



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

127th MAINE LEGISLATURE
GOVERNMENT OVERSIGHT COMMITTEE

GEORGE C. GERVAIS
MAINE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

AUGUST 20, 2015

1 I have been invited before you today to review the status of the Open
2 Recommendations to the legislature from OPEGA's 2006 Report on Economic
3 Development Programs in Maine.

4 I'd like to first provide a little background on the department, and talk a bit
5 about the comprehensive economic development evaluation that was
6 completed in 2014, then address some of the questions we received.

7 In 2004, the Department of Economic and Community Development had a
8 total of 43 positions which is 10 more positions than it has today. In fact,
9 DECD had nearly 90 positions in the late eighties. Today there are just over
10 30. The General Fund budget of the department has faced cuts over the
11 years. The DECD GF budget now represents roughly .3% (yes, three tenths of
12 one percent) of the total GF budget for economic development.

13 DECD's major offices include: The Maine Office of Tourism; Office of
14 Community Development; Office of Business Development and Innovation;



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

15 The Maine Technology Institute and Maine International Trade Center. The
16 addition of the Code Enforcement Training and Certification Program and
17 oversight of the State Landfills from the former State Planning Office added
18 two additional positions to the department along with additional oversight
19 and responsibilities. DECD would be happy to discuss what other roles and
20 responsibilities should be included in its mission with the understanding that
21 increases in workload cannot be successfully undertaken with existing
22 staffing levels.

23 A review of the State's Economic Development Programs has been a constant
24 topic of discussion over the years. Gaining access to the data, as you have
25 heard countless times is hindered by confidentiality statutes. Given the
26 security issues we face in today's world we need to be careful about how we
27 approach this problem. Now we appear to be discussing the access to this
28 data and who should have that responsibility.

29 I don't have to tell you that the world we live in today is challenging.
30 Technology has changed over time and so has the environment we all work
31 in. Data breaches around the world are a daily occurrence, confidentiality of
32 data and the security of our state systems are more critical today than ever
33 before.

34 While I agree with the need to assess our programs because without such
35 assessment we cannot truly determine a program's success, nor maximize
36 Maine's competitive advantage to other states, this has to be a well thought



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

37 out process. Confidential data, if placed in the wrong hands, can have a
38 negative impact on the way we do business. We do intend to increase the
39 response rate to improve the quality of both the CEDE and R&D reports for
40 the upcoming 2016 versions of these reports while respecting the
41 confidentiality of the data we seek.

42 In 2011, the Office of Fiscal and Program Review presented its "Brief History
43 of Time" relating to evaluating economic development programs. This report
44 focused on the efforts going back to 1997. In addition to the access to data
45 issue, this report highlighted the legislative efforts and challenges to fund the
46 Economic Development Evaluation report. The original funding formula
47 contained a "decimal point error" that was later adjusted in statute; however,
48 given current budgets it still falls far short. Note that the initial 2008 report
49 was funded by the legislature. The lack of funding for the CEDE report had
50 resulted in the gap between 2008 and 2014 reports. The assessment for the
51 Research and Development Evaluation has been successful in generating the
52 funds necessary to cover the cost of the independent third party evaluation.

53 DECD has always agreed that evaluations of existing and proposed economic
54 development programs are necessary to ensure programs are functioning
55 both individually and as a whole to create a climate that enhances Maine's
56 competitive standing both nationally and globally. We also agree that
57 Economic Development and Research and Development programs should be
58 evaluated in **one-report**. Statute requires separate reports, but for 2016 we



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

59 will be testing a combined version of presenting the data, being careful to
60 keep intact the ability to also report separately. Changes to existing statute
61 would be needed to effectively combine the Comprehensive Evaluation of
62 Economic and Development Programs and Research and Development
63 Programs. A combined evaluation will be less costly than conducting two
64 individual evaluations.

65 To be clear, DECD is continuing with its statutory and contractual obligation
66 to produce the Comprehensive Evaluation of State Investments in Economic
67 Development and Comprehensive Evaluation of State Investments in
68 Research and Development by February 1, 2016, as we did to produce the
69 2014 evaluations.

70 Public Laws of 2015 Chapter 344, provides OPEGA with the authority to
71 review tax expenditure programs on an individual staggered basis. Tax
72 programs are only part of the suite of programs contributing to the economic
73 vitality of the State. Recommendations over the years have consistently
74 emphasized the requirement for a Third Party evaluation of programs. An
75 independent review provides an evaluation and recommendations which are
76 **non-biased** and **non-political**. The CEDE and R&D reports provided by
77 DECD are developed and written by an independent third party.

78 DECD cannot answer why the repeated recommendations of different Third
79 Party evaluators over the years were never addressed. The 2014



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

80 evaluations were presented to the Joint Standing Committee on
81 Appropriations and Financial Affairs on February 27, 2014 and chairs and
82 members of the Labor, Commerce, Research & Economic Development
83 Committee, Taxation Committee, Workforce & Economic Future Committee
84 and the Government Oversight Committee were invited to the presentation.
85 DECD's contracted Third Party Evaluator, Investment Consultant Associates,
86 presented its findings and recommendations with assistance from a Steering
87 Committee which included State Senators Emily Cain and Andre Cushing,
88 Brian Whitney of DECD, Steve Levesque from the Midcoast Regional
89 Redevelopment Authority, Peter DelGreco of Maine & Company, Robert
90 Martin from the Maine Technology Institute, Jake Ward from the University
91 of Maine and Luann Ballesteros from Jackson Laboratory.

92 DECD is required to report findings and recommendations of the third party
93 reviewer to the Legislature and Governor. OPEGA, pursuant to PL 2015
94 Chapter 344 must report to the Joint Standing Committee on Taxation. This
95 may cause an unexpected barrier as to which committee of jurisdiction, if
96 any, should be reviewing the recommendations as they relate to Maine's
97 overall economic development programs which include tax expenditure
98 programs. There is likely to be a duplication of effort here as well, unless
99 OPEGA does not intend to report on any of the programs that DECD, through
100 an independent third party, is already charged with reporting on.



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

101 While an individual review of programs can provide a more in-depth analysis
102 as to the effectiveness of an individual program, we can't lose sight that it is
103 the suite of programs available that is crucial. Any evaluation of tax
104 expenditure programs conducted in Public Law 2015 Chapter 344 should
105 complement the overall independent third party biennial evaluations.

106 In addition to reporting on the state's many economic development
107 programs, we strive to have a team in place to understand all of the programs
108 available. This team is within the Business Development arm of DECD. The
109 "Governor's Account Executive" team is a team of 4 who act as the conduit for
110 all of state government when a business requires assistance. Their role is
111 both to react when needed, and to promote through proactive outreach.
112 They also act as coordinators between the many programs regardless of
113 being state run or otherwise. Each interaction with a business or
114 organization results in a unique set of circumstances. This team helps make
115 connections between all relevant programs, agencies, and/or organizations
116 to see a project through, or to help overcome a challenge. With well over
117 26,000 small businesses in Maine this is a busy team!

**Additional Questions Submitted to DECD on behalf of GOC
Regarding Status of Actions on OPEGA Recommendations Not Fully Addressed
from 2006 Report on Economic Development Programs (7/30/15)**

- A. With regard to Finding 4, recommendation C on the List of Recommendations Not Fully Addressed - Please provide, or direct OPEGA to, any DECD reports on Pine Tree Development Zones submitted to the Legislature to fulfill the requirements of 30-A MRSA §5250-P for the years 2009, 2011, 2013 and 2015. Please specify which of these reports, if any, or provide any other report that informs the Legislature as to whether the PTZ program meets the criteria given in 5 MRSA §13070-O.

Attached are the PTDZ reports that were submitted to the Labor, Commerce, Research and Economic Development Committee on April 1st of 2013 and of 2015, the years reports were due since I have been commissioner.

The PTDZ program has been an existing program as opposed to a "proposal" in the years requested, therefore a report regarding the criteria given in 5 MRSA §13070-O does not exist. We have, however, included the section of the January 2014 Comprehensive Economic Development Evaluation for your review. The evaluation clearly shows the benefits to the state of the tax environment the PTDZ seeks to simulate.

- B. With regard to Finding 3 – DECD has indicated that it does not currently have the resources to take on the role of Portfolio Coordinator and related responsibilities as described in OPEGA’s 2006 report (pages 32-34). What resources would DECD need to take on this role with all the elements described in OPEGA’s report? What elements of that role, if any, would be difficult or unworkable for DECD to fulfill and why? What statutory changes that would be needed to support DECD’s role as Portfolio Coordinator?

We have not conducted the analysis required to accurately answer these questions. We understand the 2006 OPEGA Report to be a set of recommendations to the legislature for action.

- C. With regard to Finding 3 and Finding 5 – What resources would DECD to take on the role and responsibility of regularly collecting program and performance data for the full inventory of economic development programs (whether administration of them falls under DECD’s responsibility or not)? What authorities would DECD need to require and compel businesses to report data? What statutory changes would be needed?

The Comprehensive Evaluation of Economic Development will collect program and performance data. The legislature should deal with the proper funding of this evaluation tool. The fact that the CEDE is required to be conducted by an independent 3rd party is respected.

Attached is a copy of a portion of Public Law, Chapter 337 from the 124th legislature. The statutory language removed at the time (sections E and F) gave DECD authority to compel and require a business to report data.

- D. With regard to Finding 1 – What is DECD’s perspective on the advantages and disadvantages of folding the independent evaluations currently required by 5 MRSA §13056-A and §13107 into the newly established process for legislative review of tax expenditures described in Public Law 2015 Chapter 344?

It is premature to discuss combining these reports into the Tax Incentives reports, although we feel there is a risk of redundancy.

- E. What role does DECD play in setting the overall economic development strategy for the State, including establishing the related goals and monitoring whether the goals are achieved? What is the current economic development strategy and what specific goals is the State trying to achieve?

It is assumed that the legislature had in mind the need for DECD to be connected in many ways to organizations throughout the state as the DECD Commissioner statutorily sits on over 20 boards and commissions. It is through participation on these boards and commissions, as well as the broad list of activities and duties that has the department in constant contact with the private sector, non-profit organizations, and other government bodies throughout the state’s various regions that gives the department a unique perspective on the economic development opportunities and barriers. It is through these conversations and activities that bring us to the conclusion that before we consider any drastic changes to the common themes within Maine’s past economic development strategies, we must first determine what has been keeping these from reaching true success.

Maine’s ability to compete for a larger share of economic activity needs to improve. It is with this need in mind that the LePage administration has chosen to focus on fixing the cracks in Maine’s economic foundation as a top priority. The attached document “Making Maine Competitive” gives a brief outline of our strategy. We remain focused on “Part I” and see this still as a critical first step towards creating wealth and “a high quality of life for Maine people”.

- F. Some legislators have heard concerns from local businesses that it is difficult and confusing to get assistance from DECD. What is DECD doing, and what more can be done, to be effective and helpful in assisting local businesses that need help?

My office number is 624-9805. I would hope any legislator who becomes aware of a problem like this calls on behalf of the business immediately.