

MAINE STATE LEGISLATURE

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BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

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STATE OF MAINE

SENATE

124TH LEGISLATURE

SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 629, L.D. 1664, Bill, "An Act To Enhance the Redevelopment of the Brunswick Naval Air Station"

Amend the bill by inserting after section 8 the following:

'Sec. 9. 5 MRSA §13083-S-1 is enacted to read:

§13083-S-1. Brunswick Naval Air Station Job Increment Financing Fund

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Affiliated business" means one of 2 businesses exhibiting either of the following relationships:

(1) One business owns 50% or more of the stock of the other business or owns a controlling interest in the other; or

(2) Fifty percent of the stock of each business or a controlling interest in each business is directly or indirectly owned by a common owner or owners.

B. "Assessor" means the State Tax Assessor.

C. "Base level of employment" means either the total employment of an employer as of the March 31st, June 30th, September 30th and December 31st of the calendar year immediately preceding the date the employer begins operations at the base area divided by 4 or its average employment during the base period, whichever is greater.

D. "Base period" means the 3 calendar years prior to the year in which an employer begins operations at the base area.

E. "College" means Southern Maine Community College in the Maine Community College System.

F. "Commissioner" means the Commissioner of Economic and Community Development.

G. "Fund" means the Brunswick Naval Air Station Job Increment Financing Fund established pursuant to subsection 2.

H. "Job tax increment" means that level of state income tax withholding attributed to any employees employed within the base area above the base level of employment for an employer in the base area or its average employment during the base period. "Job tax increment" does not include withholding from employees or positions shifted by an employer as calculated generally pursuant to Title 36, chapter 917. The shifting restriction must apply to all employers in the base area.

2. Fund established. The Brunswick Naval Air Station Job Increment Financing Fund is established to receive job tax increment transfers from job creation in the base area. The fund must receive annually from the State the amount calculated under subsection 5.

3. Limitations. The fund is subject to the following limitations.

A. Subject to the provisions of paragraph E, payments from the fund allocated to the authority must be used solely to fund the costs of municipal services, including, but not limited to, water, sewer, electricity, telecommunications, fire protection, police protection, sanitation services and the maintenance of buildings, facilities, grounds and roads in the base area.

B. Subject to the provisions of paragraph E, payments allocated to the college must be used solely to fund the costs of higher education services, including, but not limited to, faculty and staff salaries and instruction, operations, equipment, maintenance and financing costs, including, but not limited to, closing costs, issuance costs and interest paid to holders of evidences of indebtedness issued to pay for project costs and any premium paid over the principal amount of that indebtedness because of the redemption of the obligations before maturity.

C. To the extent that revenues received by the fund are not expended for current costs under paragraphs A and B, the fund must retain the revenues to defray future costs under those paragraphs.

D. State income tax withholding eligible for reimbursement to a qualified business pursuant to Title 36, chapter 917 or to a qualified pine tree development zone business under Title 30-A, chapter 206 is not eligible for use in the calculation of a payment to the fund under subsections 4 and 5. State income tax withholding under Title 36, chapter 919, or any other tax credit or reimbursement program based on state income tax withholding, is not eligible for use in calculation of a payment to the fund under subsections 4 and 5.

E. Payments made to the fund must be allocated as follows:

(1) For payments transferred to the fund in 2011 and 2012, 100% must be allocated to the college;

(2) For payments made to the fund in 2013, 75% must be allocated to the college and 25% must be allocated to the authority; and

(3) For payments made to the fund in 2014 and after, 50% must be allocated to the college and 50% must be allocated to the authority.

1 F. Payments to the fund are not allowed for calendar years beginning on or after
2 January 1, 2031. If at least 5,000 net new jobs are created in the base area prior to
3 2031, the services funded under paragraphs A and B must be reviewed by the joint
4 standing committee of the Legislature having jurisdiction over economic
5 development matters in order to determine whether continuance of the fund is
6 necessary.

7 **4. Certification by authority.** By February 15th of each year, beginning in 2011,
8 the authority shall provide a report identifying each employer located at the base area to
9 the commissioner. The commissioner shall certify annually to the assessor on or before
10 June 30th of each year, beginning in 2011, the following information:

11 A. Employment, payroll and state withholding data necessary to calculate the base
12 level of employment;

13 B. The total number of employees added during the previous year within the base
14 area above the base level of employment, including additional associated payroll and
15 withholding data necessary to calculate the job tax increment and establish the
16 appropriate payment to the fund;

17 C. A listing of all employers within the base area that pay withholding taxes, the
18 locations of those employers and the number of employees at each location;

19 D. A listing of all affiliated businesses, data regarding current employment, payroll
20 and Maine income tax withholding for each affiliated business within the base area;
21 and

22 E. Any information required by the assessor to determine the employment tax
23 increment revenues pursuant to Title 36, chapter 917.

24 **5. Procedure for payment of revenue to the fund.** On or before July 15th of each
25 year, the assessor shall review the information required by subsection 4 and calculate the
26 job tax increment for the preceding calendar year. The assessor shall also calculate the
27 employment tax increment in the base area for reimbursement to qualified businesses and
28 qualified Pine Tree Development Zone businesses pursuant to Title 36, chapter 917. On
29 or before July 15th of each year, the assessor shall certify to the State Controller the total
30 remaining job tax increment after reimbursements have been made to qualified businesses
31 and qualified Pine Tree Development Zone businesses pursuant to Title 36, chapter 917.
32 On or before July 31st of each year, the State Controller shall transfer 50% of the
33 remaining job tax increment to the state job tax increment contingent account established,
34 maintained and administered by the State Controller from General Fund undedicated
35 revenue within the withholding tax category. On or before July 31st of each year, the
36 State Controller shall deposit this revenue into the fund and distribute the payments
37 pursuant to subsection 3.

38 **6. Administration.** The Commissioner of Administrative and Financial Services
39 shall administer the fund and may adopt rules pursuant to the Maine Administrative
40 Procedure Act for implementation of the fund. Rules adopted pursuant to this subsection
41 are routine technical rules pursuant to chapter 375, subchapter 2-A.'

Amend the bill in section 9 in the 2nd line (page 3, line 38 in L.D.) by striking out the following: "Advanced Technology and Engineering Center" and inserting the following: 'Midcoast Campus'

Amend the bill in section 9 in the last line (page 4, line 2 in L.D.) by striking out the following: "Advanced Technology and Engineering Center" and inserting the following: 'Midcoast Campus'

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

SUMMARY

This amendment establishes the Brunswick Naval Air Station Job Increment Financing Fund to receive annually from the State 50% of the increase in Maine income tax withholding attributed to employees in the base area over the tax withholding at the base level of employment for a business, with payments made to the fund allocated as follows:

1. For payments transferred to the fund in 2011 and 2012, 100% must be allocated to Southern Maine Community College for use solely to fund the costs of higher education services, including, but not limited to, faculty and staff salaries and instruction, operations, equipment, maintenance and financing costs, including, but not limited to, closing costs, issuance costs and interest paid to holders of evidences of indebtedness issued to pay for project costs and any premium paid over the principal amount of that indebtedness because of the redemption of the obligations before maturity;

2. For payments made to the fund in 2013, 75% must be allocated to the college for the uses stated above and 25% must be allocated to the Midcoast Regional Redevelopment Authority for use solely to fund the costs of municipal services in the base area, including, but not limited to, water, sewer, electricity, telecommunications, fire protection, police protection, sanitation services and the maintenance of buildings, facilities, grounds and roads; and

3. For payments made to the fund in 2014 and after, 50% must be allocated to the college and 50% must be allocated to the authority.

The amendment provides that payments to the fund will no longer be made after January 1, 2031. It requires that if at least 5,000 net new jobs are created prior to 2031, the fund must be reviewed by the joint standing committee of the Legislature having jurisdiction over economic development matters in order to determine whether continuance of the fund is necessary. The amendment also changes the name of the Maine Community College System campus of Southern Maine Community College at Brunswick Naval Air Station, the creation of which is proposed in the bill, from the Advanced Technology and Engineering Center to the Midcoast Campus.

FISCAL NOTE REQUIRED

(See attached)

**124th MAINE LEGISLATURE****LD 1664****LR 2421(02)****An Act To Enhance the Redevelopment of the Brunswick Naval Air Station****Fiscal Note for Bill as Amended by Committee Amendment "A"****Committee: Business, Research and Economic Development****Fiscal Note Required: Yes****Fiscal Note**

Potential future biennium cost increase - General Fund

	2009-10	2010-11	Projections 2011-12	Projections 2012-13
Net Cost (Savings)				
General Fund	\$0	\$0	\$24,270	\$101,352
Appropriations/Allocations				
Other Special Revenue Funds	\$0	\$0	\$24,720	\$101,352
Revenue				
General Fund	\$0	\$0	(\$24,270)	(\$101,352)
Other Special Revenue Funds	\$0	\$0	\$24,720	\$101,352
Transfers				
Other Special Revenue Funds	\$0	\$0	\$0	\$0

Fiscal Detail and Notes

The bill establishes the Brunswick Naval Air Station Job Increment Financing Fund to (1) support local higher education programs and costs of the Midcoast Campus of Southern Maine Community College, and (2) support the Midcoast Regional Development Authority. The Fund will annually receive from the state 50% of the employment tax increment attributed to employees at the base area that is greater than the base level of employment for a business. This revenue would otherwise be credited to the General Fund. The reduction in General Fund revenue is estimated to be \$24,270 in fiscal year 2011-12 and \$101,352 in fiscal year 2012-13.

This legislation provides that in fiscal years 2011-12 and 2012-13 100% of the above amounts be transferred from the Fund to the Maine Community College System (MCCS) for higher education services costs associated with establishing and operating the Midcoast Campus. In fiscal year 2014 MCCS will receive 75% of the revenue credited to the Fund and the Midcoast Regional Development Authority will receive the remaining 25% to fund municipal services in the base area, including water, sewer, electricity, telecommunications, fire protection, police protection, sanitation services and the maintenance of buildings, facilities, grounds and roads. After that, the two purposes will each receive 50% of the Fund revenues until January 1, 2031.

The Maine Community College System has estimated the first year cost of establishing and operating the Midcoast Campus to be approximately \$1,277,328 and anticipates revenue from tuition to be \$263,835 and rent revenue to be \$10,000, resulting in net first year costs of \$1,003,493. Net costs are projected to be \$1,429,291 in the second year of operation and \$1,272,118 in the third year. Given that funding from the Brunswick Naval Air Station Job Increment Financing Fund will not be sufficient to support the estimated costs of establishing and operating the Midcoast Campus, MCCC is seeking to identify and secure alternative sources of funding. The ability of MCCC to secure other funding sources, other than General Fund appropriations, to support the operating costs of the Midcoast Campus can not be determined at this time.

The Maine Community College System has also identified approximately \$4,800,000 in costs for renovations of certain buildings located at the Brunswick Naval Air Station that will be used to house the higher education engineering and economic development center. Public Law 2009, chapter 414, An Act To Authorize Bond Issues for Ratification by the Voters for the November 2009 and June 2010 Elections, includes a request for \$4,750,000 for this purpose and will be presented to the voters as part of the June 2010 referendum. If this measure is not approved by the voters, additional General Fund appropriations to the Maine Community College System will be required for the capital costs associated with establishing the Midcoast Campus.

Any additional costs to the Bureau of Revenue Services associated with calculating job tax increments and related tasks can be absorbed within existing budgeted resources.