



JANET T. MILLS  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF ECONOMIC  
AND COMMUNITY DEVELOPMENT



HEATHER JOHNSON  
COMMISSIONER

May 19, 2023

**TESTIMONY OF HEATHER JOHNSON, COMMISSIONER OF THE MAINE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT, REGARDING LD 1918, AN ACT TO MODERNIZE MAINE'S BUSINESS INCENTIVE PROGRAMS BY CREATING THE DIRIGO BUSINESS INCENTIVE PROGRAM AND ELIMINATING CERTAIN OTHER TAX INCENTIVES PROGRAMS**

Senator Curry, Representative Roberts, and esteemed members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business (IDEA), my name is Heather Johnson, and I am the Commissioner of the Department of Economic and Community Development. I am here today to testify 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*.

The fundamental goal of the proposed Dirigo Business Incentives program is to grow and diversify Maine's economy to increase the prosperity of Maine people. Dirigo Business Incentives is comprised of two key elements: a capital investment tax credit to increase the amount of investment in Maine communities and a worker training tax credit to increase business investment in worker training, thereby strengthening Maine's workforce. This strengthening will support the growth of Maine's economy and increase value and mobility for workers.

The existing business incentive program, called the Pine Tree Development Zone, was created in 2003. At that time our economy looked different, including having high unemployment as one of the top concerns—unemployment was over five percent when the law first passed and nearing nine percent when it was further revised in 2009. Since that time, the workforce landscape has changed dramatically. We currently have the lowest unemployment rate in Maine's history at 2.6% and we have more people working in Maine's economy than we have ever had. In the past few years our economy has grown significantly, but that growth has begun to moderate, in part due to a constrained workforce. We need to make sure that we have the tools to continue sustainable growth and diversification for Maine businesses and new investments in Maine communities. The challenge of finding enough workers with the needed skills is slowing Maine's growth, and we need the ability to offer Maine workers the opportunity to gain credentials that will benefit both Maine's economy and Maine people.

The language of this bill represents more than two and a half years of work by the Department and an advisory group to modernize Maine's business incentive offerings. It is the result of months of discussions with stakeholders across the state, including the business community, economic development organizations, and legislators, as well as national experts. I'd like to



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thank all of the stakeholders that offered feedback to improve this program – you will hear from some of them today. The valuable feedback we heard from these groups ensured the policy addressed best practices around incentive transparency, program design, training quality, and practical business needs.

In order to stimulate continued private sector investment in Maine people through ensuring they have the skills they need for good-paying jobs across the state, and to increase physical investment in communities, we have developed a two-pronged approach to updating Maine's business incentives.

What we propose, and this bill would enact, is to institute a new program, Dirigo Business Incentives. This program would offer two benefits to eligible businesses as a tax credit: a training incentive worth \$2,000 per worker and a capital investment incentive of up to 15%. The program would be sector-limited, primarily targeting industries in Maine that have above average wages, above average value-add per worker, and that sell to external markets.

With regard to the worker training incentive, there are a few points that may provide helpful context as the committee considers the bill.

First, it is important to note that the cost of these worker trainings will be borne by the employer – not the worker. Second, many of you are very familiar with the federal funding that is currently supporting important investments in workforce training in Maine. That funding will be coming to an end as this program is proposed to begin, which will help ensure that we can continue to develop our workforce to meet the skills needed for Maine's economy now, and in the future.

The capital investment incentive of up to 15% applies to most of the state, with a cap of 7.5% in Cumberland, Sagadahoc, and York counties. The goal of this incentive is to increase physical investment in Maine communities to continue to help the economy grow statewide. It is important to have a simplified statewide program to be able to ensure it is accessible to businesses of all sizes.

Phoenix McLaughlin, our Tax Incentive Policy Manager, has researched other states throughout this process to understand the national landscape for business incentive programs. While there is a wide range of offerings, we believe this proposal would support Maine's ability to stay competitive as we work with organizations looking to invest in workers and infrastructure for their operations.



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As part of the stakeholder process, our department heard loud and clear that there were concerns about program evaluation parameters and transparency in the structure of existing incentive programs. With this in mind, there is evaluation language proposed as part of the legislation. It is in all of our interest to ensure the success and accountability of important legislation such as this.

Maine's economy has a lot of room to grow through private sector investments – from large businesses as well as small- and medium-sized businesses. Capital investment in Maine's communities and workforce skill development for Maine people are the pathway to that growth. It is key to have an incentive package that will keep Maine competitive in retaining existing Maine businesses as they expand, attracting new business investment, and supporting Maine entrepreneurs as they start new businesses. We believe the Dirigo Business Incentives program will support capital investment to give Maine workers the tools they need, and worker training to give them the skills they need.

Thank you for your time, and your consideration of the bill. I would be happy to answer any questions you may have.