

# MAINE STATE LEGISLATURE

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# 117th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1995

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Legislative Document

No. 1353

S.P. 494

Received by the Secretary, April 13, 1995

**Resolve, to Determine the Effectiveness of Economic Development  
Incentives in Maine.**

(EMERGENCY)

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Referred to the Committee on Business and Economic Development and ordered printed pursuant to Joint Rule 14.

A handwritten signature in cursive script that reads "May M. Ross".

MAY M. ROSS  
Secretary of the Senate

Presented by Senator RAND of Cumberland.  
Cosponsored by Representative TUTTLE of Sanford and  
Senators: BUSTIN of Kennebec, CAREY of Kennebec, ESTY of Cumberland, FERGUSON of Oxford, GOLDTHWAIT of Hancock, HATHAWAY of York, LONGLEY of Waldo, McCORMICK of Kennebec, MICHAUD of Penobscot, PARADIS of Aroostook, PINGREE of Knox, RUHLIN of Penobscot, Representatives: ADAMS of Portland, BERRY of Livermore, CHASE of China, CLARK of Millinocket, CLOUTIER of South Portland, DAGGETT of Augusta, DORE of Auburn, GATES of Rockport, GERRY of Auburn, HATCH of Skowhegan, LEMAIRE of Lewiston, ROSEBUSH of East Millinocket, SAMSON of Jay, TRUMAN of Biddeford, VOLENIK of Sedgwick.

2           **Emergency preamble. Whereas,** Acts and resolves of the  
Legislature do not become effective until 90 days after  
adjournment unless enacted as emergencies; and

4           **Whereas,** tax credits and incentives and other economic  
6 development incentives have been used in the past and are  
currently used in the State; and

8           **Whereas,** there do not currently exist adequate mechanisms to  
10 ensure accountability to the public or to ensure that businesses  
meet their obligations to provide specified public benefits in  
12 return for their tax credits or other incentives; and

14           **Whereas,** the Commission on the Effectiveness of Economic  
Development Incentives in Maine, created in this legislation,  
16 must complete its work and submit its report by February 16,  
1996; and

18           **Whereas,** in the judgment of the Legislature, these facts  
20 create an emergency within the meaning of the Constitution of  
Maine and require the following legislation as immediately  
22 necessary for the preservation of the public peace, health and  
safety; now, therefore,

24           **Sec. 1. Commission created. Resolved:** That the Commission on  
26 the Effectiveness of Economic Development Incentives in Maine,  
referred to in this resolve as the "commission," is created; and  
28 be it further

30           **Sec. 2. Commission membership. Resolved:** That the commission  
consists of 16 members as follows:

- 32           1. The State Tax Assessor;
- 34           2. The Director of the State Planning Office;
- 36           3. The Commissioner of Economic and Community Development  
38 or the commissioner's designee;
- 40           4. The Commissioner of Labor or the commissioner's designee;
- 42           5. One labor representative appointed by the Governor;
- 44           6. One representative of a college or university who has  
expertise in economic development, appointed by the Governor;
- 46           7. One member of the Joint Standing Committee on Taxation,  
48 appointed jointly by the President of the Senate and the Speaker  
of the House of Representatives;
- 50

2 8. One member of the Joint Standing Committee on Business  
and Economic Development, appointed jointly by the President of  
the Senate and the Speaker of the House of Representatives;

4  
6 9. One member of the Joint Standing Committee on Labor,  
appointed jointly by the President of the Senate and the Speaker  
of the House;

8  
10 10. One representative of the Finance Authority of Maine  
appointed by the Governor;

12 11. Two representatives of a large business enterprise  
appointed by the Governor;

14  
16 12. Two representatives of a small business enterprise with  
fewer than 50 employees, appointed by the Governor;

18 13. One member of the Maine Municipal Association appointed  
by the Maine Municipal Association; and

20  
22 14. One member representing Coastal Enterprise, Inc. of  
Wiscasset, designated by the corporation.

24 The commission shall, by a vote of 2/3 of all members, elect  
a chair.

26  
28 The commission members serve terms to expire April 1, 1996  
or when their task is completed, whichever occurs first.  
30 Vacancies must be filled in the same manner as the original  
appointments were made; and be it further

32 **Sec. 3. Convening of commission. Resolved:** That all  
appointments must be made no later than 30 days following the  
34 effective date of this resolve. The Executive Director of the  
Legislative Council must be notified by the appointing  
36 authorities once the selections have been made. The Executive  
Director of the Legislative Council shall convene the first  
38 meeting of the commission no later than 60 days after the  
effective date of this resolve; and be it further

40  
42 **Sec. 4. Duties. Resolved:** That the commission shall:

44 1. Identify and examine tax credits and incentives  
including but not limited to grants, loans, loan guarantees, tax  
46 expenditures and industrial or economic development revenue bonds  
used in the past and currently in use in the State, as well as  
48 those used in other states that have succeeded in maximizing the  
public's return on its investment in public subsidies for  
economic development and business assistance;

50

2           2. Explore alternatives to and ways to improve existing  
3 credits and incentives to better achieve economic development  
4 policy objectives as the public's return on its investment;

6           3. Examine proposals for new credits and incentives and any  
7 limitations imposed by existing laws that hinder the use of these  
8 credits and incentives by small businesses seeking public  
9 assistance to meet stated public policy objectives to ensure the  
10 highest return on the public's investment;

12           4. Propose disclosure and accountability legislation that  
13 includes but is not limited to provisions that do the following:

14           A. Establish a permanent panel including labor and  
15 community representation to oversee the public cost, public  
16 return on investment, use and expenditure of tax benefits  
17 and other incentives; and track and evaluate the progress  
18 which each awardee makes in meeting the public benefit  
19 projections included in its application for assistance;

20           B. Create a mechanism whereby employees of the applicant  
21 and elected officials of the community in which the  
22 applicant is located can comment on the job, wage and other  
23 benefit projections included in the application for  
24 assistance;

26           C. Balance the confidentiality requirements of businesses  
27 with the information needs of the panel to perform their  
28 duties;

30           D. Require businesses to enter into a contract with the  
31 state agency or political subdivision providing the tax  
32 credit or other incentive that outlines the public benefits  
33 the businesses will provide in return including but not  
34 limited to the number of jobs saved or created and related  
35 wage and benefit levels, environmental responsibility and  
36 accomplishment of other state economic development policy  
37 objectives achieved through strategically targeted public  
38 investment informed by the State's economic development plan  
39 and the timetable for accomplishing the benefits to be  
40 provided from the tax credit or other incentive provided to  
41 the businesses;

44           E. Establish penalties, including paybacks, for businesses  
45 that fail to meet their obligations under the contract  
46 unless a failure to comply is due to cause beyond the  
47 reasonable control of the beneficiary;

48           F. Establish any other mechanisms desirable to ensure that  
49 businesses meet their obligations to provide specified  
50 public benefits in return for their tax credits or other  
51 incentives; and  
52

2 G. Establish a reporting mechanism to ensure that the  
3 legislative and executive branches and the general public  
4 are kept adequately informed concerning accountability for  
5 the public's return on its investment in economic  
6 development; and be it further

8 **Sec. 5. Compensation. Resolved:** That the members of the  
9 commission are not entitled to compensation; and be it further  
10

11 **Sec. 6. Staffing. Resolved:** That the commission shall request  
12 staffing assistance from the Legislative Council for a period of  
13 time that does not coincide with a regular session of the  
14 Legislature; and be it further

15 **Sec. 7. Report. Resolved:** That the commission shall present  
16 its findings together with any necessary implementing legislation  
17 to the Second Regular Session of the 117th Legislature no later  
18 than February 16, 1996.

19 **Emergency clause.** In view of the emergency cited in the  
20 preamble, this resolve takes effect when approved.  
21

22

## 23 STATEMENT OF FACT

24

25 There is a huge demand for the State's limited public  
26 resources available to encourage the creation and retention of  
27 good quality jobs and other economic development benefits for the  
28 residents of the State. The public expects and deserves  
29 accountability from recipients of public subsidies for economic  
30 development and business assistance to evaluate the value of the  
31 projected and actual return on public's investment. In order to  
32 ensure that public expenditures result in the highest return of  
33 public benefits, this resolve creates the Commission on the  
34 Effectiveness of Economic Development Incentives in Maine to  
35 study the use of tax credits, tax increment financing and other  
36 economic development incentives, to develop legislation ensuring  
37 accountability to the public and provision of the public benefits  
38 by business receiving these incentives and to report back to the  
39 Legislature before February 16, 1996.  
40