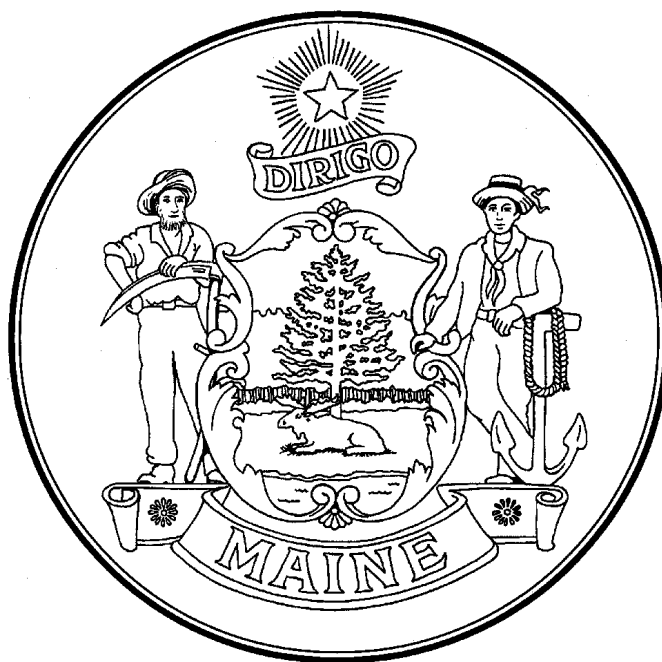


MAINE STATE LEGISLATURE

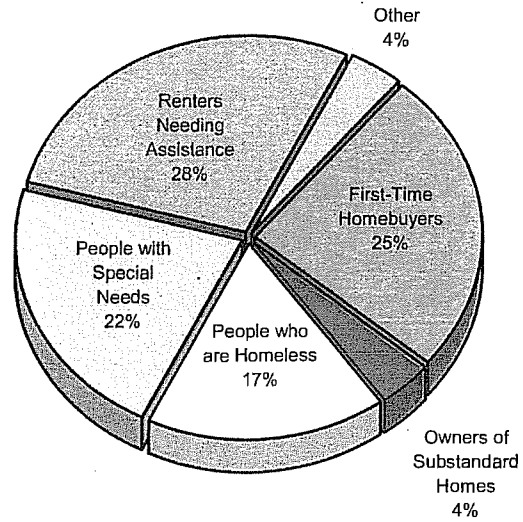
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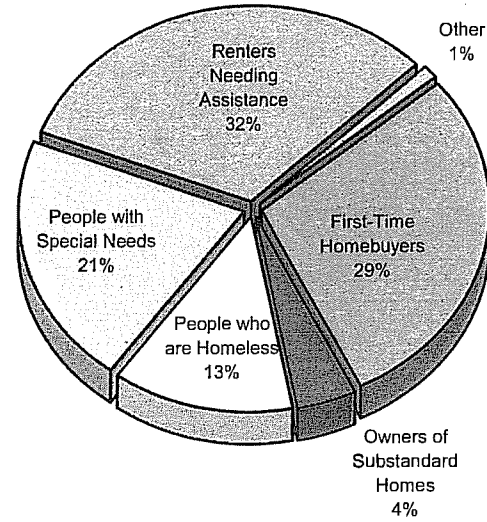
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**MAINE STATE HOUSING AUTHORITY
HOME FUND ANNUAL ALLOCATIONS 2000-2007**

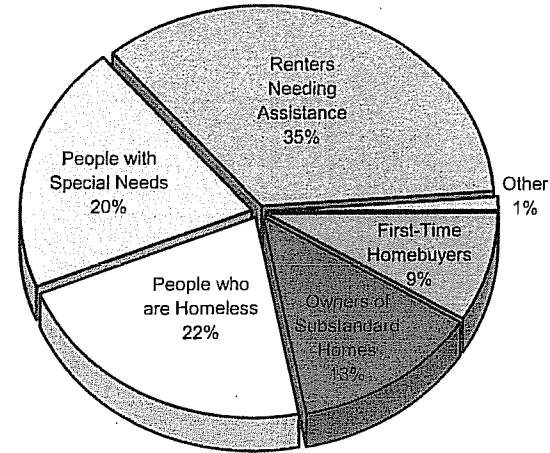
2000 Allocation



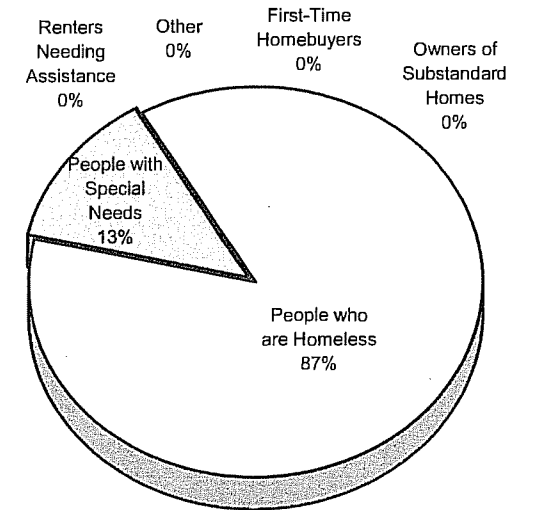
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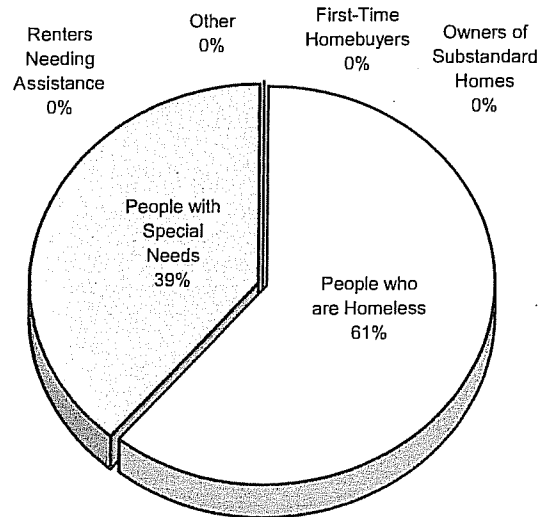
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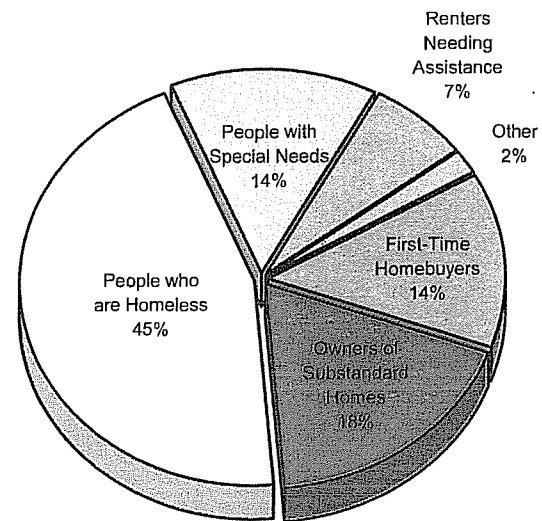
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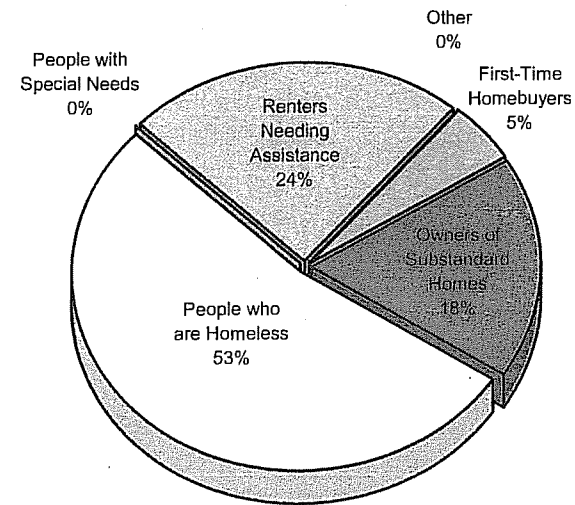
2004 Allocation



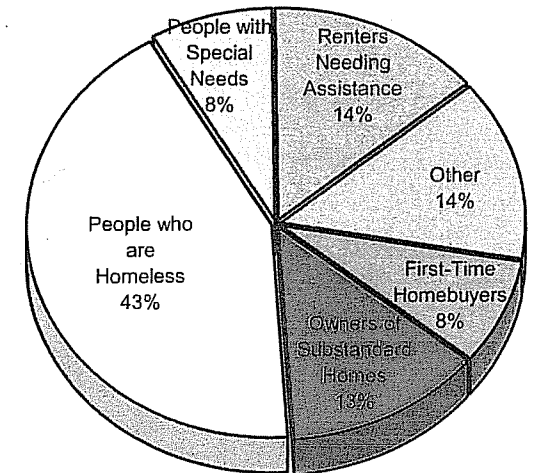
2005 Allocation



2006 Allocation



2007 Allocation



Nov. 20, 2006

Daniel Brennan, Director
Development Division
Maine State Housing Authority
353 Water Street
Augusta, Maine 04330-4633

Dear Mr. Brennan:

I am writing to you to ask for your leadership to broaden the reach of precious resources dedicated to supportive housing in Maine. I understand that in the past few years the first \$7.5 million has been taken from the Real Estate Transfer Tax (RETT) to fill gaps in the Governor's general budget. I and others hope to see the RETT fully restored such that a full 45% will be devoted to MaineHousing for affordable housing. I write to you today to ask that some of that money be devoted to house children like (MINE, OR ONE YOU ARE ADVOCATING FOR)

I also understand that in the past two years, the remaining revenue from the RETT has been devoted exclusively to house homeless populations. While this is an important use of these funds, other special needs populations have been left entirely without resources for critical housing development. This population needs to be a priority as in years past. I want to see some of this money go to serve special needs housing.

I am a parent of a teenager who has Downs Syndrome. Matthew has severe mental retardation and is non-verbal. In a few years we will be looking for housing for him. He will need housing with supports to enable him to live away from home. He presently receives in home support services, which he will continue to need to live independently when he is older.

Children like mine need to have supportive housing in place soon, and they will need a source of funds to make this happen.

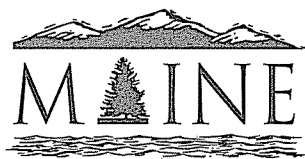
Please fight now for a reasonable portion of the affordable housing money to go to special needs supportive housing beyond homeless populations. Special needs populations have not disappeared while the focus has been on the homeless; they have only grown more urgent in need. I am counting on you to fight for funds to house people like my child! Thank you.

Sincerely,

Elizabeth Collins

608 Neck Rd

China ME 04358



TOURISM
ASSOCIATION

Senator Rotundo, Representative Fischer and Members of the Appropriations and Financial Affairs Committee.

Senator Bromley, Representative Smith and Members of the Business, Research and Economic Development Committee.

My name is Vaughn Stinson and I am representing the Maine Tourism Association speaking in support of the Maine Office of Tourism's budget as contained in LD 499.

The Maine Tourism Association represents nearly 1700 members from every corner of Maine who rely on tourism for their livelihood. The majority of our members are businesses – small and large - such as restaurants, hotels, inns, bed & breakfasts, rental camps and cottages, youth camps, convenience stores, grocery stores, retail establishments and arts and heritage venues.

These same businesses are dependent on the Office of Tourism's efforts to market Maine as a tourism destination and bring visitors to our beautiful state. That's why, five years ago, the tourism industry agreed to a tax increase in order to create the Tourism Marketing Fund to provide a consistent and predictable source of revenue to market Maine. This fund includes a 10% set aside to promote Maine's eight tourism regions.

The Maine Tourism Association is a contractor to the Office of Tourism. The *Maine Invites You* magazine and the *Maine Highway Map* are considered Maine's official publications and we publish these, under contract to the Maine Office of Tourism, however it is at no cost to the state as it is paid for by the advertising we sell to cover the cost of the publication. In addition we have a contract to operate the seven State-owned Visitor Information Centers.

Tourism is Maine's largest industry and employer and the Tourism Marketing Fund is very important to the economic health of Maine and the thousands of businesses and their employees that work in the tourism industry.

327 Water Street • Hallowell, Maine 04347

Tel: 207-623-0363 • Fax: 207-623-0388

Web site: www.maintourism.com • e-mail: mtainfo@maintourism.com

This fund has proved itself to be a great investment for the State of Maine. During, 2004 the economic impact of Maine's tourism industry generated \$531 million in tax revenue, provided over 176,000 jobs with \$3.8 billion in payroll. Maine's tourism industry continues to do more than its share to return money for the benefit of all sectors in Maine.

Tourism is a highly competitive industry and we while we didn't lose market share to our neighboring states in 2005, our business is flat and we are not gaining on our competitors. Nationally, travel and tourism is expected to grow by 2% in 2007.

We have the opportunity for Maine to become a premier destination but currently, we only have enough money to promote Maine in two market areas – Massachusetts and New York. The average state tourism budget is \$12.8 million. According to Longwoods International, in 2004, Maine ranked 38th as a travel destination among the U. S. states. We have a long way to go and we need to be competitive.

We ask for your continued support for the Maine Office of Tourism and its efforts to help keep this industry healthy and competitive. Thank you.



To: Senator Rotundo, Representative Fisher, Senator Bromley, Representative Smith and Members of both Committees

From: Maggie Drummond, Policy Director for GrowSmart Maine

March 9, 2007

GrowSmart Maine is a statewide non profit citizens' organization which promotes sustainable prosperity and quality places in Maine. As you know, we commissioned the recent Brookings Institution report, 'Charting Maine's Future,' which was released in October of last year.

The report's major conclusion is that Maine is poised to grow, if we can adapt, make some tough decisions and work together in new ways. Sustainable prosperity is within our reach, but it is not guaranteed. The Brookings report asserts that we must streamline and in some cases restructure government in order to free up resources, which can then be used to make critical economic investments and lower taxes.

That government streamlining, as the report points out, should focus on administrative reductions at the state and K-12 level, and increasing regional cooperation at the local level. Savings from those administrative reductions should then be used to support ongoing investments in Maine's quality places - which are our brand and our competitive advantage -and in fostering greater innovation in the economy.

The Education Committee is deeply engaged in the work of designing a plan to streamline K-12 administration, just as many of you in this room are grappling with changes in state government reflected in the budget before you. These are not easy decisions, and we commend you for the work you're doing.

This is truly a moment of opportunity for Maine, and we're excited about the Innovation and Cluster Development proposals currently in the Governor's budget, and the additional recommendations from the Council on Jobs, Innovation and the Economy. We believe the State, and this Committee, will need to make some tough decisions in the course of the next few months, and we are looking forward to working with you and the 123rd Legislature to move Maine forward.

economy requires continuous learning and innovation- the competitive bar is always rising. And Innovation isn't about one or two big research ideas replacing the entire Maine economy. Far from it: Innovation also encompasses the steady stream of small ideas that can boost Maine's productivity, develop new markets, and generate new sources of income and profit for Maine businesses and workers."

Examples of innovation:

- a. Forest products: retooling sawmills to efficiently produce white pine lumber for the nation's building supply giants.
- b. Agriculture: employing state-of-the-art machinery to produce frozen french fries.
- c. Marine sector: manufacturing high end boats and weather resistant decking from composite materials.

IV. The Cluster Development Fund as recommended by the Council on Jobs, Innovation and the Economy is key to fostering innovation in Maine's future economy. As a state, we have a solid record in recent years of making clusters the organizing principle of our economic development strategy- for example, the Maine Technology Institute and its careful targeting of R&D in promising technology clusters, whether it's information technology or forest products. However, we have small and what Brookings calls "embryonic" clusters that lack a strong or unifying industry association to drive work on shared problems like marketing or work-force training, or joint ventures and partnerships between businesses, higher ed, government and investors. Basically, we have potential that needs to be unleashed. The Cluster Development fund should support collaboratives by:

- a. Assembling, through industry leadership, participation and resources from a wide range of partners- including industry associations, research & education institutions, workforce entities, local or state government, finance and philanthropy.
- b. Supporting job creation by simultaneously addressing workforce development, R&D, market development, infrastructure development and capital.
- c. And prizing initiatives that cross boundaries between industries to forge multidisciplinary innovation.

We haven't talked about it today, but the Cluster Development Fund accomplishes part of an overall recommendation to boost the innovation economy that also includes a doubling of R&D investments. We would appreciate your support for the Cluster Development Fund as well as the future recommendations of the Council on Jobs, Innovation and the Economy.

Thank you for your time and effort in the budget process and on behalf of Maine people.



MAINE INTERNATIONAL TRADE CENTER

Marketing Maine To The World

Budget Summary Portland, Lewiston & Bangor

Revenues

State Appropriation	\$ 524,836
Private Sector Income	
Memberships Dues	\$ 78,000
Sponsorships	\$ 43,000
Int'l Trade Education Programs	\$ 60,250
Sector Trade Shows & Missions	\$ 38,000
Governor's Int'l Trade Mission	\$ 100,000
Other / Misc.	\$ 37,000
Private Sector Income subtotal	\$ 356,250
Total Revenues	\$ 881,086

Expenses

Salaries and Benefits	\$ 462,550
Portland Office Occupancy / Rent	\$ 83,024
Portland Operational Expenses	\$ 78,317
Bangor Operational Expenses *	\$ 20,060
Lewiston Operational Expenses **	\$ 11,140
Subtotal Salaries / Office Occupancy Operational Expenses	\$ 655,091
Membership Development / Incoming Delegations	\$ 20,450
Program Expenses	\$ 60,200
Sector Trade Shows & Missions	\$ 38,000
Governor's Int'l Trade Mission	\$ 100,000
Other / Misc.	\$ 7,345
Total Expenses	\$ 881,086

* Bangor Office co-located at EMDC (Eastern Maine Development Corporation)

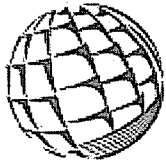
** Lewiston office co-located at LAEGC (Lewiston Economic Growth Council)



MAINE INTERNATIONAL TRADE CENTER

Marketing Maine To The World

FY 2007			
Month	Date	Location	Event/Program
June	24-30	Shanghai	WoodMac/WoodBuild Show Shanghai
August	28	Portland	Aomori Delegation Reception
September	28	Portland	Tools of Trade – Essentials of Selling Internationally
September	14-20	Birmingham, England	GLEE Outdoor Living Show, UK
October	26	Lewiston	Tools of Trade – Int'l Payments, Trade Finance and Legal Documents
November	15	Bangor/Rockland	Doing Business with the European Union
November	15-19	Dusseldorf, Germany	MEDICA Medical / Biotech Show, Germany
December	13	Portland	Import Compliance and Upcoming Code Changes
January	25	Lewiston	Doing Business in China: Negotiation Techniques
February	1	Portland	Succeeding in India
February	9-11	Quebec City	Quebec Trade & Tourism Briefing
February	13	Augusta	International Trade Legislative Event
February	27	Bangor	Canada Day 2007: Energy Focus
March	7	Portland	Food Export Opportunities
March	27-30	Guangzhou	Interzum Wood Show Guangzhou



MAINE INTERNATIONAL TRADE CENTER

Marketing Maine To The World

April	3	Augusta	Maine and the Future of Emissions Trading
April	5-8	Shanghai, China	China International Boat Show
May	1	Bangor	Tools of Trade – Full Day
May	TBA	Portland	*Potential* Latin America Round Table
May	31 st	Rockland - Samoset	<u>Maine International Trade Day</u> <i>Innovations 2007</i> <i>International Partnerships and Technology Solutions for</i> <i>Maine</i>
June	TBA	Portland	China Culture Program

Programs & Events Schedule –
FY06 13 Programs 646 Attendees
FY 07 13 Programs

MITC Staff Directory FY 2007

Janine Bisaillon-Cary **President & State Director of International Trade**

Janine Bisaillon-Cary is President of MITC as well as the State Director of International Trade. Ms. Bisaillon-Cary was appointed by Governor John Baldacci and officially assumed her duties as Director of International Trade for the State of Maine following a special session of the Maine State Senate on September 11, 2006.

Prior to joining MITC, Ms. Bisaillon-Cary worked for over seventeen years in international markets, including the seafood export and consumer goods import markets. Her work has focused mostly on Western Europe and parts of Latin America and China.



Ms. Bisaillon-Cary currently services Maine's composite and food industries advising in areas of market research, import/export logistics and international finance. Ms. Bisaillon-Cary is the former Vice President of the MITC as well as the former Vice President of Resource Trading Company, she holds a B.A. in Economics and French from the University of Massachusetts-Amherst; a Certificate of French History and Literature from the Sorbonne University, and a Global Leaders Executive Education Certificate from Dartmouth's Tuck School of Business. She is conversant in French and Italian.

Wade E. Merritt **Director of Operations & Senior Trade Advisor** *Industry Areas: Trade Statistics, Metal Products, and Marine Technologies*

Wade Merritt is the Director of Operations of the Maine International Trade Center, having just recently been elevated to that post after nine years directing MITC's satellite office in Bangor. Wade is also the founder and director of the Trade Center's Canada Desk, which assists Maine companies doing business in Canada through

research, matchmaking, and other related activities.

An avid hiker and lifelong Red Sox fan, Wade has just recently relocated to Portland. He serves on the board of the American Folk Festival, the Maine Citizens Trade Policy Commission, the Eastern Trade Council, and the Trade & Globalization committee of the Conference of New England Governors and Eastern Canadian Premiers. Wade holds a B.A. in International Affairs with a minor in Canadian Studies from the University of Maine.

Stephen Franck **Director, Lewiston/Auburn Regional Office** **Senior Trade Specialist, Director of the Greater China Desk** *Industry Areas: Information Technology, Telecom, and Environmental Technologies*

Stephen Franck is the Director of the Lewiston office of the Maine International Trade Center. In addition to his work with companies in Southern and Western Maine, Steve is the Director of the Trade Center's Greater China Desk, which assists Maine companies doing business in China, Hong Kong, and Taiwan, through research, matchmaking, and other related activities.

Steve, a Auburn, Maine native, has recently returned to his homestate from an international law firm based in Taipei, Taiwan, where his work focused on joint ventures, foreign direct investment, and fair trade law. Prior to this, he worked for two other law firms in California and interned from 1997-98 with the Maine International Trade Center. From 1993-96 he served as a Consultant with a trading company in Chung-Li, Taiwan, and prior to this taught English to corporate clients such as Motorola, Ford, and Dow Corning in Taiwan.

Fluent in Mandarin, Stephen holds a Juris Doctor degree from the University of Maine School of Law, and a Bachelor of Arts in Psychology from the University of Southern Maine.

Jeffrey Bennett **Director, Bangor Regional Office** **Senior Trade Specialist** *Industry Areas: Gourmet Foods, Seafood, and Consumer Goods*

Jeff Bennett is a Canadian native, growing up in southern Ontario; Jeff earned his B.S. in Business Administration from the University of Maine at Orono. Jeff joined MITC in January;

bringing with him over 10 years experience in the consumer goods industry marketing Maine based companies both nationally and internationally.

Jeff serves on the board of directors of the Maine Highlands Artisan Guild. He also is involved with the Komen Maine Race For the Cure and is a local advocate with the Lance Armstrong Foundation.

Amanda Pike**Program & Membership Manager, Portland Office***Industry Areas: Pulp and Paper*

Amanda Pike is responsible for coordinating logistics and promotion for the educational seminar series and other Maine International Trade Center events, including Maine International Trade Day.

Amanda's international background includes four years living and studying in Montreal, Quebec, as well as an exchange

program to Nice, France. She holds a BA in Political Science and East Asian Language and Literature from McGill University, and has studied French, Mandarin Chinese and Russian.

Amanda has a long family history in the pulp and paper industry in Maine and looks forward to covering that sector as well as adding exciting new seminars and events to the trade education program series.

Anne Hurst**Technical Assistance Manager****International Trade Specialist, Portland Office**

Anne Hurst heads our Trade Assistance Department and provides MITC members with trade assistance and market research.

Anne holds a BA from Carleton College and a Masters Degree

in International Trade and Commercial Policies from the Fletcher School of Law and Diplomacy at Tufts University.

Prior to graduate school, Anne lived and studied in India, served as an aide in the German Bundestag in Berlin, and worked at the German Book Office in New York.

She has lived in Bucksport, Belfast, and Portland.

Zeynep Turk**Senior Trade Specialist, Portland Office***Industry Areas: Biotech & Medical Supplies and Service Industries*

A native of Istanbul, Zeynep Turk has lived in Maine for over 10 years. She earned a BS in Business Administration from the University of Maine at Machias and an MBA from the University of Maine, Orono.

After completing her MBA, Ms. Turk worked in the banking industry for a number of years. Most recently she worked for the United Way of Greater Portland as a fundraiser, focusing on service and professional industries.

At MITC she will be servicing biotech, medical, and service industries, as well as focusing on emerging markets. Ms. Turk is fluent in Turkish and is studying Spanish.

Al Dubay**Controller**

Al Dubay is responsible for all of the accounting functions at the Trade Center, along with making sure that the office runs smoothly. He also serves as the computer system administrator and PC trouble-shooter. With a bachelor's

degree in accounting, he has extensive experience in financial management both in the corporate world and non-profit environment.

Prior to joining MITC, Al was the Town Manager of Washburn, Maine

Danièle Bučar**Administrative Assistant**

Danièle Bučar joined the Maine International Trade Center as their Administrative Assistant in December 2006.

Originally from Connecticut, where she obtained her B.A. in Art History and World Literature at Wesleyan University, she has lived very briefly in Australia and spent most of her summers in either Canada or France. Once a high school teacher, she has spent the past seven years in the international business and

education arenas while working as a Regional Manager at EF AuPair in Boston and as Senior Fellowship Programs Assistant in the Office of International Education and Fellowships Programs at Yale University.

In her spare time, Danièle both kayaks and hikes around Maine and plays rugby for both the Portland Women's Rugby Football Club and the internationally-touring Gypsy Rugby Football Club. Whatever time remains is spent learning to play the violin and to speak Slovene.

State's 2006 exports set record

E-mail this page Reader Comments (below)

By MATT WICKENHEISER, Staff Writer Friday, March 9, 2007

Maine set a record for exports in 2006, sending \$2.63 billion worth of lobsters, paper, semiconductors and other goods around the globe, according to statistics being released today by the Maine International Trade Center.

The total value was a 13.7 percent jump over 2005, roughly in line with the national export-growth average of 14.7 percent. Maine's 2006 growth follows a 5 percent decline in exports from 2004 to 2005.

"It's something for Maine to be proud of. We're exporting more product here than we were last year -- a 13.7 percent increase is a healthy one," said John Richardson, Maine's commissioner of economic development. "We want to work on it, make it better, stronger, more sustainable."

Export growth is important to Maine in several ways. Some exports, such as seafood, wood and paper products, represent the transformation of Maine's natural resources into dollars. Other exports involve manufactured goods, helping support an economic sector that's been losing jobs for years in Maine.

According to the U.S. Department of Commerce, roughly 1,668 Maine companies are supported by international sales, and more than 55,000 jobs are supported by exports and foreign investment.

Canada remains Maine's top trading partner, with \$922.2 million in goods going north of the border in 2006. The others in the top five are all Asian: Malaysia, China, Japan and South Korea.

"We're starting to see Asia playing more and more of a role -- China, Japan, Korea -- that's most of the reason we're going over there in the fall," said Janine Bisaillon-Cary, trade center president and state international trade director, referring to a gubernatorial trade mission.

The semiconductor industry -- consisting mainly of Fairchild Semiconductor and National Semiconductor, both in South Portland -- continued to be the leading export sector, expanding by 21 percent from \$666 million to \$805 million in 2006.

Bisaillon-Cary said the trade center's member companies reported two main reasons for the jump in semiconductor sales. Heavy inventories carried into 2005 had been depleted, so there was strong demand last year for the chips. And, she said, new technology was in strong demand overseas.

The chip sector comprises much of the exports to Asia. It also helped to explain Singapore's drop from Maine's third-highest trading partner in 2005 to No. 16 last year. Bisaillon-Cary said shifts in where Maine's chips go for final assembly and testing resulted in the drop for Singapore, and the rise of China from No. 4 to No. 3.

Maine exported \$101.3 million worth of goods to China in 2005. Total sales jumped 50.55 percent in 2006, to \$152.6 million.

Maine is taking a few different approaches -- concentrating on a particular sector, for example -- to penetrate Asian markets, said Bisaillon-Cary. The trade center has brought wood products companies to China for a trade show in the past, and there are plans to attend another one at the end of this month.

"With the amount of building in China, it's a good growth area over the next five years, at least," said Bisaillon-Cary.

And Maine will have one of the larger delegations at the China International Boat Show in April, she said.

"With new wealth and the huge development going on in coastal China, plus the Olympics with the sailing races out of Qingdao, that's got a lot of potential," she said.

Maine will send a gubernatorial trade mission to Japan and South Korea this fall.

"Korea is just developing so quickly as a market, I think they're already pulling on some of our traditional industries, but there's a lot more we can do on the food and seafood front," said Bisaillon-Cary.

Japan has potential because it's coming out of such a long recession, and demand for Maine goods may be starting to pick back up, she said. It's a tough market to penetrate, but involving political leaders can help.

"The Japanese take that very seriously, when the businesses show the government's behind them," said Bisaillon-Cary. "When the U.S. Embassy calls on your behalf, it's a very nice entrée for a small business."

Korea and Japan also increased imports of pulp and paper products in 2006. Overall, that sector's exports increased from \$488 million in 2005 to \$575 million, according to the trade center. Automotive parts shipped out of Maine increased 27 percent, hitting \$67 million.

Of the top 25 export product groups, only six declined in 2006, said Wade E. Merritt, director of operations for the trade center's Portland office. And of the 19 that climbed, the bulk increased by at least double digits, in some cases triple digits, Merritt said.

"It's a very broad-based growth," he said.

Staff Writer Matt Wickenheiser can be contacted at 791-6316 or at:

mwickenheiser@pressherald.com

The Applied Technology Development Centers (ATDCs) were established by legislation in 2001 (5 MSRA§15321) to “to permit early-stage development of technology-based businesses while minimizing or eliminating debilitating overhead expenses.”

The goals of the program are:

1. The retention of successful start-up businesses in the state
2. The improvement of opportunities for workers through the creation of technologically advanced jobs
3. The encouragement of private sector initiatives
4. The renovation and utilization of vacant commercial real estate
5. The generation of new sources of revenues for local and state tax bases.

Four of the seven technology centers were located as designated in the initial legislation (Center for Environmental Enterprise, Portland; Target Technology Center, Orono; Teague Biotechnology Park; Fairfield; and Loring Applied Technology Center, Limestone). Another three were chosen through an RFP process by DECD.

The legislation was amended in 2005 to delete the position of ATDC System Manager and delete the requirement for a 25% match from non-state sources.

There are currently seven Centers:

Name	Location	Square Footage for Incubation	Number of Incubator Tenants/ Affiliates	Number of Graduates
Maine Center for Enterprise Development (formerly CEE)	Portland	5,000	10/10	7
Teague Technology Center	Fairfield	7,800	4/3	1
Target Technology Incubator	Orono	5,000	8/12	3
Maine Aquaculture Innovation Center	Walpole and Franklin	1,000 and 21,000	2	1
Loring Applied Technology Center	Limestone	25,000	5	3
River Valley Technology Center	Rumsford	16,000 built out	5/0	0
Composites Technology Center	Sanford and Greenville	18,000 and 10,000	4 in Sanford and 1 in Greenville	0

Performance of Centers

A total of 92 entities are or have been clients of the ATDCs and are surveyed annually as part of the Comprehensive R&D Evaluation. In 2006, 63 entities (68.5%) responded to the survey. They reported 447 jobs in 2006, an increase of 96 jobs (27.4%) increase, and \$17,503,747 in revenues, a 30.9% increase. These companies are growing and adding jobs faster than the average Maine company.

The companies said that the ATDCs were frequently important to their success, and they were very satisfied with the assistance received; over 80% of the respondents indicated that they were either satisfied or very satisfied.

Other Funding Available

There is limited funding available nationally for the building, renovation or operation of incubator facilities. Sources such as the federal Economic Development Administration (EDA) will fund incubator construction and renovation, and occasionally, special operational programs. Nationally, most incubators fund their operations from a combination of income from rent and fees, local and regional grants, and grants for the performance of other functions such as liaison with federal labs. Few are self-sufficient except for situations where the building has been donated or otherwise paid for.

National Experience with Incubation

According to the National Business Incubation Association, Incubator graduates create jobs, revitalize neighborhoods and commercialize new technologies, thus strengthening local, regional and even national economies.

- NBIA estimates that North American incubator client and graduate companies have created about half a million jobs since 1980. That is enough jobs to employ every person living in Denver, Colo.
- Every 50 jobs created by an incubator client generate approximately 25 more jobs in the same community.
- In 2001 alone, North American incubators assisted more than 35,000 start-up companies that provided full-time employment for nearly 82,000 workers and generated annual revenue of more than \$7 billion.
- Business incubators reduce the risk of small business failures. Historically, NBIA member incubators have reported that 87 percent of all firms that have graduated from their incubators are still in business.

Funding History

FY	Maine Aquaculture Innovation Center	Maine Center for Enterprise Development (formerly CEE)	Target Technology Incubator	Teague Center	River Valley Technology Center	Loring Technology Center	Composites Technology Center
FY01 Center Establishment Grants (GF)	\$ 750,000.00	\$ 450,000.00	\$ 750,000.00	\$ 950,000.00	\$ 750,000.00	\$ 550,000.00	\$ 750,000.00
FY01		\$ 50,000.00					
FY02	\$ 50,000.00	\$ 29,167.00	\$ 50,000.00	\$ 70,833.00	\$ 50,000.00	\$ 79,167.00	\$ 20,833.00
FY03*	\$ 40,000.00	\$ 50,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
FY04**	\$ 40,000.00	\$ 80,000.00	\$ 80,000.00	\$ 40,000.00	\$ 90,000.00	\$ 40,000.00	\$ 80,000.00
FY05***	\$ 40,000.00	\$ 45,000.00	\$ 50,000.00	\$ 15,000.00	\$ 90,000.00	\$ 45,000.00	\$ 45,000.00
FY06***	\$ 36,127.00	\$ 40,628.00	\$ 40,102.00	\$ 23,208.00	\$ 29,229.00	\$ 33,321.00	\$ 32,386.00
FY07***	\$ 39,800.00	\$ 42,250.00	\$ 48,500.00	\$ 0	\$ 29,800.00 ¹	\$ 26,500.00	\$ 28,900.00
BOND Funds (June 03)		\$ 400,000.00		\$ 650,000.00	\$ 500,000.00		\$ 450,000.00

*In FY03 CEE got an extra 10K from business development for some additional work on the Center.

**In FY04 MCED, Target, and Composites got a direct appropriation of \$40,000. RVTC got a direct app. in FY04 and FY05 of \$50,000 each year

**FY05 - FY07 - Grants awarded on competitive basis, as specified in rule.

¹ The Fractionation Center, a tenant in the River Valley Technology Center, was appropriated \$210,000 in FY 06 and FY07, funded through the Office of Innovation (DECD).

**TESTIMONY
OF
JOHN RICHARDSON, COMMISSIONER
DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT**

Before the Joint Standing Committee on Appropriations and Financial Affairs
And the Joint Standing Committee on Business, Research and Economic Development

Hearing Date: March 9, 2007

“An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009.”

Senator Rotundo, Senator Bromley, Representative Fischer, Representative Smith, and distinguished Members of the Committees on Appropriations and Financial Affairs and Business, Research and Economic Development, I am John Richardson, Commissioner of the Department of Economic and Community Development. I am here today to present testimony in support of those Departmental items presented in L. D. 499, the Biennial Budget Bill for the Department of Economic and Community Development.

The first request for the Department is found on page 2-28 of the Committee Copy, page A-201 of the Budget Document and page 179, line 15 of the LD.

ADMINISTRATION – ECONOMIC & COMMUNITY DEVELOPMENT – PROGRAM 0069

The Administration account supports the Commissioner’s Office and the activities related to policy development and the overall management of the

department. Additionally, the Office represents the department on numerous boards and commissions, administers several directed grant programs and manages Maine's tax-based economic development financing programs.

The **Part A Baseline Budget** continues operations at the current level for both FY2008 and FY2009. The request for General Fund appropriation is for \$1,889,661 in FY2008 and \$1,900,685 in FY2009 and includes pass-through grants in the 6400 line to Maine MEP (\$667,722), the Loring Development Authority (\$282,890) and the Maine Procurement Technical Assistance Center at EMDC (\$139,650). The allocation request for the Federal Expenditures Fund is for \$3,275,130 in FY2008 and for \$3,245,130 in FY2009 (includes the North Star Alliance – WIRED grant and the Maine MEP – High Growth Jobs Training Initiative grant). The allocation request for the Other Special Revenue Funds account is for \$70,000 each year of the biennium; this is the department's revolving account which collects funds for workshops, training and special events. There are two new initiatives in this program.

The Federal Expenditures Fund Initiative reduces the Baseline Budget request for funding by \$957,600 in FY2008 and by \$1,474,473 in FY2009 in anticipation of the end date of the federal Department of Labor High Growth Jobs Training Initiative – Manufacturing Extension Program grant agreement.

The **General Fund Initiative** transfers funding among several General Fund accounts in the department to better reflect technology line expenditures appropriately, with no net increase department-wide in funding. In fact, an

initiative in another account will de-appropriate funds in this line to the General Fund. The request in this account proposes to increase the appropriation by \$20,310 in FY2008 and by \$21,038 in FY2009.

The next request is on page 2-31 of the Committee Copy, page A-203 of the Budget Document and page 181, line 10 of the LD.

APPLIED TECHNOLOGY DEVELOPMENT CENTER SYSTEM – PROGRAM 0929

The Applied Technology Development Center System program is comprised of seven technology-based incubator centers. It supports the State Economic Development Strategic Plan, which calls for the development of business clusters in seven targeted technology sectors. The Centers within the System are The Thomas M. Teague Biotechnology Center in Fairfield, (biotechnology); The Target Technology Center in Orono, (information technology); The Center for Environmental Enterprise in South Portland, (environmental technology); The Loring Applied Technology Center in Limestone, (agriculture and forestry technology); The River Valley Technology Center in Rumford, (precision manufacturing and electronics); The Aquaculture Technology Development Center, located in Eastport, Franklin and Walpole, (aquaculture and marine sciences); and the Sanford Composite Materials Technology Center in Sanford, with satellite offices in Greenville and Orono, (composite materials). The System is coordinated through the Office of Innovation within the Department of Economic and Community Development. This Program account provides funding for ongoing management assistance for the Centers. The **Part A Baseline Budget** continues operations at the current level for FY2008 and FY2009.

The General Fund appropriation request for both FY2008 and FY2009 is \$242,250. There are no new initiatives in this program.

The next request is on page 2-33 of the Committee Copy, page A-204 of the Budget Document and page 181, line 22 of the LD.

BUSINESS DEVELOPMENT – PROGRAM 0585

The Office of Business Development facilitates economic growth by providing businesses with a wide range of assistance including financing, workforce training and development, marketing, site location and advocacy. The Office through its field staff located in regional economic development organizations across the state, serves as the point of contact and coordination for economic development projects, and works in partnership with organizations such as the Small Business Development Centers, Maine Manufacturing Extension Partnership, the Maine International Trade Center, Maine Technology Institute, Maine and Company, the Finance Authority of Maine, local and regional economic development organizations and private sector organizations such as the Economic Development Council of Maine and the Maine State Chamber of Commerce. The Office promotes Maine as a competitive location for business growth and investment by both in and out of state companies. The Office operates “Business Answers” providing information on doing business in Maine, and promotes Maine products through its Maine Products Marketing Program. It assists all sectors with their expansion efforts, with particular emphasis on the seven targeted technology sectors contained in Maine statute, and financial services and manufacturing. The **Part A Baseline Budget** continues operations at the

current level. The request for General Fund appropriation is for \$1,821,193 in FY2008 and for \$1,846,850 in FY2009. There are two new General Fund initiatives in this program.

The first Initiative transfers funding among several programs in the department to better reflect technology line expenditures appropriately, with no net increase department-wide in funding. The request in this account proposes to de-appropriate funds by \$33,164 in FY2008 and by \$34,443 in FY2009.

The other General Fund Initiative returns a portion of the Baseline Budget funds in the technology line because of anticipated savings realized in the consolidation of information technology services by the Office of Information Technology. This proposal de-appropriates funding by \$23,017 in FY2008 and by \$21,139 in FY2009.

The next request is on page 2-35 of the Committee Copy, page A-205 of the Budget Document and page 182, line 25 of the LD.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – PROGRAM 0587

The Community Development Block Grant Program provides federal funds as grants to municipalities to undertake eligible activities as outlined in Title I of the Housing and Community Development (HUD) Act of 1974, as amended. Those activities include housing rehabilitation, public facilities, public infrastructure, public service, economic development and planning. The General Fund (match) appropriation is used by DECD to provide

general management, oversight, coordination, monitoring and evaluation of projects undertaken with these HUD funds. The **Part A Baseline Budget** continues operations at the current level for both FY2008 and FY2009. The request for General Fund appropriation is for \$262,395 in FY2008 and for \$268,126 in FY2009. The allocation request for the Federal Block Grant Expenditures Fund is \$25,981,959 in FY2008 and \$25,998,006 in FY2009. The allocation request for the Other Special Revenue Fund is for \$1,032,438 in both FY2008 and FY2009 (includes the Development Fund and the Business Assistance Revolving Loan Funds). There are four new initiatives in this program.

The Federal Block Grant Fund **Initiative** reduces the Baseline Budget request for funding by \$3,037,162 in FY2008 and by \$4,036,148 in FY2009 because of a reduction in funds by the federal government, continuing the downward trend since 2004 for the Maine CDBG Program.

The first Other Special Revenue Fund **Initiative** increases the request for allocation by \$41,863 in both FY2008 and FY2009 for additional grants in the Business Assistance Revolving Loan Program. Repayments from previous grantees have increased funds available.

The second Other Special Revenue Fund **Initiative** reduces the allocation by \$6,290 in both FY2008 and FY2009 in the Development Fund Revolving Loan Program; savings have been realized in legal services and travel because of program efficiencies and successful processing of problem loans.

The General Fund **Initiative** transfers funding among several General Fund accounts in the department to better reflect technology line expenditures appropriately, with no net increase department-wide in funding. The request in this account proposes to increase the appropriation by \$9,851 in FY2008 and by \$10,181 in FY2009.

The next request is on page 2-39 of the Committee Copy, page A-207 of the Budget Document and page 185, line 11 of the LD.

ECONOMIC CONVERSION DIVISION – PROGRAM 0726

The Economic Conversion Division program was established to reduce the negative economic effects of defense downsizing on Maine's communities, businesses and workers. Its goal is to encourage diversification of Maine's economic base and to assist Maine companies in conversion activities. The Program currently receives federal funds to assist in the redevelopment of the former military facility in Winter Harbor (Schoodic Peninsula) after being transferred to the National Park Service. The allocation request for the Federal Expenditures Fund is \$686,390 for both FY2008 and FY2009.

There is one new initiative in this program.

The Federal Fund **Initiative** eliminates the allocation in both FY2008 and FY2009, to reflect reduction of federal funds from the Department of Defense, Office of Economic Adjustment grant, due to completion of the Schoodic Education and Research Center project and expiration of the grant on 9/30/07.

The next request is on page 2-41 of the Committee Copy, page A-208 of the Budget Document and page 186, line 1 of the LD.

INTERNATIONAL COMMERCE – PROGRAM 0674

The Maine International Trade Center (MITC) is the quasi-governmental agency responsible for coordinating Maine's international trade development efforts and for representing the State on official matters related to international commerce and relationships. MITC is a public-private partnership founded in 1996, funded through DECD and the private sector. MITC focuses on the expansion of the Maine economy and job creation through increased exports and trade; over 70 percent of its clients are small businesses with 25 employees or less representing the backbone of the Maine economy. The **Part A Baseline Budget** request for FY2008 and FY2009 continues operations at current levels and consists of the Personal Services costs of the Director (a state employee) and the pass-through grant which is a portion of the operating costs (\$524,836, funded at the FY2007 level). The General Fund appropriation request is \$650,196 for FY2008 and \$657,526 for FY2009. There are no new initiatives in this program.

The next request is on page 2-43 of the Committee Copy, page A-209 of the Budget Document and page 186, line 17 of the LD.

INTERNATIONAL NORTHEAST BIOTECHNOLOGY CORRIDOR – PROGRAM Z022

Chapter 55, Private and Special Laws of 2005, provided ongoing funds of \$11,000 each fiscal year, for dues associated with the International Northeast

Biotechnology Corridor as agreed upon at the September 2003 conference of the New England Governors and Eastern Canadian Premiers. The purpose of the organization is to promote biotechnological development and create a favorable atmosphere for existing biotechnological enterprises and industries. The **Part A Baseline Budget** continues operations at the current level for FY2008 and FY2009 and requests appropriation of \$11,000 for each year. There are no new initiatives in this program.

The next request is on page 2-45 of the Committee Copy, page A-210 of the Budget Document and page 186, line 29 of the LD.

MAINE ECONOMIC GROWTH COUNCIL – PROGRAM 0727

The Economic Growth Council, established in 1994, exists to provide the annual “Measures of Growth” report on Maine’s economic performance and develop a long range economic plan for the State. The Council develops economic indicators, analyzes the performance of indicators against established benchmarks, and reports findings and recommendations. The Growth Council is required by law to contract with the Maine Development Foundation for staff support to fulfill the requirements of its legislative charge. The **Part A Baseline Budget** continues operations at the current level for FY2008 and FY2009. The request for General Fund appropriation is for \$58,000 each year. There are no new initiatives in this program.

The next request is on page 2-47 of the Committee Copy, page A-211 of the Budget Document and page 187, line 12 of the LD.

MAINE SMALL BUSINESS COMMISSION – PROGRAM 0675

The Maine Small Business Commission approves and administers the annual contract for Maine Small Business Development Centers (SBDCs) services. The SBDCs promote and support small business development by providing comprehensive business management assistance, group training and resource and information services to Maine's micro, small and technology based businesses. Services are provided via a network of 11 service centers and 28 outreach offices located conveniently throughout the State. The SBDCs is a partnership program involving DECD, the U.S. Small Business Administration, the University of Southern Maine and leading economic and/or community development hosting organizations. The **Part A Baseline Budget** continues operations at the current level and requests a General Fund appropriation of \$720,985 for both years of the biennium; the contract with the SBDCs is \$720,145 each year. There are no new initiatives in this program.

The next request is on page 2-49 of the Committee Copy, page A-212 of the Budget Document and page 187, line 24 of the LD.

MAINE STATE FILM OFFICE – PROGRAM 0590

The Maine Film Office was created in 1988 to bring more film, television, video, photographic and new media projects to Maine. The Office helps expand and improve Maine's local production industry and acts as a liaison between production companies and local, state and federal officials and citizens. It develops programs and incentives to better Maine's position in

the increasingly competitive film industry. The **Part A Baseline Budget** continues operations at the current level for both FY2008 and FY2009. The request for General Fund appropriation is for \$196,858 in FY2008 and for \$200,172 in FY2009. The allocation request for the Other Special Revenue Funds account is for \$10,000 each year of the biennium (the account receives any funds raised in support of the Film Office).

The one new **Initiative** transfers funding among several programs in the department to better reflect technology line expenditures appropriately, with no net increase department-wide in funding. The request in this account proposes to increase the General Fund appropriation by \$114 in FY2008 and by \$254 in FY2009.

The next request is on page 2-51 of the Committee Copy, page A-213 of the Budget Document and page 189, line 1 of the LD.

OFFICE OF INNOVATION – PROGRAM 0995

The Office of Innovation facilitates economic growth through development and implementation of the State's science and technology plan. The Office works with educational institutions, not-for-profit laboratories and businesses to encourage and spur the State's economy. The major programs of the Office of Innovation are the Maine Technology Institute, the Applied Technology Development Centers System and managing the State's EPSCoR (Experimental Program to Stimulate Competitive Research) Program. The **Part A Baseline Budget** continues operations at the current level for FY2008 and FY2009. The request for General Fund appropriation

is \$5,847,207 in FY2008 and for \$5,850,930 in FY2009. The MTI grant is \$5,487,527 each year. There are two new General Fund initiatives in this program.

The first Initiative transfers funding among several programs in the department to better reflect technology line expenditures appropriately, with no net increase department-wide in funding. The request in this account proposes to increase the appropriation by \$2,889 in FY2008 and by \$2,970 in FY2009.

The second Initiative requests an appropriation to support the Maine Technology Institute Innovation Cluster Program by \$3,000,000 in FY2008 and by \$5,000,000 in FY2009. Funds will be used to strengthen high-potential clusters in Maine's seven targeted technology sectors. This request is supported by recommendations by the Brookings Institution report and by the Council on Jobs, Innovation and the Economy to implement a Cluster Development Fund.

The next request is on page 2-53 of the Committee Copy, page A-214 of the Budget Document and page 190, line 7 of the LD.

OFFICE OF TOURISM – PROGRAM 0577

The Office of Tourism directs the State's program to develop, promote and manage tourism in Maine. The Office promotes Maine as a four-season destination to both consumers and the travel trade and provides technical assistance to the travel trade outside Maine and to the tourism industry in

Maine. Funding for the Office of Tourism is provided through 5 MRSA 1309-K.2. Every July 1st since 2003, the State Controller, as certified by the State Tax Assessor, transfers to the Tourism Marketing Promotion Fund an amount equivalent to 5% of the 7% sales and use tax revenue collected on sales of meals and lodging during the first six months of the prior fiscal year, after the reduction for transfers to the Local Government Fund. Every October 1st, a like transfer equivalent for the last six months of the prior fiscal year is made to the Tourism Marketing Promotion Fund. Ten percent of the funds received must be used for regional marketing promotion and regional special events promotion. The allocation request for Other Special Revenue funds is for \$7,312,514 in FY2008 and \$7,321,984 in FY2009. The allocation is for three accounts in the program - the Tourism Marketing Promotion Fund (\$7,158,736 in FY2008 and \$7,168,206 in FY2009), the Tourism Cooperative Marketing Fund (\$101,375 for both FY2008 and FY2009) and the Publications Revolving Account (\$52,403 for both FY2008 and FY2009). There are two new initiatives in this program.

The first Other Special Revenue Fund Initiative requests to increase the allocation in the Tourism Marketing Promotion Fund by \$1,371,351 in FY2008 and by \$1,823,574 in FY2009 for tourism marketing and promotion as per 5 MRSA, 1309-K. This request provides for allocation of the increase in funds projected by the Revenue Forecasting Committee (the total transfer of funds to the account is anticipated to be \$8,530,087 in FY2008 and \$8,991,780 in FY2009).

The second Other Special Revenue Fund Initiative proposes to reduce the allocation in the Publications Revolving account as a result of Internet

access to DECD publications and decreased sales of printed copies. This request reduces the allocation by \$50,000 each year.

LANGUAGE

Part K EPSCoR Steering Committee

Part K, Sections K-1, K-2 and K-3 on page 2-57 of the Committee Copy, page L-6 of the Budget Document and page 587 of LD 499. This language gives authorization to change the name of the EPSCoR steering committee to the Governor's Maine Science and Technology Advisory Council. In 2003, the Governor by Executive Order created the Governor's Maine Science and Technology Advisory Council to replace the EPSCoR steering committee. This request makes the change in statute.

PART L

MAINE SMALL BUSINESS AND ENTREPRENEURSHIP COMMISSION

Part L, Section L-1 on page 2-58 of the Committee Copy, page L-6 of the Budget Document and page 587 of LD 499. This language gives authorization to change the name of Program number 0675 from Maine Small Business Commission – DECD to Maine Small Business and Entrepreneurship Commission. Title 5 Chapter 381 changed the unit name to the Maine Small Business and Entrepreneurship Commission in place of

the Maine Small Business Commission. This request changes the Program name for budget purposes. Note: A Change Package item is being submitted to clarify that Program 0675 is now Maine Small Business Commission, not Maine Small Business Commission – DECD.

This concludes the testimony for the Department of Economic and Community Development.

Impact of Maine Technology Institute Programs

For Awards Ending June 30, 2002-June 30, 2006



"MTI's successful track record over the last five years is evidence of the early returns that can be realized by such investments as an essential part of the long-term process of transforming Maine into an innovation based economy."

Prof. Charles Colgan, January 2007

Center for Business and Economic Research, USM

At MTI-funded companies:

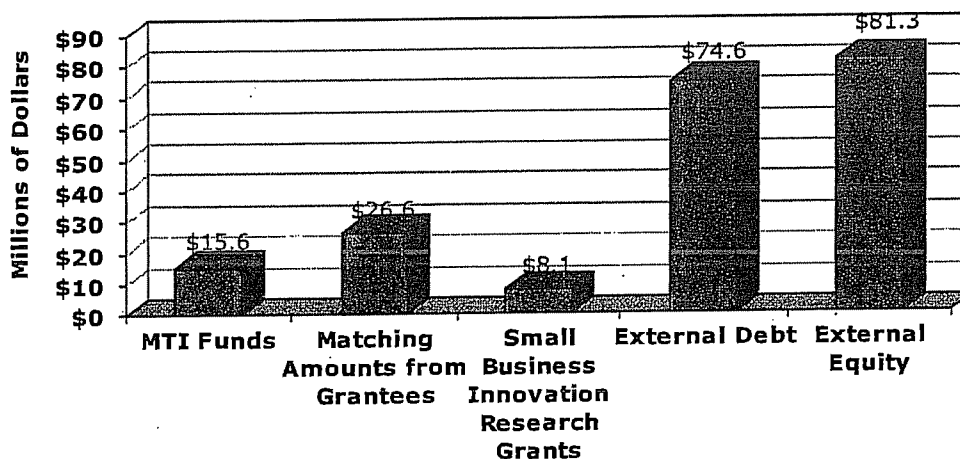
- 💡 Jobs grew by 6.2% annually, compared with approx. 1% growth in the Maine economy between 2001 and 2006
- 💡 Wages were 20% higher than the average Maine wage

MTI-funded companies:

- 💡 Buy materials (32%) and services (43%) from other Maine companies
- 💡 Secured over \$155 million in debt and equity funding
- 💡 Equaled or exceeded \$100 million in revenues by 2006
- 💡 Secured intellectual property protection (63%)
- 💡 Say that MTI assistance was important to their commercial success

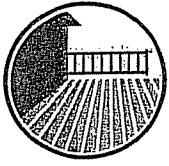
\$1 in MTI funding leveraged \$12 in additional private and public financing growing Maine's innovation economy

Funds for R&D and Production



Center for Business and Economic Research

A Joint Center of the School of Business and the Muskie School of Public Service



CORRECT

BUILDING PRODUCTS LLC®

Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

March 9, 2007

Dear Committee Member:

We wouldn't be here without the Maine Technology Institute! Thanks for funding it in the first place, and thanks for considering it again now. When we started our composite decking company in 1999, we projected a turn to profitability in 13 months. By June 2000, it was clear we weren't going to make that turn as quick as we thought. The equipment showed up late, and all the other challenges that plague startup businesses (couldn't get trade credit for raw material, had product - but no marketing, costs were higher than budgeted, etc) happened at once. That MTI grant saved us - and, lent us much-needed credibility with our creditors and customers. Since then we have sold and exported from the state more than 100 million of feet of our CorrectDeck composite decking and paid millions in payroll taxes, with our 65 employees and 24/7 operation. We've made the Inc 500 twice - only 0.1% of startups even make it once - and are one of the state's larger recyclers. We outsource work locally (making fasteners for our hidden fastener system) that keeps more than 40 people employed at Creative Work Systems, and have local vendors whose billings with us exceed more than \$400,000 - so we're helping grow those businesses too.

I like the model that the MTI uses, the RFP for larger projects and the steady, published schedule for smaller ones, with relatively stringent guidelines and frequent business consultation followup to verify that milestones are being achieved before releasing the next stage of payment. It holds the business managers to their projections and can lead to problem-solving discussions. Almost no project goes according to plan, so it lets the course be flexible as long as the goal is achieved, and the MTI business counselors are knowledgeable and helpful. So you get more than just financial support.

Please feel free to contact me (mgrohman@correctbp.com) with comments or questions about the MTI or our business. Thank you for your generous support. Our goal is to continue helping put Maine's composite business on the map!

Sincerely yours,

Martin Grohman
President



Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

March 9, 2007

Dear Committee Member:

I am writing this letter in support of the Maine Technology Institute (MTI) and its funding and assistance programs. MTI funding has played a critical role in helping Tex Tech Industries introduce new products to the market and remain competitive. As the State's only source of financial support for private industry research and development, MTI is a critical resource for tech based entrepreneurs and companies like ours.

Tex Tech industries has relied greatly on the support of MTI in funding small projects for the purpose of fundamental R&D that might otherwise not be funded due to inherent risk typical of the fundamental design step of product development.

Because Tex Tech Industries is working to develop new products from fundamental material science we are inherently advancing the state of the art for our industry. Tex Tech has developed 5 newly patented technologies based on R&D that was funded initially or in part by MTI funding.

MTI has made a significant difference in the development of new products that have resulted in long-term contracts, which have sustained and grown the business in the State of Maine.

A handwritten signature in dark ink, appearing to read "D. Erb Jr.", is written over a horizontal line.

David F. Erb Jr.
Director, R&D and New Product Development

The AEW Center

A research & development laboratory

specializing in:

- Adhesives
- Building Code Reports
- Composite Materials
- Embedded Sensors
- Engineering Services
- Materials Testing
- Product Development
- Structural Testing
- Wood Products & Materials



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MAINE

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Fax: 207-581-2074
www.aewc.umaine.edu

March 9, 2007

Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

Dear Committee Member,

I am writing in support of the Maine Technology Institute (MTI) and how its funding and assistance programs have benefited Maine industry and clusters. I am currently Manager of Technical Services at the AEW Center (www.aewc.umaine.edu), a 48,000 ft² integrated composites laboratory at the University of Maine dedicated to research, development and economic growth in Maine.

In early 2003, I submitted a Cluster Enhancement proposal to MTI titled: **"Increasing the AEW Center Industrial Outreach and Technical Service to Maine Boatbuilding and Composites Companies."** which was accepted and ultimately funded. The overall objective of my proposal was to address what was -at the time - an apparent lack of innovation activity within the Composite Materials Technology (CMT) sector. My method for accomplishing this was to increase the industrial service testing the AEW Center performed for CMT companies in Maine. In doing this, it was my hope that the AEW would achieve closer relationships with Maine composites industry members, resulting in partnerships that would leverage the AEW Center's technical capabilities with the innovators in Maine's composites industry to expand their presence in existing markets, find new markets, and figure out how to compete in them.

Following are some of the "highlight" returns on MTI's investment:

1) ***The partnership between AEW and Hodgdon Yachts to develop the Mk V.1 composite boat for Navy SEALs.*** This partnership has raised \$14 million in external funding to develop and test this technology, and has established a spin-off company called Maine Marine Manufacturing, which will compete for the next boat contract at SOCOM. Further, this project is reestablishing Maine boatbuilders as suppliers of high-quality military craft. Since the start of the Mk V.1 program, two other Maine boatbuilders have started to develop high-speed composite boats for the U.S. military.

2) ***The partnership between AEW and Harbor Technologies to develop and refine composite piers, piles, and other composite products for waterfront infrastructure.*** This partnership culminated in the construction of a composite pier for the U.S. Coast Guard in Jonesport, Maine, demonstrating the applicability and durability of composite materials in harsh marine environments.

3) ***The delivery of testing, technical services, R&D services, and proposal assistance for more than 40 Maine companies*** both within and supporting Maine's boatbuilding and composites industries, including Hodgdon Yachts, Harbor Technologies, TexTech Industries, the Kenway Corp., Custom Composite Technologies, Seaway, York Marine, Wilbur Yachts, Correct Building Products, Hinckley, Maine Secure Composites, Maine Timber Works, Old Town Canoe, Saunders Brothers, and many others.

4) ***A rejuvenated Maine Composites Alliance.*** Prior to the Cluster Award, MCA was in a period of near hibernation. Over the past four years, we have developed a strategic growth plan for MCA, which includes



An ISO 17025 Certified
Testing Laboratory
Accredited by
International Accreditation Service

MAINE'S LAND GRANT AND SEA GRANT UNIVERSITY
A Member of the University of Maine System

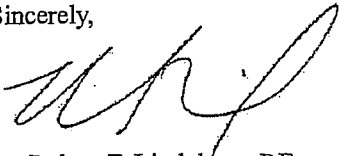
a planned joint venture/merger with the state-funded Composites Technology Centers (business incubators) in Sanford and Greenville. Within the next month, MCA will be applying for a follow-up Cluster Enhancement Award to significantly expand this growth plan, and strengthen the CMT industry cluster.

5) *Finally, the work that was funded under my CEA was a critical factor in the development of a successful WIRED proposal.* The projects with companies like Hodgdon and Harbor Technologies had significantly raised the activity level of the CMT sector, to the point that it was recognized by Governor Baldacci as a cluster with enough potential to put forth a strong proposal to WIRED. In addition, these University/Industry collaborative successes formed the basis for the public/private collaboration that is the North Star Alliance Initiative (NSAI). There were obviously other factors that contributed to our success, but the R&D and Innovation components of the proposal (which drew directly from the MTI-funded work) were clearly a compelling element to the grant reviewers. In short, *the MTI Cluster Enhancement Award was a key factor in creating the critical mass that enabled the composites industry to respond so strongly to the WIRED solicitation, just like WIRED and the NSAI will be a key factor in creating the critical mass to significantly expand and grow the industry.*

In summary, MTI and the Cluster Enhancement Program were absolutely critical in helping the AEWC Center to grow our relationship with the composites and boatbuilding industry in Maine. Without MTI, we would not have been able to achieve the public-private collaborations that have expanded our industry into new ground, and we would not have been able to compete for WIRED.

Thank you for this opportunity to speak in strong support of the Maine Technology Institute and their Cluster Enhancement Award program. If I can be of any further assistance, please do not hesitate to call me at (207) 581-1465, or email me at rlindy@maine.edu.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Lindyberg', written over a horizontal line.

Dr. Robert F. Lindyberg, P.E.
Manager of Technical Services

The Law School of the University of Maine System
Fax (207) 874-6522

An Administrative Unit of the University of Southern Maine
TTY (207) 780-5646

March 7, 2007

Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

Dear Members of the Committee:

I write to urge ongoing and additional support for the Maine Technology Institute, unquestionably Maine's most prominent and successful organization assisting the innovation community. The Center for Law & Innovation at the University of Maine School of Law runs the Maine Patent Program, another successful and important state-funded service organization serving Maine's innovation economy and working closely in collaboration with MTI. Nearly one-third of the Maine Patent Program's clients receive MTI awards and MTI refers applicants seeking intellectual property advice to the Maine Patent Program for assistance.

In 2005, the Center received a Cluster Enhancement Award from MTI. The award has made a tremendous difference in making key services available for economic development in Maine and in changing the culture of the state's research community toward embracing entrepreneurship and innovation.

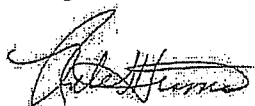
A few years ago, the Center conducted a study of the state's universities, colleges and non-profit research laboratories to determine to what extent their research faculty were developing new patentable innovations and licensing technology to industry, and what level of staff support each institution was devoting to such activity. Not surprisingly, very few institutions supported technology transfer infrastructure and very few science research faculty were engaged in seeking entrepreneurial opportunities. For most institutions, it made no economic sense to retain even part-time technology transfer staff because there was little or no activity from faculty to justify their presence. The culture against working with industry was also quite strong.

The Center began a deliberate program of developing the capacity to provide innovation disclosure/evaluation and technology licensing services for the state's universities and non-profit laboratories. Our study revealed that the most significant clusters of research statewide were in biotechnology and marine science. Accordingly, we submitted a proposal to MTI for funding to hold a workshop for faculty and administrators on knowledge transfer practices and skills, and to hire a life sciences technology transfer expert (Todd Keiller) to travel to all the participating institutions educating them on innovation practices and assisting them with disclosures and licensing opportunities.

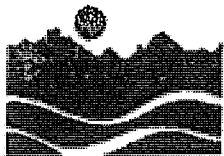
The program has been highly successful. UNE, USM, and the Foundation for Blood Research have each had disclosures and licensing opportunities they would not likely have pursued without this assistance. The University of Maine and The Jackson Laboratory have called upon Keiller to help their in-house technology transfer staff make key connections to licensing partners and develop plans for new Maine-based start-ups. All of those institutions, and in addition the Mt Desert Island Biological Laboratory, have agreed to finance Keiller's ongoing relationship with the Center so they can continue to call upon him for services in the coming years.

We could not be more pleased with MTI's vision and responsiveness. The Cluster Enhancement Award process is swift, efficient, fair and targeted. I'd be happy to answer any additional questions you may have.

Best regards,



Rita Heimes
Director, Center for Law and Innovation



ENVIRONMENTAL & ENERGY TECHNOLOGY COUNCIL OF M · A · I · N · E

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March 8, 2007

To Members of the Appropriations Committee:

Thank you for this opportunity to discuss how support from the Maine Technology Institute (MTI) has helped the environmental & energy technology cluster grow and be more competitive.

In a nutshell, use of MTI's funds by the Environmental & Energy Technology Council of Maine (E2 Tech Council) has helped catalyze the sector. This sector is experiencing healthy growth and is now viewed as integral to Maine's economy and technology development.

I have documented examples later in this letter, but first I must emphasize the importance of these accomplishments. Just five years ago, the Maine Science and Technology Foundation (MSTF) published a widely-read policy analysis that identified the environmental and energy technology cluster as having *the weakest cluster characteristics* among the State of Maine's seven targeted technology areas.

The E2 Tech Council initially sought MTI funding to take action on the major issues identified in the MSTF report and create infrastructure to support the sector.

Fundamentally, the sector needed a systematic means for linkage, collaboration, and networking as well as a central clearinghouse for industry information. E2 Tech used initial MTI support of approximately \$15,000 as start-up funds that facilitated the creation of a 501(c)(3) corporation, the recruitment of a board of directors representative of the sector, the identification of companies and organizations within the sector, and the initiation of a series of informational and educational programs.

E2 used a second award of approximately \$61,000 to develop a paying membership and expand programming with special workshops. Two examples included how to accelerate clean energy business opportunities with the National Renewable Energy Laboratory and how to take advantage of economic opportunities resulting from climate change initiatives in the European Union.

Founding Partners

Acadia Environmental Technology
Bernstein Shur Sawyer & Nelson
Center for Environmental Enterprise
Chewonki Foundation
Katahdin Analytical Services

ME Dept. of Environmental Protection
Maine State Chamber of Commerce
Maine Technology Institute
Manufacturing Extension Partnership
Preti Flaherty Beliveau & Pachios
Mactec Engineering & Consulting

Sevee & Maher Engineers
University of Maine
Urquhart & Spritz
Water Energy Distributors, Inc.
Wright-Pierce

Specific industry and business-to-business growth opportunities that resulted from E2 Tech's activities have included:

- ✓ **The creation of Maine's biofuel subcluster:** This includes the pilot plant project developed by the Chewonki Foundation of Wiscasset, the feasibility analysis of commercial biofuel production by Wright Pierce of Topsham, the Biodiesel for Maine market information project (partnership of Chewonki and the Maine Energy Investment Corp. of Brunswick) and the first retailing of biodiesel in Maine by Frontier Energy of South China. In each instance, E2 Tech provided principals with introductions to business partners, grant writers and project consultants, or connections on how to utilize the research and development capacity of the University system.
- ✓ **The creation of Maine's hydrogen energy subcluster:** E2 Tech partnered with the Chewonki Foundation, the Fractionation Development Center of Rumford, the Hydrogen Energy Center of Portland and Acadia Environmental Technology of Portland to convene a public workshop on "Building Supply and Demand for Hydrogen in Northern New England." The workshop included major players involved in hydrogen energy activities in the region and provided the first public identification of private sector investment by Maine companies in this technology.
- ✓ **Advancement of the solar energy subcluster:** The only company manufacturing solar energy equipment in Maine, Ascendant Energy of Rockland, created its management team and advanced its technology through relationships formed through E2 Tech. MTI has provided Ascendant with both Seed Grant and Development Award financing (the latter totaling \$324,000) toward commercialization of the company's patented rooftop co-generator system. In addition, the Maine Energy Investment Corp. (MEIC) of Brunswick, has utilized the E2 network to document increased company formation by firms providing solar equipment, installation and consulting services, and to develop a web-based calculator tool that allows commercial business owners to better understand the economics of installing solar energy for either electrical or hot water needs.
- ✓ **Increased understanding of Maine's tidal power potential:** While MTI provided separate cluster funding to The Electric Power Research Institute (EPRI) to help fund EPRI's tidal power feasibility project, many of the project partners and advisors had organized originally through the E2 network, such as Jim Atwell of Sevee & Maher Engineers in Cumberland and Andre Casavant of Devine Tarbell & Associates of Portland.
- ✓ **Improved opportunities for start-up companies:** As a result of its partnership with the E2 Tech Council, the Maine Center for Enterprise Development, Maine's oldest incubator for start-up technology companies, has witnessed strong growth in the number of new companies creating clean energy and environmental technology products. The MCED, formerly known as the Center for Environmental Enterprise, now has the largest clean energy and environmental products clientele in Northern New England. In 2006, the MCED forged an economic development partnership with the University of Southern Maine resulting in the relocation of the incubator program to USM's Portland campus.
- ✓ **Development of new professional and scientific expertise:** Because of investments in renewable energy, engineering and science consulting firms, law practices and other service companies have been able to create new areas of practice. Many firms are learning of these opportunities through their membership in E2 Tech. For the engineering and science firms, the opportunities are reminiscent of an industry transition in the 1970s when consulting firms, which historically had focused on traditional infrastructure projects, soon became recognized for their expertise in waste water treatment, clean water issues and air quality.
- ✓ **Expansion of the environmental and energy sector into other areas of the Maine economy:** There is increased participation in industry activities by environmental, facilities or transportation managers at manufacturing and other types of companies that are incorporating sustainable practices, using renewables, increasing recycling etc. For example, LL Bean is represented on the E2 Board of Directors and companies such as Fairchild Semiconductor and Dragon Cement regularly participate in E2 activities.

E2's most recent Cluster Enhancement Award of approximately \$57,000 has been used to: a) document the economic impact of Maine's environmental & energy technology industry, b) invest in a dynamic web site portal, c) increase development of membership and d) expand the sector. E2 will be publishing a business development document for use by economic development agencies such as the Department of Economic and Community Development, the Maine International Trade Center, Maine & Co. and the Maine State Chamber of Commerce.

According to the economic information compiled for E2 by Professor Todd Gabe of the University of Maine Department of Resource Economics and Policy, the E2 sector is a source of good jobs, innovation and technology development. Furthermore, the industry exhibits strong cluster characteristics, which is a strong measure of progress since the 2002 MSTF study.

According to UMaine's report, the environmental and energy technology sector is characterized by the following:

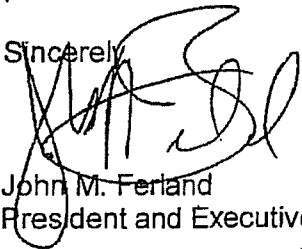
- ✓ 688 businesses and organizations
- ✓ 2006 sales of \$574.1 million
- ✓ 2006 jobs of 5,269
- ✓ 2006 salaries of \$222.8 million (Avg. wage \$45K)
- ✓ Over one quarter of the firms experienced a revenue increase greater than 10% in the last year while 44% expect to see revenue increases greater than 10% in the next 12 months.
- ✓ 47% anticipate launching a new service in the next three years.
- ✓ 24% anticipate launching a new product in the next three years
- ✓ More than 60% are engaged in cooperative activity with another Maine entity: this includes joint ventures, joint purchases, marketing efforts and R&D efforts to develop new products.

Furthermore, we also know from a recent evaluation of MTI's programs that R&D and commercialization in the environmental and energy sector is increasing.

Nearly 30% of Maine's academic R&D was performed in the Environmental Sciences, a much higher share than for the rest of US. (Both New England and national figures are under 9%). For Maine, that represented \$22.5 million of research in the environmental sector. Since 2000, MTI has invested \$3.3 million in environmental and energy technology projects, leveraging an additional \$5 million in matching funds.

As you can see, the environmental and energy technology sector is now a force in Maine and much of the impact can be attributed to MTI's support. We appreciate this opportunity to share this information with you about our sector's history, performance and potential. Please contact me if I can answer any questions or provide additional information.

Sincerely,



John M. Ferland
President and Executive Director

SENATE

O.F.P.R.

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ELIZABETH M. SCHUBERT, DISTRICT 30
JONATHAN T. E. COURTNEY, DISTRICT 3

NATALIE L. HAYNES, LEGISLATIVE ANALYST
RHONDA MILLER, COMMITTEE CLERK



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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

MEMORANDUM

TO: Senator Margaret Rotundo, Senate Chair
Representative Jeremy R. Fischer, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Lynn Bromley, Senate Chair
Representative Nancy Smith, House Chair
Joint Standing Committee on Business, Research & Economic Development

DATE: March 13, 2007

SUBJ: Recommendations on the Governor's Budget Bill for the 2008-2009 Biennium
(LD No. 499)

The Joint Standing Committee on Business, Research & Economic Development has worked diligently to review the funding levels in the Governor's proposed budget for the 2008-2009 biennium (LD No. 499). The committee shares a strong commitment to the goal of advancing Maine's economy forward by building on our success in R&D and innovation and advancing Maine's transition into a globally-competitive innovation economy. The committee is also charged with providing strong vision and leadership to meet these goals in an environment that has many competing budget priorities and significant budgetary constraints.

Accordingly, the committee has worked together in a bipartisan manner and voted unanimously (12-0) to fulfill the requirement from the committee on Appropriations and Financial Affairs to work within the confines of the proposed budget and provide specific initiatives to fill the gap for any recommendation that would require an increase in General Fund spending or resources, as shown in the attached worksheet. The committee's recommendations support the budget as proposed with **3 modifications** in the Department of Economic and Development's proposed budget. In addition, the committee will also provide shortly their

priority list for *optimal* funding (outside of current budgetary constraints) for economic development initiatives that are essential to stimulate Maine's economy and allow us to keep pace with other states and the rest of the world.

It should also be noted that despite budget shortfalls, the committee unanimously supports protecting the restoration of the Home Fund and the Tourism fund, as they are both very important tools for economic development. The committee hopes that these funds will remain protected as the budget process moves forward and would not support the diversion of these funds for any other purpose.

1. Modifications to the Governor's Proposed Budget for Economic Development

The committee unanimously supports the Governor's proposed budget with 3 **modifications**. These modifications are based on at least **\$80,000 in annual savings** that the Commissioner of the Department of Economic and Community Development has identified that will be realized as a result of the proposed merger with the Department of Professional and Financial Regulation, and the committee anticipates further savings will also be realized from as the plans move forward. The modifications are also based on a **reduction** in funding for the Applied Technology Development Centers in the amount of **\$55,000** in FY08 and **\$55,000** FY09 of the biennium and a **reduction** in funding to the Loring Development Authority in the amount of **\$52,850** in FY08 and **\$52,850** FY09.

First, provide an increase in the General Fund appropriation **above** the current request for \$139,650 for the *Maine Procurement Technical Assistance Center at EMDC* in the amount of **\$32,850** for FY08 and **\$32,850** in FY09 to fully utilize and maximize the federal match that is currently available.

Second, increase the General Fund appropriation to the *Maine International Trade Center* (International Commerce) **above** the current request for \$650,196 in FY08 and \$657,526 in FY09 in the amount of **\$55,000** in FY08 and **\$55,000** FY09. This increase in funding for the *Maine International Trade Center* should be appropriated from a reduction in funding for the *Applied Technology Development Centers* in the amount of **\$55,000** in FY08 and **\$55,000** FY09. It should be noted that the committee only supports a small reduction in funding to the Applied Technology Development Centers in order to meet the critical need at the Maine International Trade Center to ensure that the Canada and China desk remain open, and would not support diverting these funds to any other program.

Third, increase the General Fund appropriation to the *Small Business Development Commission* above the current request for \$720,985 in FY08 and \$720,985 in FY09 to address its funding gap by using some of the *merger savings* in the amount of an additional **\$47,150** in FY08 and **\$47,150** in FY09. Also, increase in the General Fund appropriation in the amount of **\$52,850** in FY08 and **\$52,850** in FY09 from a reduction in funds from the *Loring Development Authority*.

2. Part H: Language Regarding the Merger of the Department of Economic Development and Department of Professional and Financial Regulation

The committee is unanimous in its support of the merger of the Department of Economic Development and Department of Professional and Financial Regulation specifically as presented in **Part H** of the Governor's Budget Bill for the 2008-2009 Biennium (LD No. 499). The committee believes that significant additional cost savings can be achieved through this merger by reducing administrative overhead, reducing administrative costs and duplication of services and capturing synergies and streamlining both organizations. The committee feels strongly that firewalls must be established and maintained to ensure that consumers are protected, any potential conflicts are identified and resolved, and that businesses and license holders regulated within the Department of Professional and Financial Regulation benefit from improved efficiency in the delivery of services through appropriate fee schedules.

The committee also emphasizes that the language in Part H Section H-2, which requires proposed legislation to implement the plan to merge into a single Department to be submitted to the Second Regular Session of the 123rd Legislature, is critical to its support for the merger.

However, since the committee is basing its decision on minimal information, it requests the following: (1) at least one progress report prior to the end of the First Regular Session of the 123rd Legislature; and (2) when the report is presented, the findings show that firewalls necessary to protect consumers will be satisfactory and effective, as well as the projected cost savings will be realized.

3. Funding Gap for the Small Business Development Commission

The committee regrets it was only able to fund \$100,00 of the \$600,000 biennial gap for the Small Business Development Commission during this biennium. The Small Business Development Commission is a very valuable asset to the State's economic development portfolio and a highly effective program.

4. Cost Savings from the Merger

The committee unanimously supports and proposes to draft a cascade to capture any additional savings from the merger of the two departments that are above the \$80,000 anticipated in the first fiscal year of the biennium. The cascade would direct the Department of Economic and Community Development to direct additional cost savings to program initiatives that will most effectively promote economic development, with first priority given to the Small Business Development Centers and the Maine Technology Institute.

5. Improving Efficiency through the LEAN Process

The committee would like to recognize the efforts of the Finance Authority of Maine in their use of the LEAN process improvement facilitated through the Maine Manufacturing Extension Partnership to find ways to improve efficiency while maintaining the same quality of services and urges other agencies and departments to do the same.

6. Consolidation of Marketing Efforts Statewide

The committee also supports the consolidation of all marketing efforts by state agencies that are made statewide that receive state funds. Coordinating the marketing of the *Maine* brand into a single, cohesive statewide strategy could provide a much greater impact and would be a more effective use of state funds. The committee recommends that the Commissioner of the Department of Economic and Community Development convene a working group with the appropriate stakeholders to develop a proposal for coordinating the marketing of the Maine brand, with a focus on establishing a model for a collaborative process to more effectively utilize state funds for marketing Maine products, services and resources.

7. Farms for the Future

The committee is very focused on empowering existing, proven economic development programs and although Farms for the Future is not under the BRED committee's jurisdiction, the committee acknowledges its value within Maine's economic development strategy. The committee is unable to locate specific funding for Farms for the Future and urges the committee on Appropriations and Financial Affairs to seek the necessary funding to restore the Farms for the Future program. Maine agriculture is a significant statewide economic sector and we acknowledge that this program is an established, effective economic development tool worthy of continued investment.

8. Women Work & Community

The committee also notes that it recently received the Labor Committee's report recommending a shift of \$81,000 from the Governor's Training Initiative to Women, Work and Community, including \$41,000 of funding above the current levels. As outlined in the OPEGA report, economic development programs are scattered without a single, coordinating and supervising department of oversight. Despite its importance and value as a successful economic development program, the committee has no jurisdiction over this program. The committee fully intends to take up this challenge during this legislative session.

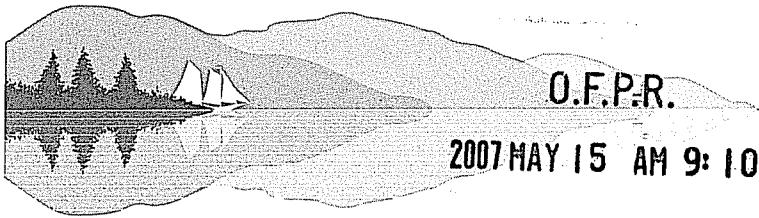
9. Priority List for Optimal Funding of Economic Development

Although the committee appreciates that the State is working with limited resources, the committee feels strongly that it must provide its vision for optimal funding of economic development initiatives that are **essential** to stimulate Maine's economy and allow us to keep pace with other states and the rest of the world. The committee has had the benefit of reviewing and discussing a long list of reports and studies in the area of R&D and economic development, including, among others, the Maine Comprehensive Research and Development Evaluation, the Maine Innovation Index, the Brookings Report, and the report from the Joint Select Committee on Research, Economic Development and the Innovation Economy. Based on these findings, the committee intends to provide the committee on Appropriations and Financial Affairs with a

list with optimal funding levels for several economic development initiatives, above those provided in the proposed budget, that are critical for Maine to keep pace with the rest of the nation and to allow Maine to achieve sustainable economic growth.

Thank you for the opportunity to comment on the Governor's Budget Bill for the 2008-2009 Biennium. If you have any questions in connection with these recommendations, please contact us.

cc: Members, Joint Standing Committee on Business, Research & Economic Development



CAMDEN
ROCKPORT • LINCOLNVILLE
"Where the Mountains Meet the Sea"
Chamber of Commerce

Committee on Appropriations and Financial Affairs
5 State House Station
Augusta, ME 04333-0005

May 14, 2007

Dear Legislators,

As an organization that represents small businesses in Maine's largest and most lucrative industry, I write to you with concern about actions currently being considered by the Joint Standing Committee on Appropriations and Financial Affairs in the Maine Legislature.

One of the primary funding sources for the Maine Office of Tourism is an annual allotment provided by five percent of the seven percent meals and lodging tax assessed by the State of Maine. In 2002, the legislature voted to take 5% of the 7% lodging tax and use it for tourism promotion.

During the first biennium, this amounted to \$7.5 million dollars. These dedicated funds – which would have totaled between \$7.8 and \$8.1 million - were flat funded at \$7.5 the next biennium. This funding was part of the Governor's budget and came with the caveat of a one time event.

Since no legislature is bound by the actions of its predecessors, the Appropriations Committee is once again considering the extraction of funds from MOT's meager appropriation.

With a budget of \$12.5 million, Maine currently ranks 33rd in average tourism budget. To put it more bluntly; when it comes to funding its own tourism efforts, *Vacationland* ranks in the bottom third. A business that fails to adequately promote its primary commodity courts disaster.

According to Longwoods International and the State Planning Office, tourism promotion and advertising returns tax revenue at a minimum level of 11 to 1. Given this, any reduction in funds has a far greater impact, statewide, than the amount withheld from MOT. Clearly these numbers indicate funding the Maine Office of Tourism is an investment that consistently pays dividends the Maine tourism industry, the Maine economy, and the State of Maine.

We ask you today to oppose any reduction in the lodging tax dedication to the Maine Office of Tourism. Maintaining, and enhancing, this disbursement is a solid investment in Maine businesses, Maine communities, and the State of Maine.

Thank you for your work on behalf of the residents of the state of Maine. We appreciate your efforts and understand the difficult decisions you are faced with.

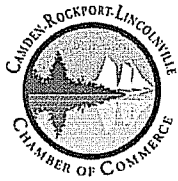
Respectfully,

Claire Adams

Executive Director

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Camden-Rockport-Lincolntonville Chamber of Commerce
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Position Paper

Support and Maintain Funding Levels for the Office of Tourism

The Issue

The Appropriations and Financial Affairs Committee in the Maine Legislature is considering funding cuts from the Maine Office of Tourism's budget.

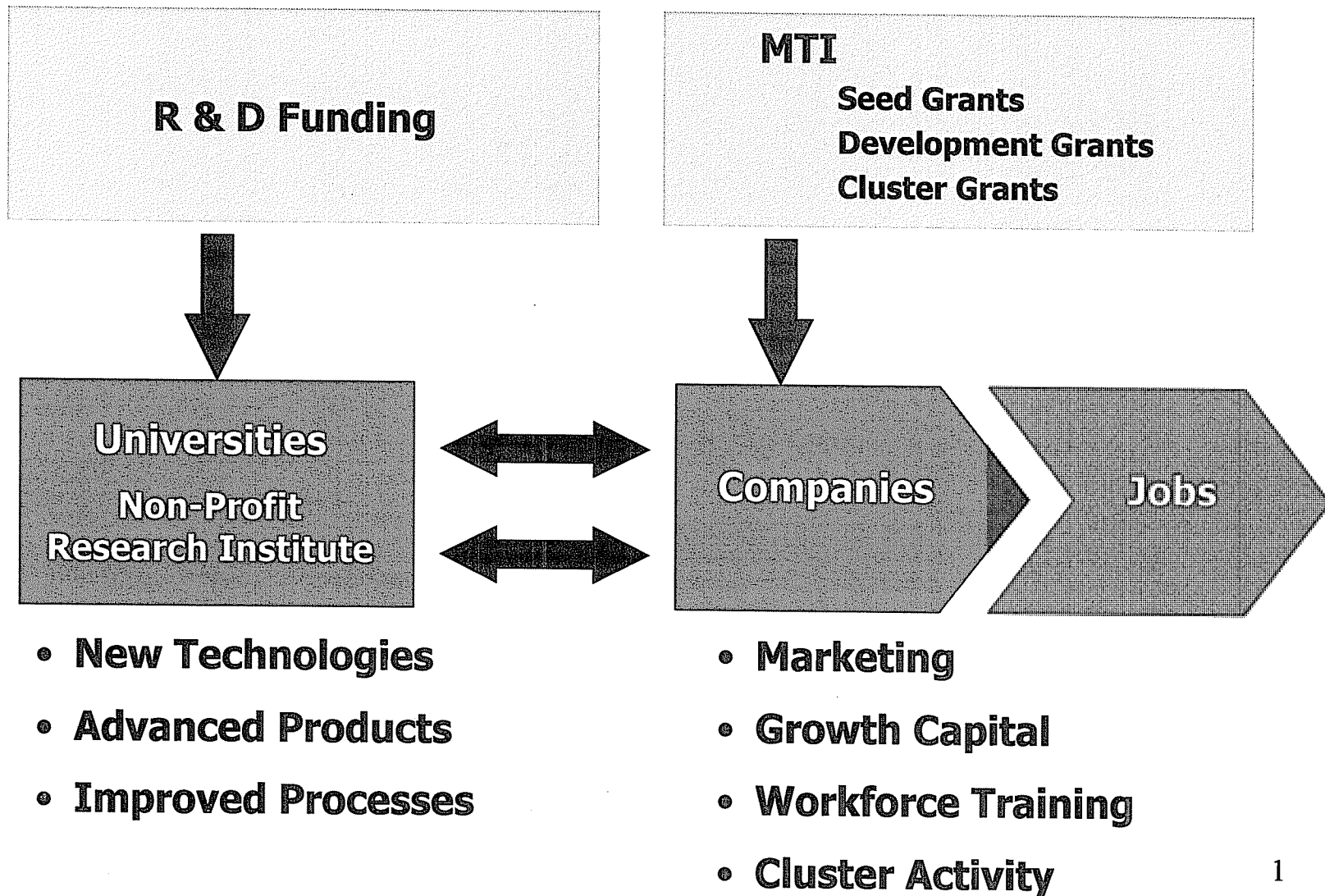
Position

The Camden-Rockport-Lincolntonville Chamber of Commerce supports maintaining the primary funding for the Maine Office of Tourism's an annual allotment provided by five percent of the seven percent meals and lodging tax assessed by the State of Maine.

Rationale

- During the first biennium, this amounted to \$7.5 million dollars. These dedicated funds – which would have totaled between \$7.8 and \$8.1 million - were flat funded at \$7.5 the next biennium. This funding was part of the Governor's budget and came with the caveat of a one-time event.
- Since no legislature is bound by the actions of its predecessors, the Appropriations Committee is once again considering the extraction of funds from MOT's scanty appropriation.
- With a budget of \$12.5 million, Maine currently ranks 33rd in average tourism budget. To put it more bluntly; when it comes to funding its own tourism efforts, *Vacationland* ranks in the bottom third. A business that fails to adequately promote its primary commodity courts disaster.
- According to Longwoods International and the State Planning Office, tourism promotion and advertising returns tax revenue at a minimum level of 11 to 1. Given this, any reduction in funds has a far greater impact, statewide, than the amount withheld from MOT. Clearly these numbers indicate funding the Maine Office of Tourism is an investment that consistently pays dividends the Maine tourism industry, the Maine economy, and the State of Maine.
- Maintaining, and enhancing, the funding disbursement is a solid investment in Maine businesses, Maine communities, and the State of Maine.

Maine's Job Creation Plan



BREO Committee

The R&D Bond and the Cluster Fund have different purposes:

R&D Bond funds scientific activity at Universities and research institutions. Cluster funds help companies in our most promising sectors in Maine grow and create jobs. The Cluster Funds, although smaller are the more active driver of near term jobs. They work in both high tech and traditional old economy industries. They help companies take the R&D and turn it into world class products that will compete globally.

Brookings recommended these two Funds because they are the two essential pieces of a job creation plan. One does not replace the other—they work in concert. You need both.

Non-technology areas will not be covered by the R&D Bond:

Examples:

Specialty Food

Eco tourism (North Woods)

Disability insurance

Creative Economy-Arts/music

Other Finance and Banking

Companies need investment to turn the R&D into jobs:

Examples of activities to be funded and/ or matched by Cluster Fund:

Cluster organization and planning (eg. Current MTI cluster grants)

Expansion capital to growing companies (eg. current MTI development grants)

Seed capital to emerging companies (e.g. current MTI seed grants; SEGF)

Joint marketing

Export activity

Work force training

Community College curriculum and programs

Activities to be funded by the R&D Bond:

Research and development primarily at the University or research non profit

scope of program
+ return on investment



To: Senator Rotundo, Representative Fisher, Senator Bromley, Representative Smith and Members of both Committees

From: Maggie Drummond, Policy Director for GrowSmart Maine

March 9, 2007

GrowSmart Maine is a statewide non profit citizens' organization which promotes sustainable prosperity and quality places in Maine. As you know, we commissioned the recent Brookings Institution report, 'Charting Maine's Future,' which was released in October of last year.

As many of you may know, 'Charting Maine's Future' is actually based upon and supported by 8 background reports, commissioned by Brookings with various in-state and out-of-state researchers and economists. Two of those reports about the Maine economy and economic development were done by Laurie Lachance at the Maine Development Foundation and by Charlie Colgan at the University of Southern Maine. I have provided these reports, if you haven't seen them, with my testimony today.

[Note: As I told the Taxation Committee recently, GrowSmart Maine's mission has really been evolving with this partnership with Brookings- used to be land-use, and now it's a more broad definition of sustainable prosperity, with a focus on not wrecking the place we love. So, just as we're not tax people- we're not necessarily economic development people, but we're doing our best to get up to speed and we'll provide any information you need from our resident experts at Brookings and from the background reports.]

The report's major conclusion is that Maine is poised to grow, if we can adapt, make some tough decisions and work together in new ways. Sustainable prosperity is within our reach, but it is not guaranteed. The Brookings report asserts that we must streamline and in some cases restructure government in order to free up resources, which can then be used to make critical economic investments and lower taxes.

That government streamlining, as the report points out, should focus on administrative reductions at the state and K-12 level, and increasing regional cooperation at the local level. Savings from those administrative reductions should then be used to support ongoing investments in Maine's quality places - which are

we have →
proposed

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experts!

our brand and our competitive advantage –and in fostering greater innovation in the economy.

The Education Committee is deeply engaged in the work of designing a plan to streamline K-12 administration, just as many of you in this room are grappling with changes in state government reflected in the budget before you. These are not easy decisions, and we commend you for the work you're doing.

[Note: In short, the report presents, in simplest terms, a cut to invest strategy- and the cluster development funds in the budget and the proposals to sustain and increase R&D spending are critical components of the investment strategy.]

This is truly a moment of opportunity for Maine, and we're excited about the Innovation and Cluster Development proposals currently in the Governor's budget, and the additional recommendations from the Council on Jobs, Innovation and the Economy. We believe the State, and this Committee, will need to make some tough decisions in the course of the next few months, and we are looking forward to working with you and the 123rd Legislature to move Maine forward.

First, GrowSmart Maine is very supportive of the initial steps the Governor has taken in the budget to support industry clusters and innovation. However, we fully endorse the Council's recommendation, which is an increase from \$8 million to \$20 million over the biennium.

Many of you may have read the report, but I will pick out some key points made by Brookings that are important to the innovation and cluster development proposals you will hear today:

[Take Away Message: Maine's economy is diversifying and evolving. Our traditional manufacturing base, though smaller, is more diverse, highly skilled and productive than ever. There are some emerging clusters developing, but many of them are small and dominated by 1 or 2 firms or companies. Basically, we need to embrace change and recognize that the state's next economy is unlikely to resemble it's old one- we are building a new economy based on the growth of thousands of small, innovative Maine enterprises that are entirely new and that are growing out of our traditional manufacturing and natural resource sectors. Farming, fishing, forestry, tourism are now complimented by forest bioproducts, marine research and specialty foods- all of which take advantage of our abundant natural resources and quality of this place.]

- I. Helping more small businesses get started, and helping those small firms grow into somewhat larger firms, will be crucial to the success of Maine's economy. Maine is more and more a small business state, and its clusters and core industry sectors are no exception. *[For example, in information technology- more than 2/3rds of Maine's firms have 3 or less employees- and only 1 in 20 has more than 50 employees- it is likely similar in other clusters.]*
Examples:

- a. Firms with less than 500 workers employ more than 3 out of 5 private-sector workers--- one of the highest rates in the nation. Also, these firms with less than 500 employees produced virtually all of the state's job growth in the last decade, and;
- b. Firms with fewer than 20 employees now account for 24% of Maine employment, the 7th highest % in the nation- nationally that average is 18%.

II. Small business formation has slipped in recent years, and our very small firms don't seem to grow as energetically as firms in other states. While we're above average on small business formation, these numbers are sliding.

- a. We were 14th in the nation in 2000 with 7.72 new firms per 1,000 employees- which is quite a bit higher than the 2004 ranking of 21st with 6 new firms per 1,000 workers.
- b. Maine ranks relatively low in the fast-growing ('gazelle') firms that produce large shares of the nation's new jobs- these are businesses that recorded annual sales growth of 20% or more for 4 years. Maine ranks 40th ~~among the 50~~ ^{among all} states in share of all employment in gazelle firms- they contributed just 11.9% of all employment in 2001, compared to:
 - i. 15.4% in MA
 - ii. 14.5% in NH
 - iii. 13.9% in VT
 - iv. 13.8% nationally
 - v. Top in the nation: Washington at 16.5% of the state's employment

III. The ability of Maine workers, firms and industry clusters to innovate will be essential to our success moving forward. Innovation matters because it is the key to productivity, survival and prosperity in every segment of the economy. As Brookings says in 'Charting Maine's Future,' *"Innovation is pervasive, continuous, and mostly small-scale. Innovation is not just the province of a few high-tech industries; it is essential to nearly all Maine businesses- urban or rural, resource-based or knowledge-driven. Nor does innovation occur only once. Instead the global economy requires continuous learning and innovation- the competitive bar is always rising. And Innovation isn't about one or two big research ideas replacing the entire Maine economy. Far from it: Innovation also encompasses the steady stream of small ideas that can boost Maine's productivity, develop new markets, and generate new sources of income and profit for Maine businesses and workers."*

Examples of innovation:

- a. Forest products: retooling sawmills to efficiently produce white pine lumber for the nation's building supply giants.
- b. Agriculture: employing state-of-the-art machinery to produce frozen french fries.
- c. Marine sector: manufacturing high end boats and weather resistant decking from composite materials.

IV. The Cluster Development Fund as recommended by the Council on Jobs, Innovation and the Economy is key to fostering innovation in Maine's future economy. As a state, we have a solid record in recent years of making clusters the organizing principle of our economic development strategy- for example, the Maine Technology Institute and its careful targeting of R&D in promising technology clusters, whether it's information technology or forest products. However, we have small and what Brookings calls "embryonic" clusters that lack a strong or unifying industry association to drive work on shared problems like marketing or work-force training, or joint ventures and partnerships between businesses, higher ed, government and investors. Basically, we have potential that needs to be unleashed. The Cluster Development fund should support collaboratives by:

- a. Assembling, through industry leadership, participation and resources from a wide range of partners- including industry associations, research & education institutions, workforce entities, local or state government, finance and philanthropy.
- b. Supporting job creation by simultaneously addressing workforce development, R&D, market development, infrastructure development and capital.
- c. And prizing initiatives that cross boundaries between industries to forge multidisciplinary innovation.

One last note: One of the findings of the Brookings Report, from Laurie Lachance's work and others', is that Maine tends to spread our economic development dollars in many directions, and to start with good ideas but not follow through with them. This was also supported by the recent report from OPEGA about economic development in Maine. We will support efforts by this committee and others to track the success and impact of the Cluster Development Fund - as well as Maine's other economic development programs moving forward. We are a small state (people-wise), with limited resources, and we need to invest wisely.

- pot.
overlap +
lacking
accountability

← large geographically
We haven't talked about it today, but the Cluster Development Fund accomplishes part of an overall recommendation to boost the innovation economy that also includes a doubling of R&D investments. We would appreciate your support for the Cluster Development Fund as well as the future recommendations of the Council on Jobs, Innovation and the Economy.

Thank you for your time and effort in the budget process and on behalf of Maine people.

• Senator Courtney's concerns -
will provide the Brookings response
for the work session - we felt the
#s were fair, appreciated OPEGA's
concern and will provide the more
detailed response -



JOHN ELIAS BALDACCI

GOVERNOR

STATE OF MAINE
DEPARTMENT OF
ECONOMIC AND COMMUNITY DEVELOPMENT
59 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0059



JOHN RICHARDSON

COMMISSIONER

March 8, 2007

Senator Lynn Bromley
Representative Nancy Smith
Joint Standing Committee on Business, Research, and Economic Development

Senator Bromley and Representative Smith,

In response to your request dated March 7, 2007, the Department of Economic and Community Development has prepared a document outlining DECD's vision for optimal funding of the department's programs.

As you may know, the Governor's budget funds our department at FY 2007 levels with the exception of the Maine Technology Institute's new initiative. The purpose of this memorandum is to outline additional items which would fit within DECD's vision for optimal funding, if budget constraints were not present.

We look forward to continuing to work with you on this budget.

Sincerely,

John Richardson
Commissioner

CC: at the request of Rep. Nancy Smitjh

Members of the Joint Standing Committee on Appropriations
Members of the Joint Standing Committee on Business, Research, and Economic Development



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**DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT
OPTIMAL FUNDING LEVELS REQUIRED TO IMPLEMENT THE MISSION OF THE
DEPARTMENT
(NOT INCLUDED IN FY08-09 BUDGET)**

OFFICE OF BUSINESS DEVELOPMENT (OBD)

Total Request

FY08

\$475,000

FY09

\$450,000

Development of a Client Development Data Base
\$25,000 in FY08

USES:

Funding request for the design, development and implementation of an activity reporting tool (client database) for the Office of Business Development. Request to be matched by funds from the Office of Community Development.

The OBD has an existing Intranet Client Database, which was developed and implemented in 2003. The Office's focus is on job growth and retention and the purpose of a client tracking system is to document the Office's efforts in linking Maine companies to state programs and services that can assist them to be viable, successful and to grow. The system is utilized by field staff personnel, in-house staff, and management.

The Office's current system allows for a moderate level of input, but system capabilities do not allow for customized data retrieval or running of reports. Therefore, the Office has not been able to utilize this tool to communicate to various audiences (legislature, DECD leadership, business community, municipalities, economic development partners, general public, etc.) regarding economic impact and/or activity

Increased funding will be used to:

Design, develop and implement a new client database with the following capabilities –

- 1. Quickly and easily produce quantified summary statements and reports about the division's influences and successes;*
- 2. Grow a body of historic data about OBD's efforts and successes that can be mined as needed to prove the division's long-term impact on Maine's economic health;*
- 3. Create a management tool that can be used to track a.) staff effort and accountability; b.) allocation of efforts to targeted locations or industries; c.) effort vs. impact (region to region);*
- 4. Create time and effort efficiencies for field staff;*
- 5. Realize work efficiencies by reducing duplication of effort in gathering data and producing reports; and,*
- 6. Support the efforts of the Office of Community Development by developing a customized Grants Management System to efficiently manage the grants administered through the Community Development Block Grant Program.*

Without additional funding, the OBD runs a higher risk of continuing to populate a system with limited capabilities from which it cannot extract pertinent data and be accountable to its targeted audiences. In addition, the current system has limited functional capabilities and cannot be built upon without running the risk of data

corruption. Postponing this could result in lost data and the risk of recreating records, which would result in increased costs from the amount requested. Secondly, the Office of Community Development (OCD) currently utilizes two separate grant management systems. Additional funding would allow for one comprehensive customized system, and more efficient means of staff time.

Made In Maine Marketing Program

\$100,000 each year

USES:

This program is an asset to the state and is made up of small businesses and entrepreneurs. It touches all facets of the states economy by marketing Maine's consumer products. These products are derived from many of our natural resources including wood products, agriculture, fisheries and our people. We get calls from around the country because of this program."

Currently, the program is supported through DECD's sponsorship of the New England product trade show, the web site and through DECD's current budget when ever possible. I believe a budget dedicated specifically towards this program will help the program thrive and give it higher recognition.

Maine Microenterprise Program

\$350,000 each year

USES:

The Maine Microenterprise Initiative promotes and supports microenterprise development by providing financial support to community-based organizations that deliver microenterprise programs. Microenterprise programs are designed to improve economic opportunities for self-employed entrepreneurs or "microenterprises" that lack access to business skills training and technical assistance. Additional funding will ensure sustainability for this program, which will be evaluated by a third party in 2007.

OFFICE OF COMMUNITY DEVELOPMENT (OCD)

Total Request

FY08

\$10,025,000

FY09

\$10,000,000

Development of a Client Development Data Base

\$25,000 FY08

USES:

The Office of Community Development (OCD) currently utilizes two separate grant management systems. These funds would design, develop and implement a customized Grants Management System to efficiently manage the grants administered through the Community Development Block Grant Program. This client data base will be developed in conjunction with the Office of Business Development to better coordinate the work of both offices, creating better staff efficiencies and better client service.

Economic Development Infrastructure Grant Fund

\$5,000,000 FY08 \$5,000,000 FY09

USES:

Economic Development Infrastructure program would provide communities with grant funds to match other funds for gap financing to develop or rehabilitate publicly owned infrastructure or facilities that are essential for the location or expansion of business and industry. EDI funds will leverage local, federal and private sector capital to create and retain jobs, generate taxes, and create market place opportunities. Activities would include acquisition, relocation, demolition, clearance, construction, reconstruction, installation, and rehabilitation associated with public infrastructure projects such as water and sewer facilities, flood and drainage improvements, publicly-owned commercial/industrial buildings, parking, streets, curbs, gutters, sidewalks, etc. which are necessary to create or retain jobs in the non-retail private sector. EDI projects must be in support of a specific business.

Municipal Investment Trust Fund (MITF)

\$5,000,000 FY08 \$5,000,000 FY09

USES:

MITF supports key public and private economic development activities, specifically for downtowns. The priority for funding is service centers that bear the highest property tax burden and provide services and jobs to the surrounding communities. Service Centers are also where the greatest investment of public dollars for community and economic development activities is already invested. MITF program supports, uses and expands on those previous public investments. The MITF provides the only funding available for these activities in communities where federal requirements are not attached, and is the only money the state has to support downtowns.

The fund supports several key Administration initiatives:

- 1) Downtowns and service centers
- 2) Smart Growth
- 3) Creative Economy
- 4) Youth attraction/retention

OFFICE OF INNOVATION (OOI)

Total Request

FY08

\$23,422,000

FY09

\$23,422,000

EXISTING PROGRAMS:

Maine Economic Improvement Fund –

\$7.8 million each year

USES:

The MEIF is currently at \$12.2 m per year. The \$7.8 m appropriation would bring this level to \$20m per year. These funds serve as the University system's R&D fund for EPSCoR and other match for federal grants, for faculty recruitment and resources for ongoing research, graduate students and needed equipment. The S&T Plan calls for increasing the number of research faculty; this funding can be part of 'competitive start-up packages' required to support and attract new faculty that will then attract R&D

dollars and train students. Further, the University has tripled its R&D activity, meaning that increasing levels of match support are required for the increasing number of federal awards won. When first created, the legislature's joint select committee recommended the MEIF be at \$20 million per year.

As both UMaine and USM have ramped up their research, funds have become tighter and tighter. Without additional funds, the growth of the system's research will be stunted, and the current momentum - which attracts students, researchers and federal dollars - will be lost. Recommended in S&T Plan and UMaine strategic plan.

Past results: UMaine returns about \$5 for every dollar it receives from MEIF. The UM/USM split for MEIF is 80/20. Report: <http://www.maine.edu/pdf/meif05annualreport.pdf>.

Maine Technology Institute \$4.7 mEach Year

USES:

When first created, the legislature joint select committee recommended that MTI and the business incubator system be ramped up to a funding level of \$10 - \$15 million per year. MTI started out with a base funding of \$6.4 million. MTI's funding is currently at \$5.3 million. MTI also has a 7% administrative cap. The additional appropriation would provide a \$10m annual base appropriation, this appropriation would make a total funding level in FY 08 would of \$13m and in FY 09 \$15m .

MTI is becoming much better known; the demands on its grant funding has increased, and the demand for its support services - both to monitor grants as well as outreach - has increased. MTI will likely run out of money for grants before the end of the 2006 fiscal year. For Maine to continue to stimulate the kind of private sector activity needed to meet the S&T plan goals (triple private sector R&D) MTI's funding will need to be increased.

Increased funding will be used to:

Augment existing grant and award programs;

Provide proportionate increased administrative support;

Add additional programs that address capital gaps identified in the Evaluation of R&D Investments, such as follow-on support for successful MTI-funded companies, technology transfer funding and management/mentoring assistance.

Past results: MTI-funded companies have increased employment by 11% and attracted >10:1 return on the MTI dollars invested. See:

<http://www.mainetechnology.com/userimages/MTI%20Survey%20Final%20Report%202004%20no%20background.pdf>, <http://www.mainetechnology.com/userimages/annual%20report%2005fin.pdf>.

Technology Centers \$258,000 Each Year

USES:

Currently at \$242,000 per year, these funds are administered from the Office of Innovation via competitive grants focusing on incubation support leading to economic impacts. This appropriation would bring the annual level to \$500,000. While the results on the technology centers over all is mixed, the majority of the centers are doing a good job of supporting the growth small technology-based companies. The current budget offers only a modest amount of support of these centers, and to expand the quality of the programs and management support offered, it is critical that the center managers spend

more time with incubator clients than fund raising. The competitive process based on results, focuses the funds on centers that are successful in incubating new companies.

NEW/REVIVED PROGRAMS RECOMMENDED IN SCIENCE AND TECHNOLOGY PLAN

OOI Operating Budget

\$165,000 each year

USES:

Funding for operations are currently at \$35,000. This expenditure would create an operating budget of \$200,000

- Funding for MSTAC to contract for outside peer reviews of federal proposals to aid in selection and increasing competitiveness.
- Market analysis studies and distribution materials showing the competitiveness and strengths of each of Maine's targeted industrial sectors
- EPSCoR/IDEA Coalition dues
- Improve and complete development of the OOI website as info portal
- Web Based data on R&D in Maine—part time intern
- Hosting or sponsoring at least one technology trade show booth - out of State—allow organizations to apply each year (Sponsorship costs of \$10 - 20K)
- Hosting/coordinating one instate conference on technology—work with/sponsor through research or educational institution
- Mechanisms/information for promotion of technology job opportunities and business attraction for re-patriots and new Mainers—develop materials using DECD's PR firm.

Seed/EPSCoR fund

\$500,000 Each Year

USES:

The S&T plan calls for the creation of a seed fund for research and EPSCoR match fund. I recommend creating one fund at \$500,000 per year to be administered by the Office of Innovation. It would provide:

- Seed Funds for feasibility/planning grants to researchers to develop large, collaborative proposals competitive in federal programs;
- Funding for match to competitive federal programs at non-University of Maine research institutions;

SEED FUNDS: Most federal and other grants require data to demonstrate the proposed project feasibility. Because most Maine research institutions are small there are no funds for this basic data collection within their budgets. A competitive fund that would provide small grants to do the basic ground work needed to apply for larger grants would increase the number of grants our research institutions are applying for, and receiving, making Maine more competitive for research funding.

EPSCoR - EPSCoR match has traditionally been a hard row. The past history of EPSCoR match shows that at times it was paid for from MSTF's annual budget, and at other times there was a special appropriation that went through MSTF. The funding allowed for outside reviews, usually contracted through AAAS, as well as match.

HISTORY: The most recent history is a NASA grant that came through the Maine Space Grant Consortium - that match (about \$315,000 per year) was a special appropriation in year 1, MSTF funds in year 2 and a special appropriation in year 3 (which actually happened in year 4 of the grant). When Maine Space Grant got an extension for the grant, the grantees had to go back to NASA and renegotiate the grant to a lower amount because of the lack of state match.

Having a pool of funds that could be used as match might encourage institutions to apply for more EPSCoR funding, right now, without a guaranteed match, institutions know they will spend more time lobbying for a match than doing the work of the grant.

Innovation Expansion Fund

\$10,000,000 Each Year

USES:

Allow DECD and ME&Co to work together to profile and target up to 5 research-intensive businesses for whom relocating or expanding into/within Maine would be a great business fit. The profile will include the best company(ies) to target and a collaborative attraction plan to build relationships with those companies.

Use of the fund will be the final step in closing important attraction/expansion projects where the additional funding will be approved by a ME&Co Select Committee based upon specific opportunities presented by the ME&Co CEO, DECD Commissioner and the Governor describing the deal terms, fit and potential benefit to Maine. Availability of this funding is part of the package to be presented to specifically targeted businesses.

This fund would be similar in scale to the current Community Development Block Grant Business Assistance, which provides about \$2 million a year to companies in grants and \$2 million a year in loans. The Deal Closing Fund would be more flexible than CDBG, and focused only on research-intensive companies, but could cover similar requests, and would be attached to job creation requirements, as well as fit to the state and boosting the innovation assets of Maine. This fund would not be a "give-away" of cash - but more like "gap" funding - to help fill the gap a company needs to expand or locate here, when other funding sources (state and federal) do not work or are insufficient for the project to happen.

For many research intensive businesses there are additional costs to relocating or expanding that might include fitting out a lab, extending water or sewer or three phase power to a location, purchasing/moving equipment, recruiting or training workers to a specific skill. While Maine has a few funds that meet some of these purposes, there is no truly flexible fund to assist in the relocation of a company. Most other states have a similar fund, housed within their economic development department. Some of those funds range in the 10s of millions of dollars, others offer small (\$100 - \$500K) grants to companies as part of their attraction package. The funds need to be flexible, as every company's need will be different, depending on the company, where they are locating and what type of expansion they are doing. While Maine does have a good package of performance based tax incentives, many of these companies need up front assistance, and we simply do not have that kind of program in Maine. Recommended in the S&T Plan and critical to Maine's ability to increase private sector R&D activity and provide management expertise to Maine's growing small companies; used extensively by Enterprise Ireland to attract important companies and cited as a critical factor in that country's transition to an innovation-driven economy.

MAINE FILM OFFICE

Total Request

FY08	FY09
\$87,000	\$87,000

Funding to expand marketing, production services and computer services programs
\$87,000 each fiscal year

USES:

\$20,000 for location scouting and other contractor services. These funds would allow the film office to hire Maine-based location scouts on a case by case basis to provide location photography and scouting information to potential clients.

\$35,000 for advertising and marketing services. These funds would allow the office to purchase needed advertisements in national publications, design those advertisements, provide expanded public relations services and pay for marketing trips for film office personnel.

\$7,000 for upkeep and expansion of film office digital services equipment. These funds will pay for replacement, repair and supplementation of the film office's computer, Internet and digital arts equipment, which is the backbone of the film office's education and client services.

\$25,000 for research for design of a tool to ascertain the full impact of the film production industry in Maine, including both productions brought into Maine and those originating in the state. Also research on the best production incentives to lure the film industry to Maine.

DEPARTMENT OF TOURISM

Total Request

FY08	FY09
\$490,000	\$490,000

Governor Baldacci's Nature-Based Tourism Initiative
\$240,000 Each Year

USES:

Two of the Fermata study pilot regions have completed their inventory assessments and are beginning the next phase of infrastructure improvement for the selected sites. This will require an investment in interpretive signage and public access improvements. As these sites are completed in the coming year, there is a need for the development of guidebooks, maps, a comprehensive web site and other itinerary tools. A conservative implementation schedule requires \$240,000. The initiative has created strong expectations for those dedicated to rural economic development and this funding commitment is necessary if the Nature-Based Tourism Initiative is going to maintain its credibility.

Center for Tourism Research & Outreach (CenTRO)
\$100,000 Each Year

USES:

A collaboration of State government, the University of Maine and the tourism industry, CenTRO was created as a direct response to a request in the Governor's 2004 State of the State speech. CenTRO

performs much needed research for the tourism industry on existing and new products, services and markets. Funded at the \$100,000 level in the '06-'07 budget, this subsequent funding would permit CentRO to continue and keep faith with the Governor's commitment.

Governor Baldacci's Creative Economy Initiative
\$150,000 Each Year

USES:

Few economic development initiatives have attracted as much grass-roots enthusiasm as the Governor's Creative Economy initiative. With the completion of the Creative Economy Handbook and Report, it is time to move to the implementation stage. This \$150,000 would be targeted at fifteen \$10,000 matching grants to localities and regions so that they can begin to implement the strategies outlined in the Report and Handbook. Without this commitment by the State, the initiative is in danger of losing its credibility.

MAINE INTERNATIONAL TRADE CENTER

Total Request

FY08	FY09
\$154,000	\$154,000

Restoring funds from previous cuts experienced in FY05/06
\$54,000 each fiscal year

New Markets Initiative
\$100,000 each fiscal year

USES:

Maine cannot remain idle while other states surpass us. Trade centers across the U.S. are actively developing trade missions and participation in trade shows in new markets such as China, Central Europe, India and South America. Funding will be used to further develop overseas opportunities; give Maine products and services exposure abroad; provide Maine businesses with additional tools to succeed and flourish in those markets. The New Markets Initiative also proposes to refocus and enhance the Trade Center's efforts in working with new and emerging sector's of the State's economy.

MAINE & COMPANY

Total Request

FY08	FY09
\$100,000	\$100,000

Funding for Business Attraction efforts
\$100,000 each fiscal year

USES:

Funds will be used for sales and marketing activities to travel to decision makers in the site selection Community, attend strategic conferences and build relationships in Canada and other foreign countries. Specifically funds will be used to: Attend and support the Bio-Technology Show in Boston (\$10,000); Attend several strategic conferences of site locators and other industry specific professionals (\$40,000); Visit and educate influential site locators and commercial real estate companies (\$20,000); Fund specific FDI trips to Canada and possibly China (\$15,000); Fund "Showcase Maine" trips bringing influential site

locators to Maine (\$15,000).

MAINE PROCUREMENT TECHNICAL ASSISTANCE CENTER

Total Request

FY08	FY09
\$32,850	\$32,850

Funding of cash match to federal funds received by EMDC for PTAC

USES:

Funds will be used as Cash Match to federal funding. PTAC funds are used for training and matchmaker events for businesses to learn about federal government contracting with face to face meeting with government procurement personnel. The Defense Logistics Agency (DLA) calculates that the contracts awarded to Maine PTAC clients in 2006 created or sustained over 2857 jobs. Government contracting is a highly important market cluster for Maine businesses.

MAINE SMALL BUSINESS DEVELOPMENT CENTERS

Total Request

FY08	FY09
\$322,000	\$292,000

Replacing one-time CDBG funds to continue provision of technical services to entrepreneurs.
\$167,000 each year

USES:

Funds will be used to maintain current level of Maine SBDC small business coaching and training services. Without additional funds, Maine SBDC capacity will be reduced by approximately 2.5 full-time certified small business counselors, based upon \$69,500 per FTE. Since 1998, the Maine SBDC has been flat-funded by both the state and federal government (U.S. Small Business Administration). Based upon an independent analysis, more than four dollars in state tax revenue is generated for every State of Maine tax dollar invested in the Maine SBDC.

Funding for software upgrades.
\$9,000 for FY08 only

USES:

Funds will be used to upgrade online Maine SBDC technical assistance and training capabilities, including online training and web conferencing that allows for both business-to-business networking, as well as the Maine SBDC client co-counseling from multiple locations. Launched in the Spring of 2006, the Maine SBDC's four part, self-directed, online training program, "Starting Your Own Business" has been completed by nearly 700 users.

Funding for coordination of the Governor's Regional Conferences on Small Business and Entrepreneurship
\$10,000 each year

USES:

Funds will be used to cover the costs of Maine SBDC coordination of two Governor's Regional Conferences on Small Business and Entrepreneurship per year. Costs include staffing a statewide steering committee, travel, conference calls and supporting and guiding local conference guiding teams.

Adjustment for cost increases of the current operating budget

\$94,000 each fiscal year

USES:

Funds will be used to cover cost increases in the current Maine SBDC operating budget, particularly increased salary and fringe benefit costs associated with USM's recently approved collective bargaining agreement.

Funding to support Maine Business Works web site

FY08	FY09
\$42,000	\$21,000

USES:

Funds will be used to support further content development and marketing of the Maine SBDC's Maine Business Works portal. The MBW web site is the state's most comprehensive listing of non-academic business skills educational offerings. To drive traffic to the site, the Maine SBDC needs to develop further content, partnerships with business assistance agencies and private sponsors.

MAINE MANUFACTURING EXTENSION PARTNERSHIP PROGRAM

Total Request

FY08	FY09
\$200,000	\$200,000

Funding for field staff and expanded business assistance services

\$200,000 each fiscal year

USES:

Funds will be used to hire two additional field staff to provide assistance to an additional sixty small manufacturing firms.

Appendix F: Five-Year PC Replacement Cycle Considerations

The following information was extracted from the State of Montana's "PC Replacement Cycle" policy, which is available online at <http://www.discoveringmontana.com/itsd/policy/policies/entpcs010.asp>.

This appendix serves as an example of potential expenses related to PC life cycle policies. Any dollar estimates in this appendix are for descriptive purposes only and do not reflect actual state expenditures.

Summary

Extending the PC replacement cycle from the current 4-year cycle to 5 years has both financial and technical considerations.

Changing to a 5-year cycle has the potential to save the state \$945,000 in PC purchase costs per fiscal year, but additional maintenance costs to keep those PCs in service the fifth year would certainly reduce that savings, and could even eliminate the savings or cost more than a 4-year replacement cycle. Extending the replacement cycle shifts cost from highly visible hardware expenditures to less visible support costs, especially personnel services. From a Total Cost of Ownership (TCO) perspective, we believe the net benefits of the proposed change are likely to be minimal, at best. Note also that the cost of lost user productivity and diminished service associated with work disruptions is not quantified.

The workload placed on PCs by applications is just now beginning to change significantly, making this an appropriate time to thoroughly research and position "thin client" devices as an alternative to traditional PCs. Where there is an appropriate workload, replacing traditional PCs with "thin client" devices has the potential for significant savings (greater than 50%) compared to replacement with a traditional PC.

We suggest that all new development be required to employ a "three-tier" architecture to assure the ability to use "thin client" devices in the future.

Financial Considerations

The following table provides cost comparisons between a 4-year and 5-year PC replacement cycle.

		4-Year Cycle	5-Year Cycle	Savings
Number of PCs to replace	10,500	2,625	2,100	
Cost of PC replacement*	\$1,800	\$4,725,000	\$3,780,000	
Potential additional	—	—	—	

costs				
Additional warranty†	\$100	—	\$210,000	
Additional OS upgrade‡	\$291	—	\$611,100	
Additional parts/labor~	\$150	—	\$315,000	
Total		\$4,725,000	\$4,916,100	

Notes:

* PC replacement costs are based solely on the currently installed base, not on previous or proposed budget amounts.

† Standard warranty is 3 years. An additional year of warranty may be necessary in the 5-year cycle to mitigate hardware failure risk. An alternative might be to adopt a hardware sparing policy.

‡ Microsoft discontinues support for an operating system 4 years after initial release. Our experience has shown that operating systems work well through 3 years, begin to have problems in the 4th year (stability, driver availability, etc), and are in serious need of replacement by the 5th year. Cost of upgrade includes \$141 software license and \$150 (3 hours) labor.

~ Estimate \$150 per PC for equipment upgrades and/or labor to keep PC in service for 5th year. Common options include upgrading memory (\$50-\$100), swapping PCs from high-end to low-end users (3-4 hours, \$150-\$200), and misc. parts replacement (cost varies).

It is important to note that these additional costs are "worst case" and would not necessarily be incurred for every PC. Additional warranty costs could probably be reduced by assuming more risk and adopting alternative fix/replace and sparing strategies. Operating system upgrades could be done only on PCs exhibiting problems or when applications require it. The additional parts and labor line item is the only one which has little potential for reduction because PCs kept in service for an extra year are going to need more attention to keep them running adequately.

It is also important to note that costs associated with user disruption and reduced productivity have not been factored into the above cost table. Users will have more service outages as PCs age and have problems. Older PCs will run applications more slowly. These will have an impact on productivity, but we are not aware of any specific studies to measure this cost.

Technical Considerations

Industry Best Practice Guidelines

Gartner recommends the following PC replacement cycles:

- 4 years for low-end/mainstream users
- 3 years for high-end users
- 3 years for laptop users

Gartner also recommends refreshing the client operating system as hardware is refreshed.

Operating System Viability

Microsoft operating system (OS) life cycles typically follow a 4-year cycle from introduction to discontinuance of Microsoft support. While the OS will continue to function after this time, risk is introduced in a number of areas: inability to get vendor support to resolve problems, availability of hardware drivers (e.g. printers), and inability to support new releases of application software (with the likely result being application enhancements and implementations being slowed by the PC inventory).

A 5-year replacement cycle implies that 20% of the state's PC would be without OS support from the manufacturer unless the OS is upgraded. The 5-year cycle will also place greater burden on ITSD and agency staff to be expert in and support additional OS versions.

Hardware Reliability

Hardware reliability has improved steadily over the years. Manufacturer service has become a distinguishing feature of successful vendors as PCs have become a commodity. Our current term contract vendors offer a standard 3-year warranty and an optional 4-year warranty, but do not offer a 5-year warranty. Many agencies purchase the standard 3-year warranty and fix or replace the PC if it breaks after that. Changing to a 5-year replacement cycle would cause re-evaluation of warranty, break/fix and sparing strategies.

Changing Software Demands on PC Hardware

PC-centric software, such as the office suite and client-based applications, place heavy demands on desktop processing capacity and require substantial desktop PCs. The state currently has a heavy reliance on these types of applications since the majority of many agencies' applications use this desktop-intensive approach.

However, most new application development places the processing burden on an application server and uses a web browser interface or a "thin-client" architecture (i.e. Citrix MetaFrame), which requires far less desktop processing power. Some applications such as SABHRS and POINTS have already moved to a "thin-client" architecture, and a review of agency strategic plans indicates that many agencies are planning to replace old client-based applications with new browser and "thin-client" applications. Unfortunately, there are many applications that need to be replaced and therefore it will take considerable time to do this on a statewide basis (several biennia). Therefore, while some near-term PC cost savings can be achieved on selected desktops, the majority of desktops will continue to require a substantial PC during the next biennium.

In the future, high-end PCs will be needed on far fewer desktops (e.g. application developers, engineers, financial analysts, etc) and mainstream users will be able to get by with substantially less local processing power.

Application designs that employ "thin clients" are known as "three-tier" architectures (database server, application server, and client tiers). Without specific intent to design applications with this model, the use of traditional, "fat client" PCs will continue and costs unnecessarily

increased. "Three-tier" application architecture should be the stated standard for multi-user applications.

EXECUTIVE SUMMARY

Review of State-wide Planning and Management of Information Technology – State is at Risk from Fragmented Practices; Enterprise Transformation Underway and Needs Steadfast Support

Purpose

Despite huge IT expenditures, State remains constrained by information gaps and uncoordinated use of information technology. New system implementation projects have been troubled.

OPEGA evaluated whether IT is being planned for and managed in a way that maximizes effectiveness and efficiency of State government and keeps risk exposure at an acceptable level.

The Maine State Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a review of State-wide Planning and Management of Information Technology at the direction of the joint legislative Government Oversight Committee.

The Executive Branch of the State of Maine plans to spend \$118 million dollars on information technology (IT) in state fiscal year 2006, and has spent more than \$500 million¹ state-wide since the year 2000. Despite this huge expenditure, efforts across the State to improve services, reduce costs and deliver information for accountability remain constrained by information gaps and uncoordinated use of information technology.

Further, Maine has been experiencing continuing information system (IS) management difficulties. New system implementation projects have frequently been over the established budget, behind schedule and/or result in systems that have serious weaknesses upon implementation.

In July 2005, a new approach to planning and managing IT across the Executive branch began to take shape. The consolidation of Executive branch IT functions into the Office of Information Technology (OIT) under the direction of the State's Chief Information Officer (CIO) is meant to transform planning and management of IT from fragmented, agency-specific operations to integrated enterprise operations.

The purpose of this review was to determine whether IT across the State is being planned for and managed in a way that:

- maximizes the effectiveness and efficiency of State government; and
- keeps exposure from associated risks at an acceptable level.

This review primarily focused on providing an in-depth assessment of IT planning and management functions in the Executive branch, which is where most of the State's IT risk lies.

¹ Information technology expenditures that could be identified and captured through the State's financial information system, Maine Financial & Administrative Statewide Information System (MFASIS).

Conclusions

OPEGA has formed the following conclusions as a result of its work:

State's historical approach to planning and managing IT has not been adequate for some time now; State is currently exposed to an unacceptable level of IT-related risk.

OIT consolidation poised to significantly improve situation through enterprise approach; strategic plan should include additional elements; "enterprise" does not include all branches of government.

Success of transformation efforts depends on CIO's capabilities and support from Executive and Legislative branches. Related risks need to be monitored and managed by leaders in both branches; Legislature currently has no real mechanism for doing so.

- A. For some time now, the State's historical approach to the planning and management of information technology (IT) has not been adequate to maximize the effectiveness and efficiency of State government nor to keep risk at an acceptable level. The State has shown a tendency to lag behind the rest of the country in adopting innovative information system practices or technology in many areas. Instead, an IT culture of operational expediency has been created. Planning, risk management, and sound policies and procedures have been put on the back burner in this culture. As a result, the State is currently exposed to an unacceptable level of IT-related risk.
- B. The organizational transformation that began in July 2005 with the establishment of the Office of Information Technology is poised to significantly improve the planning and management of information technology as it takes an enterprise approach across the State's Executive branch. OPEGA did note, however, there are some additional elements that need to be incorporated into the CIO's strategic plan and the enterprise within the CIO's jurisdiction does not include the Judicial or Legislative branches.
- C. The success of transformation efforts is heavily dependent on the capabilities of the CIO and support from both the Executive and Legislative branches. There are risks related to the transformation itself that need to be monitored and well managed by leaders in both branches. OPEGA noted that currently there is no mechanism through which the Legislature can focus on support and oversight of the long-term, enterprise-wide strategic plan and the transformation required to accomplish it.

Management actions and other OPEGA recommendations related to findings and observations from this review are summarized next. For more detail, see the Full Report.

Summary Table of Findings, Observations, Management Actions, and OPEGA Recommendations

Finding - a situation where actual or potential deficiencies in internal control elements may expose the State to significant potential risks.

Observation - a situation where opportunities for improving effectiveness or efficiency exist.

Findings and Observations	Management Actions and OPEGA Recommendations
Enterprise Architecture Management	
Finding 1. Enterprise Architecture OIT has not yet developed a picture or map that describes the "as is" and "to be" environments of the enterprise, as well as specific steps for accomplishing the transition.	Management Actions The CIO will assign responsibility for creating descriptions of the "as-is" and "to-be" environments to the new Policy and Strategic Planning Unit. The CIO plans to provide regular updates on enterprise architecture progress to the Executive Steering Committee, CIO Council, Commissioner of DAFS and the Governor.
Finding 2. Policies and Procedures Written policies and procedures are either non-existent, inadequate or inconsistent across the Executive branch in a number of IT areas.	Management Actions The CIO has assigned responsibility for developing standardized policies and procedures to specific individuals, who are currently in the process of determining a reasonable timeframe for completion. OIT will work to see that the policies and procedures are communicated and implemented across the enterprise.
Observation 1. State Government as the Greater Enterprise. The current move to an enterprise approach is focused on the Executive branch and does not include the Judicial or Legislative branches.	OPEGA Recommendations The State's Constitutional Officers and representatives from the Judicial and Legislative branches are currently invited to participate on the CIO Council. At a minimum, all of these individuals should be encouraged to actively participate. As OIT matures, Judicial and Legislative branches should explore opportunities to contract with OIT for services (which they may outsource) as an alternative to directly contracting with entities outside of State government. Legislation could be enacted to establish a specific group tasked with developing and managing an enterprise architecture and investment management strategy for all three branches of State government.

Findings and Observations	Management Actions and OPEGA Recommendations
Investment Management	
Finding 3. Finance and Accounting Current accounting structures and financial practices do not easily allow the Administration or the Legislature a clear view of IT budgets and expenditures across the State as a whole, or by any specific agency, program or statute.	Management Actions By July 2006, the CIO will pursue a study to determine the advisability of OPEGA's recommendation to establish IT as a specific "program" within the Executive branch for budgeting, appropriation, expenditure and oversight purposes. The CIO and OIT's Performance Management and Administration Office are currently developing a rate structure and billing process for OIT services to agencies that reflects actual costs of providing specific types of services. OPEGA Recommendations Establish IT as a specific "program" within the Executive branch for budgeting, appropriation, expenditure and oversight purposes. For the same purposes as the Executive branch, OPEGA also recommends that the Judicial and Legislative branches explore the possibility of establishing Information Technology as a specific "program" within their respective branches.
Finding 4. Investment Decision-making Decisions on IT investments to date have not been made from an enterprise perspective or by a centralized State entity. Consequently, there are few mechanisms in place to assure that such investments are the best use of the State's resources or are being made in a way that will lead to increasing effectiveness and efficiency.	Management Actions In April 2006, OIT's Policy and Strategic Planning Office will begin developing an enterprise architecture. Once completed, that architecture will be used to guide investments in information systems and allow the enterprise to leverage its resources. Proposed or requested capital investments in IT will be reviewed and approved by OIT as it strives to move the Executive branch from the "as is" to the "to be" environment within the enterprise architecture. OIT has formed a Project Review Committee to evaluate major projects prior to their inception for project risk, strategic alignment and sound business investment criteria. This committee is currently testing its evaluation plan on several project proposals in order to refine the process and develop a formal procedure.

Findings and Observations	Management Actions and OPEGA Recommendations
Risk Management	
Finding 5. Risk Assessment and Audit Regarding overall exposure to risks assessed by Jefferson Wells International (JWI), Maine's IT exposure level is unacceptably high and requires dedication to reduction and control. JWI summarized the risk-status of Maine's IT environment as followings: • one percent is highly controlled; • eleven percent had a satisfactory (medium) level of control; and • the remaining 88% had an undesirable (low) level of control. Specific exposure identified are addressed within the other findings.	Management Actions OIT will construct a risk management plan that builds on the JWI assessment, works to mitigate or eliminate priority risks, and measures the effectiveness of the risk management process; OIT plans to develop an on-going internal audit process to measure the effectiveness of established risk management procedures and controls; and OIT will continue to cooperate with OPEGA on its reviews and IT audits to improve its processes and performance. OPEGA Recommendations The legislative Government Oversight Committee may direct OPEGA to establish a schedule of independent IT reviews to be included in future OPEGA Annual Work Plans and support OPEGA in obtaining funding to hire IT audit consultants that would likely be needed to accomplish these reviews.
Project Management	
Finding 6. Enterprise-wide Project Management The need for strong project managers has often not been recognized as a factor critical to the success of major IT projects. Consequently, there has been little concerted effort to build project management skill sets within agencies or to assure that individuals assigned as project managers have the appropriate knowledge, skills and abilities.	Management Actions The new OIT Project Management Office (PMO) will educate staff in best practice project management methods. Agency and PMO staff managing significant IT projects must now successfully complete training (that OIT will provide quarterly) on the adopted Ten-Step protocol. The PMO will begin providing Project Sponsor training sessions, which are a component of the Ten-Step protocol training, in March 2006. OIT is developing enterprise-wide policies and procedures (to be communicated by April 2006) requiring agencies to engage OIT's PMO <u>prior to formulating a solution</u> to their system needs or problems. Effective January 2006, OIT has responsibility for contracting with IT vendors for system development projects, and managing the resulting contracts.
Finding 7. System Development Life Cycle (SDLC) Methodology The State of Maine lacks an effective System Development Life Cycle (SDLC) methodology, putting IT capital projects at significant risk of failure.	Management Actions OIT's Policy and Strategic Planning Office will be assigned responsibility for selecting and adopting a SDLC methodology. This will be accomplished during 2007.

Findings and Observations	Management Actions and OPEGA Recommendations
Security and Business Continuity	
Finding 8. Physical Security The risk assessment performed by JWI identified a number of weaknesses in physical access security controls, particularly in regard to the State's primary data center.	Management Actions JWI and OPEGA have shared the details of the identified weaknesses with the CIO. Based on these details, the OIT Security Officer has developed an action plan to address the physical access weaknesses in order of priority as determined by the degree of risk associated with each. This action plan was submitted to OPEGA on January 9, 2006. A number of high priority actions to strengthen physical access security controls have since been taken by OIT.
Finding 9. System Security The results of the JWI risk assessment suggest that system access controls do not measure up to industry standards.	Management Actions OIT is taking, or plans to take, a number of steps to improve system access controls (see details in full report). The OIT Security Officer plans to conduct an independent audit of the firewall rule set.
Finding 10. Business Continuity Planning Business Continuity Planning (BCP) is inadequate across the Executive branch IT environment. In the event of a natural or man-made disaster, there is not an effective plan in place to guide the recovery of the Executive branch IT systems and services.	Management Actions To improve business continuity planning, OIT will: consolidate and standardize data centers to make the technology portion of continuity planning easier and less expensive; assess current Continuity of Operations Plans (COOP) of the individual agencies in the context of the new enterprise approach; conduct a gap analysis to identify and prioritize shortfalls; and recommend actions to remedy inadequacies. OPEGA Recommendations Each agency, in all three branches of State government, should also develop their own Business Continuity Plans detailing how operations will be continued if critical information systems and/or the agency's current physical location(s) are unavailable for an extended period of time.

Findings and Observations	Management Actions and OPEGA Recommendations
Knowledge Management	
Observation 2. Performance Management Inadequate attention has been given to designing information systems that create accountability and are themselves accountable. This is a major root cause of the State's failure to employ performance budgeting practices.	Management Actions The CIO will investigate and make recommendations for assimilation of knowledge management practices into the enterprise to improve performance monitoring and increase accountability. This effort will include consideration of the following OPEGA recommendations: • Design new or upgraded systems to collect data and produce information that measures performance of programs, functions or activities. These features should link performance measures to resource allocations. Both management and legislative needs require consideration in this process. • Establish and monitor IS performance metrics with automated tools across the enterprise. OIT should include a function that is responsible for this type of activity. OPEGA Recommendations Legislative bodies responsible for oversight of information system implementations should take an interest in whether, and how, the system is being designed to provide accountability, and evaluate impact of enacted legislation.
Observation 3. Enterprise Data Management The ability to combine data from different systems across the enterprise is very limited. This limitation is due both to differences in the way data is captured and coded in various databases (data compatibility) as well as a lack of electronic capabilities to easily bring the data together for analysis (systems interoperability). Therefore: • it is difficult to convert data into information that can answer questions and inform decisions about particular geographic, demographic, economic or consumer groups; and • the same data is captured in multiple systems, all with different field names; data formats and codes. Such duplication of information across the enterprise makes it difficult to determine which pieces of data are most current or valid.	Management Actions OIT is addressing the need for data consolidation, integration and exchange as an important long-term strategic objective. • As part of its enterprise architecture, OIT will develop data standards to begin codifying common data elements, their formats, meanings and sources across multiple information systems. • As opportunities arise, new systems will be evaluated to see if common data elements can be shared or architected as a common resource rather than duplicate data. • OIT is investigating tools to assist in exchanging data between existing "legacy" applications. The goal is to provide documented standard linkages between systems that can be maintained as the cooperating applications change over time.

Findings and Observations	Management Actions and OPEGA Recommendations
Knowledge Management (continued)	
Observation 4. Best Practices and Emergent Technology. Professional development opportunities have been limited by resource constraints resulting in IT professional staff who may not be receiving enough exposure to emerging or proven concepts, approaches or innovations in information technology and best practices – exposure critical to helping Maine stay current.	Management Actions The Policy and Strategic Planning Office will facilitate a professional development program looking for “to-be” opportunities for the enterprise architecture. The program will ensure that technical staff remains current within their skill sets, and that new and emerging technical trends are appropriately assimilated to support the business.
Observation 5. Staff Knowledge as a Capital Asset. The IT staff in the Executive branch, particularly at the management level, has many years of knowledge and experience working in the State’s IT environment. As they approach retirement, or leave the State for other reasons, the wealth of accumulated knowledge these individuals possess may be lost.	Management Actions Knowledge transfer and staff succession planning for senior management was a consideration during the hiring of the initial enterprise management team for OIT. This focus will be extended throughout all disciplines within the enterprise. At the PMO, specific training in knowledge transfer and succession planning is underway starting with the Director. A career ladder is being established for those working directly in the office and tangentially in the agencies. OIT will build upon activities such as Maine Fusion Conferences to develop an ongoing series of professional seminars in IT and management.
Observation 6. Knowledge Management Techniques The State’s IT is not yet being well utilized to help bring together cross-organizational groups, “communities of practice” within or outside of the State, that need to share knowledge around particular topics. Maine is not actively and explicitly using technology to foster better ways of sharing and transferring staff knowledge to improve governmental functioning.	Management Actions OIT will make the following efforts to increase the use of technology for information sharing: • investigate the feasibility of appointing a Chief Knowledge Officer to coordinate and manage the State’s knowledge-based assets; • advocate that Data Stewards and Product Managers be designated by the business units to provide on-going support, training and product planning for important knowledge assets; and • continue to foster the introduction and use of technology to facilitate knowledge sharing whenever opportunities arise.

Findings and Observations	Management Actions and OPEGA Recommendations
Leadership and Oversight	
Observation 7. Leadership and Succession Planning The reality of the political process is that changes in IT leadership may occur with every new administration. The potential for frequent short-term leadership changes will always present risk in an area like IT that requires more long-term strategic planning. The current CIO may change with administration beginning in January 2007. A potential change in leadership at that particular time does present an elevated level of risk because OIT will only be 1 ½ years into its enterprise transformation.	Management Actions The CIO has initiated a two pronged approach to mitigate the risk of a change in leadership. • prong one - strengthen the OIT management team, to create leaders who can maintain the current transformation effort if the CIO changes. • Prong two - create a new Strategic Plan which will be widely supported by agency leadership and will provide on-going direction for the efforts of the enterprise technology governance team. In addition, two groups, the Executive Steering Committee (government business) and CIO Council (government technology and management), have been established to work with the CIO in an advisory capacity. These groups should help bring continuity to the transformation effort over time. OPEGA Recommendations In addition to the CIO's efforts, OPEGA recommends that the Legislature further mitigate this risk through: • actively providing legislative support and oversight from the responsible JS Committees of jurisdiction; • continuing independent OPEGA reviews of IT; and • enacting legislation that requires individuals appointed to the position of Chief Information Officer to have appropriate knowledge, skills and abilities in IT and IT organizational leadership.
Observation 8. Legislative Oversight Legislative oversight activities devoted exclusively to the State's IT are absent. All JS Committees perform some oversight of information systems as they relate to the agencies and/or programs within their jurisdictions. However, there is not one legislative body assigned responsibility for overseeing the planning and management of the IT enterprise.	OPEGA Recommendations Support any actions taken by the Administration to establish IT as a specific "program" for budgeting, appropriation, expenditure and oversight purposes. As previously discussed in Finding 3, the CIO is exploring the feasibility of taking this approach to finance and accounting for IT. Assign responsibility for oversight of this "program" to either the Joint Standing Committee on: • Utilities and Energy – a Committee familiar with the concepts, approaches and risks involved in planning and managing enterprise-wide infrastructure (e.g. Telecommunications and Electricity); or • State and Local Government – a Committee familiar with the State's processes for managing investments in other large capital asset areas.

DHHS Application Initiative Summary and Impact to Reduction in General Fund and Federal Fund Matches

The bulk of the DHHS technology budget is in support of three areas: the Office of Integrated Access and Support (with the primary applications of ACES and NECSES), Maine Center for Disease Control and Prevention (with several applications, although a much higher federal match), and the multi-office or shared applications (EIS, the legacy system WELFRE, the replacement to WELFRE (untitled at this time, but supporting the Central Provider and Client System, HHS Enterprise Data Bus, Enterprise Data Warehouse). It is in these areas, and the services that these systems enable DHHS to provide, that the largest risk to providing services, lies.

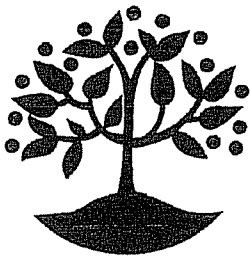
Along with reducing the General Fund, there are matching federal funds that will be adjusted to the same timetable as well, resulting in larger overall impact to the work that is crucial to DHHS and the efficient delivery of its services.

Listed below are the major applications that DHHS uses to serve the citizens of Maine. Along with the applications, are listed the major enhancements that DHHS and OIT must review to determine the exact impact of budgetary cuts and alternative funding. The enhancements are broken out by applications.

- ACES:
 - Supporting the Welfare Reform: Deficit Reduction Act of 2005;
 - Implementing changes in support of the Food Stamp Re-investment Plan in order to assist OIAS reduce the error rate;
 - Improving the NECSES/ACES interface to improve the referral of cases to NECSES, and to provide key information to ACES for eligibility;
 - Improved User interface to modify letters produced by ACES;
 - Development of a Data Warehouse (as part of the Enterprise Data Warehouse effort); and
 - Others including ASPIRE, TANF, participant tracking and new reports.
 - *Because of almost all of this is driven by the federal government, the impact of not completing these activities within their timeframe would be stiff sanctions and penalties.*
- MACWIS:
 - Child Plan - modifications to collect and record new information required for generation of the Child Plan document; and
 - Several releases as place holders for undetermined pieces of functionality, typically generated by State and Federal legislation.
 - *Because of almost all of this is driven by the federal government, the impact of not completing these activities within their timeframe would be stiff sanctions and penalties.*
- NECSES:
 - Migration of Remaining Mainframe Modules to Oracle to standardize on a singular platform;
 - Implement code to support the Fee Collection Process, provided by Maine Law;
 - Implementing an On-line child Support Computation Screen;
 - Redesign of Current NECSES Form as a result of newer processes and newer technology;

- State Agency Interfaces, Phase I (including Department of Inland Fisheries and Wildlife and the Maine Department of Professional and Financial Regulation;
- Supporting the Electronic Income Withholding Order for interfacing with the Federal counterparts; and
- Others, including Quick (pilot federal program involving improved electronic communications), updating/upgrading IVR and overall Automate Voice Response, Monthly Management Reports and improved information on the web.
- ***Because of almost all of this is driven by the federal government, the impact of not completing these activities within their timeframe would be stiff sanctions and penalties. It is also important to understand that this application provides financial relief to the State in that it recovers funds from deadbeat parents for child support where the State is already paying out through other means.***
- MAPSIS:
 - Release to include Prior Authorization, Adult Services Client File, Supervisor access to absent case worker staff, insurance plans for Medicaid and Medicare Part D, enhanced Race/Ethnicity tracking, and animal welfare questions; and
 - Several releases as place holders for undetermined pieces of functionality, typically generated by State and Federal legislation.
 - ***A good portion of this is driven by the federal government; the impact of not completing these activities within their timeframe would be stiff sanctions and penalties.***
- IPHIS:
 - Core Technology changes introduced by the federal counterparts.
- IMPACT II:
 - Several releases as place holders for undetermined pieces of functionality, typically generated by State and Federal legislation.
- WIC:
 - Several releases as place holders for undetermined pieces of functionality, typically generated by State and Federal legislation.
 - The possible merging of this application with ACES. If this happens, the releases required will fold into the ACES workplans.
- DEEP:
 - Enhancing several components, including the enrollment and registration process (intake), class performance and completion, class scheduling and roster development, payment processing, evaluation and treatment, case review, appeals, special licensing management, reporting, Print Packet correspondence, client history and interfaces with BMV, MFASIS, and the provider community.
 - Several releases as place holders for undetermined pieces of functionality, typically generated by State and Federal legislation.
- WELFRE:
 - Eliminating / deactivating functionality as it is moved to other applications.
 - ***This application is the key hub of sending eligibility information from ACES to MECMS for claims payment. Lack of funding would jeopardize the State's ability to support this application until a new replacement application is written. Any failure would jeopardize the State's ability to make timely and accurate claims.***
- EIS:
 - Implementing the Reportable Events module;

- Prior Authorization interface with MECMS will be implemented, allowing for this data to be sent directly to the MMIS application instead of double data entry;
 - MR Waiver enhancements; and
 - Support for Managed Care.
 - ***This application is a key component in enabling the State to track data in support of the adhering to the AMHI Consent Decree. Reduced or eliminated funding would jeopardize the State's ability to prove it's case.***
- Central Provider and Client System, HHS Enterprise Data Bus, Enterprise Data Warehouse:
 - Implementing a central provider repository which will become the source for shared provider information.
 - It will start off with data from three systems (EIS, MACWIS, and WELFRE) necessary for the Beacon feed.
 - It will grow over time to include other pieces as well, including the Provider index for the CMS Grant.
 - Implementing a Data Bus type solution that becomes the traffic cop for ensuring data is coordinated between systems in a timely fashion. This takes the place of similar functionality in WELFRE, which is running on a technology that is at severe end-of-life. This is also intended to solve the multi-day lag in eligibility information moving from ACES to MECMS.
 - Finally, implementing a central client/case repository which will become the source for shared client information.
 - ***This IS a big component of the WELFRE replacement. Risk to not making this happen is that eligibility and other critical information for MECMS claims payment will be put at risk as the State will be left with very aged technology. With WELFRE, any failure in this application would jeopardize the State's ability to make timely and accurate claims.***
 - Behavioral Health Managed Care:
 - Implementing an interface utilizing the Central Provider and Client System, HHS Enterprise Data Bus, Enterprise Data Warehouse initiative.



Maine Organic Farmers and Gardeners Association

Common Ground Country Fair

**Testimony of Russell Libby, Executive Director,
Before the Joint Standing Committee on Appropriations,
Supporting an Economic Development Bond Package, and,
In Particular, LD's 499, 858, and 1611
March 26, 2007**

Good afternoon. I'll try to be as concise as I can, given the huge task in front of you today and throughout the session of balancing so many good and creative ideas on how to move Maine forward.

Why do organic farmers, like the ones I represent at MOFGA, care about these bonds? From the bio-based plastics initiative (LD 1611) to general R&D support for the University and the Maine Technology Institute, bond funding provides the basis for the infrastructure we need to establish Maine as a national leader in targeted sectors, including agriculture and forestry. Without those investments, we'll be followers, not leaders.

I'll speak briefly to three particular pieces of the many proposals in front of you.

1. Clusters. (LD 499, and others). The targeted work of the Maine Technology Institute has helped to develop new ways of thinking about business. Whether it's high-tech boatbuilding, better machine tool technologies, or simply improving communication among businesses in an emerging sector, clusters are the way the world works. Just within the food and agriculture sector we have opportunities in specialty food processing, seed potato development and marketing, and organic vegetable production. Maine's new specialty dairy sector is, in effect, a cluster, and gives small dairy farmers a chance to create businesses underneath the reach of the national and international processors. Bringing farmers and processors together, bringing boatbuilders together, bringing firms involved in the biological sciences together—that's exactly what clusters are. We need to do more of it.

2. The role of the University of Maine (LD 858). As the Land Grant university for Maine, the University plays a key institutional role in providing the research base for almost every sector of the State's economy. We need to be sure that the base continues to exist and prosper. That means ensuring stable funding for research at the University.

MOFGA has a particular bias here, and I'll be direct about it. We think that the University has amazing strengths in analyzing systems, whether it's ecological systems or agricultural systems or the way that climate and weather patterns change over time. We'd like to see the University make a bigger commitment to this kind of analysis, since it's the approach that many of our organic farmers use in their work. This will require better and more integrated laboratories, along with the full range of field analysis systems that plug into that work.

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3. Finally, MOFGA strongly supports LD 1611. Eventually we need to find substitutes for the petroleum inputs used in many manufacturing systems. This bond proposal would give Maine the equipment and systems we need to analyze how to turn some common biological materials (potatoes, wood fiber) and make it into the components that can be carpeting or packaging or any of the myriad products that we encounter in our daily lives that are now made from petroleum.

I can see a future that involves a rich combination of community-based fisheries management, the use of natural materials as key inputs in manufactured products like composite boats and bio-based plastics, and the richest knowledge base of how to understand the functioning of natural resource systems of any place in the country. The State already has nationally-known leaders in wood composites, in ecosystems analysis, in organic farming.

What will Maine look like, twenty years from now, if we decide that we want to be the place where people think about how to make a better whole? What kinds of creative people will be drawn here, both to create their livelihoods but also to be part of these communities? These are questions I hope the Committee will consider as they think about how to balance the millions of dollars of competing proposals.

Again, I want to thank the Committee for all its hard work and patience in sorting through all these creative proposals for Maine. I do know that the investments made in the past through our economic development bonds are shaping Maine's economic present, and that this round of investments will help determine what the State will look like into the future. I think we should be bold, not just in our commitment, but also in our visions of what a prosperous Maine can look like and how we can get there, together.

SENATE

O.F.P.R.

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ELIZABETH M. SCHUBERT, DISTRICT 30
JONATHAN T. E. COURTNEY, DISTRICT 3

NATALIE L. HAYNES, LEGISLATIVE ANALYST
RHONDA MILLER, COMMITTEE CLERK



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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

MEMORANDUM

TO: Senator Margaret Rotundo, Senate Chair
Representative Jeremy R. Fischer, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Lynn Bromley, Senate Chair
Representative Nancy Smith, House Chair
Joint Standing Committee on Business, Research & Economic Development

DATE: March 13, 2007

SUBJ: Recommendations on the Governor's Budget Bill for the 2008-2009 Biennium
(LD No. 499)

The Joint Standing Committee on Business, Research & Economic Development has worked diligently to review the funding levels in the Governor's proposed budget for the 2008-2009 biennium (LD No. 499). The committee shares a strong commitment to the goal of advancing Maine's economy forward by building on our success in R&D and innovation and advancing Maine's transition into a globally-competitive innovation economy. The committee is also charged with providing strong vision and leadership to meet these goals in an environment that has many competing budget priorities and significant budgetary constraints.

Accordingly, the committee has worked together in a bipartisan manner and voted unanimously (12-0) to fulfill the requirement from the committee on Appropriations and Financial Affairs to work within the confines of the proposed budget and provide specific initiatives to fill the gap for any recommendation that would require an increase in General Fund spending or resources, as shown in the attached worksheet. The committee's recommendations support the budget as proposed with *3 modifications* in the Department of Economic and Development's proposed budget. In addition, the committee will also provide shortly their

priority list for *optimal* funding (outside of current budgetary constraints) for economic development initiatives that are essential to stimulate Maine's economy and allow us to keep pace with other states and the rest of the world.

It should also be noted that despite budget shortfalls, the committee unanimously supports protecting the restoration of the Home Fund and the Tourism fund, as they are both very important tools for economic development. The committee hopes that these funds will remain protected as the budget process moves forward and would not support the diversion of these funds for any other purpose.

1. Modifications to the Governor's Proposed Budget for Economic Development

The committee unanimously supports the Governor's proposed budget with **3 modifications**. These modifications are based on at least **\$80,000 in annual savings** that the Commissioner of the Department of Economic and Community Development has identified that will be realized as a result of the proposed merger with the Department of Professional and Financial Regulation, and the committee anticipates further savings will also be realized from as the plans move forward. The modifications are also based on a **reduction** in funding for the Applied Technology Development Centers in the amount of **\$55,000** in FY08 and **\$55,000** FY09 of the biennium and a **reduction** in funding to the Loring Development Authority in the amount of **\$52,850** in FY08 and **\$52,850** FY09.

First, provide an increase in the General Fund appropriation **above** the current request for \$139,650 for the *Maine Procurement Technical Assistance Center at EMDC* in the amount of **\$32,850** for FY08 and **\$32,850** in FY09 to fully utilize and maximize the federal match that is currently available.

Second, increase the General Fund appropriation to the *Maine International Trade Center* (International Commerce) **above** the current request for \$650,196 in FY08 and \$657,526 in FY09 in the amount of **\$55,000** in FY08 and **\$55,000** FY09. This increase in funding for the *Maine International Trade Center* should be appropriated from a reduction in funding for the *Applied Technology Development Centers* in the amount of **\$55,000** in FY08 and **\$55,000** FY09. It should be noted that the committee only supports a small reduction in funding to the Applied Technology Development Centers in order to meet the critical need at the Maine International Trade Center to ensure that the Canada and China desk remain open, and would not support diverting these funds to any other program.

Third, increase the General Fund appropriation to the *Small Business Development Commission* above the current request for \$720,985 in FY08 and \$720,985 in FY09 to address its funding gap by using some of the *merger savings* in the amount of an additional **\$47,150** in FY08 and **\$47,150** and FY09. Also, increase in the General Fund appropriation in the amount of **\$52,850** in FY08 and **\$52,850** in FY09 from a reduction in funds from the *Loring Development Authority*.

2. Part H: Language Regarding the Merger of the Department of Economic Development and Department of Professional and Financial Regulation

The committee is unanimous in its support of the merger of the Department of Economic Development and Department of Professional and Financial Regulation specifically as presented in **Part H** of the Governor's Budget Bill for the 2008-2009 Biennium (LD No. 499). The committee believes that significant additional cost savings can be achieved through this merger by reducing administrative overhead, reducing administrative costs and duplication of services and capturing synergies and streamlining both organizations. The committee feels strongly that firewalls must be established and maintained to ensure that consumers are protected, any potential conflicts are identified and resolved, and that businesses and license holders regulated within the Department of Professional and Financial Regulation benefit from improved efficiency in the delivery of services through appropriate fee schedules.

The committee also emphasizes that the language in Part H Section H-2, which requires proposed legislation to implement the plan to merge into a single Department to be submitted to the Second Regular Session of the 123rd Legislature, is critical to its support for the merger.

However, since the committee is basing its decision on minimal information, it requests the following: (1) at least one progress report prior to the end of the First Regular Session of the 123rd Legislature; and (2) when the report is presented, the findings show that firewalls necessary to protect consumers will be satisfactory and effective, as well as the projected cost savings will be realized.

3. Funding Gap for the Small Business Development Commission

The committee regrets it was only able to fund \$100,00 of the \$600,000 biennial gap for the Small Business Development Commission during this biennium. The Small Business Development Commission is a very valuable asset to the State's economic development portfolio and a highly effective program.

4. Cost Savings from the Merger

The committee unanimously supports and proposes to draft a cascade to capture any additional savings from the merger of the two departments that are above the \$80,000 anticipated in the first fiscal year of the biennium. The cascade would direct the Department of Economic and Community Development to direct additional cost savings to program initiatives that will most effectively promote economic development, with first priority given to the Small Business Development Centers and the Maine Technology Institute.

5. Improving Efficiency through the LEAN Process

The committee would like to recognize the efforts of the Finance Authority of Maine in their use of the LEAN process improvement facilitated through the Maine Manufacturing Extension Partnership to find ways to improve efficiency while maintaining the same quality of services and urges other agencies and departments to do the same.

6. Consolidation of Marketing Efforts Statewide

The committee also supports the consolidation of all marketing efforts by state agencies that are made statewide that receive state funds. Coordinating the marketing of the *Maine* brand into a single, cohesive statewide strategy could provide a much greater impact and would be a more effective use of state funds. The committee recommends that the Commissioner of the Department of Economic and Community Development convene a working group with the appropriate stakeholders to develop a proposal for coordinating the marketing of the Maine brand, with a focus on establishing a model for a collaborative process to more effectively utilize state funds for marketing Maine products, services and resources.

7. Farms for the Future

The committee is very focused on empowering existing, proven economic development programs and although Farms for the Future is not under the BRED committee's jurisdiction, the committee acknowledges its value within Maine's economic development strategy. The committee is unable to locate specific funding for Farms for the Future and urges the committee on Appropriations and Financial Affairs to seek the necessary funding to restore the Farms for the Future program. Maine agriculture is a significant statewide economic sector and we acknowledge that this program is an established, effective economic development tool worthy of continued investment.

8. Women Work & Community

The committee also notes that it recently received the Labor Committee's report recommending a shift of \$81,000 from the Governor's Training Initiative to Women, Work and Community, including \$41,000 of funding above the current levels. As outlined in the OPEGA report, economic development programs are scattered without a single, coordinating and supervising department of oversight. Despite its importance and value as a successful economic development program, the committee has no jurisdiction over this program. The committee fully intends to take up this challenge during this legislative session.

9. Priority List for Optimal Funding of Economic Development

Although the committee appreciates that the State is working with limited resources, the committee feels strongly that it must provide its vision for optimal funding of economic development initiatives that are **essential** to stimulate Maine's economy and allow us to keep pace with other states and the rest of the world. The committee has had the benefit of reviewing and discussing a long list of reports and studies in the area of R&D and economic development, including, among others, the Maine Comprehensive Research and Development Evaluation, the Maine Innovation Index, the Brookings Report, and the report from the Joint Select Committee on Research, Economic Development and the Innovation Economy. Based on these findings, the committee intends to provide the committee on Appropriations and Financial Affairs with a

list with optimal funding levels for several economic development initiatives, above those provided in the proposed budget, that are critical for Maine to keep pace with the rest of the nation and to allow Maine to achieve sustainable economic growth.

Thank you for the opportunity to comment on the Governor's Budget Bill for the 2008-2009 Biennium. If you have any questions in connection with these recommendations, please contact us.

cc: Members, Joint Standing Committee on Business, Research & Economic Development