

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 880

S.P. 272

In Senate, February 6, 1997

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

(EMERGENCY)

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator RAND of Cumberland.
Cosponsored by Senators: LAWRENCE of York, PINGREE of Knox, Representatives:
BOLDUC of Auburn, MUSE of South Portland.

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,
1998; 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 of Representatives;

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, 1998
or when their task is completed, whichever occurs first.
Vacancies must be filled in the same manner as the original
30 appointments were made; and be it further

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

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;

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

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

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

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

23 C. Balance the confidentiality requirements of businesses
24 with the information needs of the panel to perform the
25 panel's duties;

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

38 E. Establish penalties, including paybacks, for businesses
39 that fail to meet their obligations under the contract
40 unless a failure to comply is due to cause beyond the
41 reasonable control of the beneficiary;

42 F. Establish any other mechanisms desirable to ensure that
43 businesses meet their obligations to provide specified
44

2 public benefits in return for their tax credits or other
incentives; and

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

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

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

18 **Sec. 7. Report. Resolved:** That the commission shall present
its findings together with any necessary implementing legislation
20 to the Second Regular Session of the 118th Legislature no later
than February 16, 1998. If the commission requires an extension,
22 it may apply to the Legislative Council, which may grant the
extension.

24 **Emergency clause.** In view of the emergency cited in the
26 preamble, this resolve takes effect when approved.

28 **SUMMARY**

30 This resolve creates the Commission on the Effectiveness of
32 Economic Development Incentives in Maine to study the use of tax
credits, tax increment financing and other economic development
34 incentives, to develop legislation ensuring accountability to the
public and provision of the public benefits by business receiving
36 these incentives and to report back to the Legislature before
February 16, 1998.