 2003 during a time of high unemployment, with the primary focus being to create jobs to lower unemployment. The program provides a range of benefits for businesses in certain regions and sectors who are making new investments and creating jobs.

The program was evaluated in 2017 by OPEGA. The evaluation raised questions about the efficacy of the program; was it achieving the results expected? Further there were questions raised about accountability and the availability of clear data necessary for program evaluation.

A second OPEGA review was done in 2020. In this review, OPEGA found that: since 2017, the Legislature has made significant changes in the PTDZ program including clarification of the program's goals. Further, PTDZ's clarified goals focus on creation and retention of quality jobs as the program's ultimate goal.

It was clear from the summary of these two reports, there are some deficiencies in the Pine Tree Development Zone program. Despite repeated efforts of the legislature to reform it, the program has remained in place but continues to be mediocre at best in achieving the established goals. It is finally time to put this program to rest. LD 1918 does this in an orderly and strategic way while standing up a replacement program.

The next question is "what do we do to incentivize economic development and job creation in Maine?" If the PTDZ program is terminated, how will that affect Maine's ability to attract new business and jobs to Maine? Every other State in the Union has some program to attract businesses to their state. If Maine had no program, our economic development teams would be at a distinct disadvantage in marketing the advantages of locating a business or industry in Maine. I believe that the answer is in the proposed Dirigo Business Incentive program.

What will this new Dirigo Business Incentive Program do? It will provide tangible benefits for businesses to train their employees – providing a \$2,000 tax credit per employee, provided the training is approved and is for three or more employees. On the lower end of the scale, there is a \$6,000 incentive for professional development with an upside to grow. What's more, if this bill is passed, there will be tax credits for capital investment. In Cumberland, York, and Sagadahoc Counties the tax credit is seven and a half percent of the amount invested. In the rest of the state, including the communities in my district, the benefit rises to FIFTEEN percent.

Twenty years ago, the legislature took steps to make our economy grow and compete in a changing world. This proposed legislation makes investing in the future far more attainable to many of our already existing businesses and creates real incentives to bring new jobs to Maine.

It is time to modernize our economic development engine. It's time to pass LD 1918. I am confident that there are people in the room far more qualified than me to answer any technical questions, I would be happy to try and answer any of your questions. Thank you for your consideration.