

Testimony in Support of LD 788: An Act to Promote an Innovation-driven Economy by Increasing Research and Development Spending

March 11, 2025

JOINT STANDING COMMITTEE ON HOUSING & ECONOMIC DEVELOPMENT

Senator Curry and Representative Gere, and Honorable Members of the Joint Standing Committee on Housing & Economic Development:

My name is Stephen Von Vogt, a resident of Portland, Maine, the private sector co-Chair of the Maine Economic Growth Council. Outside the Council, I am the president of Maine Marine Composites, an ocean engineering firm in Portland Maine as well as a principal in several companies involved in energy development and the reuse of shuttered industrial facilities in Maine for new purposes and uses. It's my privilege to be one of the longest serving non-legislative members of the Maine Economic Growth Council.

I offer my and the Council's support for LD 788. Research and Development investment is a powerful predictor of economic prosperity across states. The Measures of Growth has long set a goal to increase Maine R&D investment to the national average (relative to the size of our economy) – and yet we have trailed not only the nation but our peer group of “EPSCoR states” (typically other large rural states). The R&D metric has been a perennial “Red Flag” in our reports over the years. Critically, the R&D metric includes and the lion's share of the spending measured is typically made up of private sector investment – so it inherently incorporates both public sector pump-priming and also our success at growing, attracting, and retaining R&D-heavy private employers.

We must offer a couple of caveats for our support that should be refined as you work further on this bill: (1) due to lags in data collection, we cannot report out on progress of the “prior year” as called for in line 19 – perhaps “most recently available year” would do the trick. (2) we believe the intent is for the bill to NOT require additional work and resources by the Council – which would necessitate a fiscal note – yet, the current wording around an “annual accountability update” does sound more ambitious or comprehensive than the extremely limited couple of paragraphs encompassed in the Measures of Growth narrative typically. We would welcome the opportunity to delve more deeply with additional appropriated resources but barring that, perhaps the language can be refined to make it absolutely clear that the expectation is solely commensurate with the current work product. Perhaps “concise progress update” or some such. (Note as context that the pending annual budget appropriation for the Economic Growth Council is \$90,395 and last year MDF expended approximately \$115k to support the Council.)

We know the Legislature has been appreciative of the work of the Council and the value of *Measures of Growth*. We support this bill to amplify and clarify the synergy between the MEGC and MIEAB and elevate the import of R&D investment as an economic driver. Thank you.

Steve Von Vogt, Co-Chair, svonvogt@mainemarinecomposites.com

Research & Development

+0%

In 2021, Maine’s R&D spending increased but was still 1.1% of GDP, unchanged from 2020.

Benchmark: Maine’s research and development spending as a proportion of the economy will reach the U.S. average by 2030.

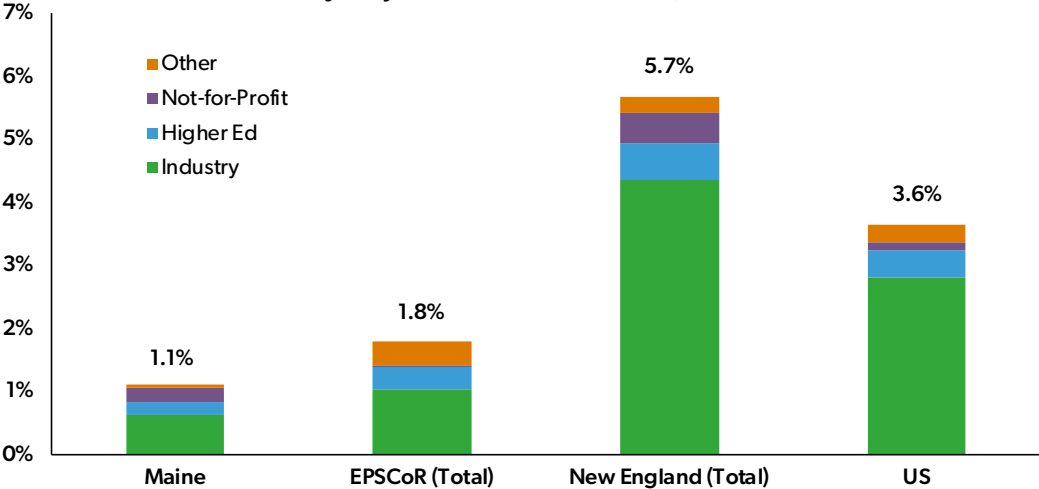
Research and development (R&D) spending is an indicator of the level of innovation in an economy, an important driver of economic growth. In 2021, Maine’s total R&D spending was \$870 million, up 13% from the previous year. This growth was distributed across industry (+15% growth), higher education (+9%), and nonprofit organizations (+4%). In all, Maine’s R&D spending equaled 1.1% of total gross domestic product (GDP), compared to 3.6% nationwide. This ranks Maine 37th of the 50 states and is about two-thirds of the 1.8% average among EPSCoR states. Maine lags other states in private sector and

university R&D investments relative to GDP, while our nonprofit sector contributes a relatively high proportion of spending.

The University of Maine System Board of Trustees has prioritized the expansion of R&D across the system. In 2021, the University of Maine’s R&D expenditures reached \$179 million, a record high, and in 2022 the University of Maine earned an R1* top-tier research designation. These gains may improve Maine’s overall R&D ranking in future years.

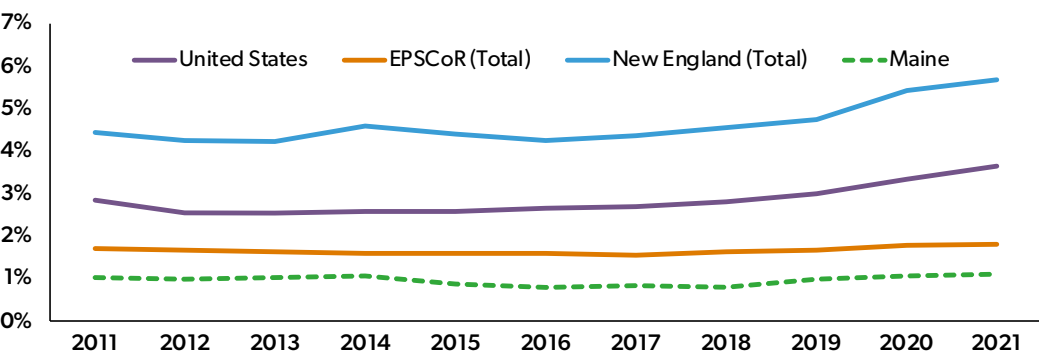
*“R1” refers to doctoral universities with “very high research activity,” as defined by the Carnegie Classification of Institutions of Higher Education.

Total Percent of GDP Toward R&D by Major Performance Sector, 2021



Sources
Camoin Associates;
National Science
Foundation

Total R&D Spending as a Percent of Gross Domestic Product



Administered
by MDF

Yellow Breen
Maine Economic Growth Council
LD 788

on behalf of Stephen Von Vogt of the Maine Economic Growth Council if he is
unable to appear.