

MAINE STATE LEGISLATURE

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REP. MARK W. EVES
CHAIR

SEN. JUSTIN L. ALFOND
VICE-CHAIR

EXECUTIVE DIRECTOR
DAVID E. BOULTER



SEN. TROY D. JACKSON
SEN. MICHAEL D. THIBODEAU
SEN. ANNE M. HASKELL
SEN. ROGER J. KATZ
REP. SETH A. BERRY
REP. KENNETH W. FREDETTE
REP. JEFFREY M. MCCABE
REP. ALEXANDER R. WILLETTE

126TH MAINE STATE LEGISLATURE

LEGISLATIVE COUNCIL

**126th Legislature
Legislative Council**

**Thursday, February 27, 2014
2:30 PM**

REVISED AGENDA

<u>Page</u>	<u>Item</u>	<u>Action</u>
	CALL TO ORDER	
	ROLL CALL	
1	SUMMARY OF THE JANUARY 23, 2013 MEETING OF THE LEGISLATIVE COUNCIL	Acceptance
	REPORTS FROM EXECUTIVE DIRECTOR AND STAFF OFFICE DIRECTORS	
❖ 12	<ul style="list-style-type: none">Executive Director's Report (Mr. Boulter)	Information
❖ 13	<ul style="list-style-type: none">Fiscal Report (Mr. Pennoyer)	Information
	REPORTS FROM COUNCIL COMMITTEES	
	<ul style="list-style-type: none">Personnel Committee<ul style="list-style-type: none">Reappointment of John R. Barden as Director of the Law and Legislative Reference LibraryState House Facilities Committee (No Report)	
	OLD BUSINESS	
18	Item #1: Council Actions Taken By Ballot (No Action Required)	Information

NEW BUSINESS

❖ 19	Item #1:	Consideration of After Deadline Bill Requests	Roll Call Vote
23	Item #2:	Submission of the Annual Report of the Midcoast Regional Redevelopment Authority (December 2013)	Acceptance
37	Item #3:	Submission of the State of Maine Compendium of State Fiscal Information (Office of Fiscal and Program Review, January 2014)	Acceptance
45	Item #4:	Consideration of an Exception to the Legislative Council's Policy on the Use of the Hall of Flags for Franco-American Day (Request by Senator Jackson and Representative Berry)	Decision
49	Item #5:	Submission of the 2013 Annual Report on Activities and Performance (Office of Program Evaluation and Government Accountability, February 2014, Ms. Ashcroft)	Acceptance
73	Item #6:	Invitation to the 2014 Maine STEM Summit, March 28, 2014	Information
❖ 74	Item #7:	Notice of Significant Audit Findings in the Single Audit of the State of Maine (Office of the State Auditor)	Information
❖ 77	Item #8:	Addendum to Report Accepted by the Legislative Council on January 23, 2014 (Commission to Study the State Board of Corrections and the Unified County Corrections System)	Acceptance
	Item #9:	Executive Session	

ANNOUNCEMENTS AND REMARKS

ADJOURNMENT

REP. MARK W. EVES
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**LEGISLATIVE COUNCIL
MEETING SUMMARY
January 23, 2014**

CALL TO ORDER

Legislative Council Chair Mark Eves called the January 23, 2014 Legislative Council meeting to order at 2:07 p.m. in the Legislative Council Chamber.

ROLL CALL

Senators:	President Alfond, Senator Jackson, Senator Haskell and Senator Thibodeau
Absent:	Senator Katz arrived after the start of the meeting
Representatives:	Speaker Eves, Representative Berry and Representative McCabe
Absent:	Representative Fredette and Representative Willette
Legislative Officers:	David E. Boulter, Executive Director of the Legislative Council Darek Grant, Secretary of the Sentate Millicent MacFarland, Clerk of the House Robert Hunt, Assistant Clerk of the House Jackie Little, Human Resources Director Marion Hylan Barr, Director, Office of Policy and Legal Analysis Grant Pennoyer, Director, Office of Fiscal and Program Review Suzanne Gresser, Revisor of Statutes John Barden, Director, Law and Legislative Reference Library Scott Clark, Director, Legislative Information Technology

Speaker Eves convened the meeting at 2:07 p.m. with a quorum of members present.

Legislative Council Chair Eves asked if there was any objection to taking an item out of order. There was no objection. The Chair then moved to **New Business, Item 1.**

NEW BUSINESS

Item #1: Consideration of After Deadline Bill Requests / Addendum

The Legislative Council considered and voted on the bill requests in accordance with the established protocol. Of the 28 bill requests, the council authorized 11 requests for introduction in the 2nd Regular Session of the 126th Legislature, 2 failed to be authorized, 5 were tabled until a future Legislative Council meeting and the Legislative Council took no action on 6 requests previously tabled. Of the 2 joint resolutions, the council 2 were tabled until a future Legislative Council meeting. The Legislative Council's actions on the requests are included on the attached list.

The Legislative Council then returned to the other items on its agenda.

SUMMARY OF DECEMBER 19, 2013 MEETING OF LEGISLATIVE COUNCIL

Motion: That the Meeting Summary for December 19, 2013 be accepted and placed on file. Motion by Senator Haskell. Second by President Alfond. **Motion passed unanimous (6-0-0-4, with Senators Jackson and Katz and Representatives Fredette and Willette absent).**

REPORTS FROM EXECUTIVE DIRECTOR AND COUNCIL OFFICES

Executive Director's Report

David Boulter, Executive Director, reported on the following:

1. Piping Failures in the State House

The investigation into the numerous failures of piping of the HVAC in the State House has concluded. The results indicate that the leaks are due to accelerated corrosion of pipe joints, joint failures and some improperly installed piping, piping supports or insulation.

Immediate repair of high risk areas has been completed and a systematic repair or replacement of piping and valves, and other repairs are planned to be conducted following the legislative session this year.

2. 2014 Copper Roofing Project

Preparation is underway for replacement of the copper of the State House dome. Technical drawings and specifications have been completed. Sub-contractor interviews were conducted, bids were received and sub-contractor selection is being finalized. Work is anticipated to begin in late March 2014 and to continue into October 2014.

3. MDF Breakfast Forums

The Maine Development Foundation has held two of its scheduled policy forums for Legislators. The last two policy forums are scheduled for next week (January 28th and 30th). According to MDF, the policy forums have been attended by about 30 Legislators per session.

Representative McCabe inquired about spring weather conditions that might delay the work schedule. Mr. Boulter responded that the construction management firm is aware of the unpredictability of March and April weather and considered that in its schedule. Some of the initial work will involve preparation, such as scaffold erection, rather than roof work itself.

President Alfond asked if there is any estimate at this time of the cost to replace the at-risk piping in the building. Mr. Boulter responded that no estimate is currently available since the initial work was investigation into the cause and extent of the piping failures. The next level of assessment is the cost to repair, and it is anticipated that repair or replacement of the flexible piping and fittings will be the most costly. He anticipated that the State House Facilities Committee would be reviewing the issue before any large scale retrofitting takes place.

Fiscal Report

Grant Pennoyer, Director, Office of Fiscal and Program Review, reported on the following:

Revenue Update

Total General Fund Revenue - FY 2014 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
December	\$243.5	\$248.6	\$5.1	2.1%	\$240.2	3.5%
FYTD	\$1,355.1	\$1,356.3	\$1.2	0.1%	\$1,304.7	4.0%

General Fund revenue was ahead of budget projections by \$5.1 million (2.1%) in December and \$1.2 million (0.1%) for the first half of the fiscal year. The positive variances now reflect the revised December revenue forecast, which increased budgeted revenue for FY 2014 by \$12.7 million. December's positive variance was due to positive variances in the Individual Income Tax and Sales and Use Tax categories; projections for both of these categories were increased in the December revenue forecast.

The Individual Income Tax \$6.6 million positive variance was primarily due to higher than projected final payments and lower than projected refund activity. The fourth estimated payments for the 2013 tax year, due by January 15th, were \$0.5 million (2.0%) over budget in December. This positive performance will be assessed with January's performance to determine whether the spike in these payments earlier this fall would likely translate into an upward revision for this category in the March 2014 revenue forecast.

The Sales and Use Tax was over budget despite a slowing of the strong growth of automobile and building supply sectors earlier this fall. Other retail sectors showed improved growth for the beginning of the holiday shopping season.

Some areas of concern include the Corporate Income Tax, which was under budget by \$2.7 million in December, and the Business Equipment Tax Exemption transfers from the General Fund, which have exceeded projections have resulted in a \$3.2 million negative variance through December.

Highway Fund Revenue Update

Total Highway Fund Revenue - FY 2014 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
December	\$22.2	\$22.4	\$0.2	1.0%	\$21.2	5.8%
FYTD	\$139.4	\$142.9	\$3.5	2.5%	\$145.3	-1.7%

Highway Fund revenue was over budget by \$0.2 million (1.0%) in December and \$3.5 million (2.5%) for the fiscal year through December. The FY 2014 \$0.7 million increase in Highway Fund budgeted revenue in the December revenue forecast is now reflected in these variances. The Fuel Taxes category, which was not revised in the December revenue forecast, was over budget again in December and has a \$3.5 million positive variance for the fiscal half of the fiscal year.

Cash Update

December cash balances fell below last year's balances and General Fund internal borrowing in December increased above last year's levels. The General Fund decline was expected due to the negative cash effects of the \$98.5 million Other Special Revenue borrowing in the biennial budget to balance FY 2014. The December Highway Fund average cash balance dropped below \$4.0 million due to a change from quarterly payments to a single annual payment by December 1st for the Local Road Assistance program. Highway Fund cash balances should recover from this temporary drop due to normal off-season reductions in demand for highway and bridge spending.

Interim Legislative Studies Report

Marion Hylan Barr, Director, Office of Policy and Legal Analysis, provided a report as to the current status of the interim legislative studies and commissions. (Refer to status report in preliminary agenda materials.) She reported that all the groups have finished their work with the exception of two: the Criminal Code Revision Commission, which has completed its meetings and its report which is legislation is being processed; and the Forensic Mental Health Services Oversight Committee which has a pending request before the Council. Final reports are accessible on the Legislature's website.

REPORTS FROM COUNCIL COMMITTEES

1. Personnel Committee

Legislative Council Chair Eves reported that the Personnel Committee held a meeting earlier today, January 23, 2014 to consider a request by a legislative employee for temporary disability income benefits. The request was consistent with the provisions for temporary disability income benefits under the Legislative Council's personnel policies and guidelines. Upon the recommendation of the Executive Director, the committee voted unanimously to approve the request. No Legislative Council action is required.

All other items on the Personnel Committee agenda were tabled to a future meeting.

2. State House Facilities Committee

No report

OLD BUSINESS

Item #1: Council Actions Taken by Ballot Since the December 19, 2013 Council Meeting

Requests for Introduction of Legislation:

LR 2719 An Act to Establish a Cold Case Homicide Department in the Office of the Attorney General

Submitted by: Representative Stephen Stanley
Approved: January 7, 2014 Vote: 7-2-1-0 in favor (with Senators Thibodeau and Katz opposed, and Representative Fredette abstained)

LR 2724 Resolve, To Create a State-run Virtual Academy Providing Maine Students with Access to Online Learning through their Existing School Districts

Submitted by: Senator Brian Langley
Approved: January 8, 2014 Vote: 10-0 in favor

LR 2727 An Act to Create New Jobs and Expand Consumer Choice for Wine

Submitted by: Representative Sara Gideon
Approved: January 16, 2014 Vote: 10-0 in favor

Legislative Council Decisions:

That the Legislative Council authorize expenditures of up to \$5,000 for the cost of food and related supplies for a reception for former U.S. Senator George J. Mitchell in the State House on Tuesday, January 28, 2014.

Motion by: Representative Mark Eves
Second by: Senator Justin Alford
Approved: January 14, 2014 Vote: 10-0 in favor

NEW BUSINESS

Items #2-10: Acceptance of Reports

Speaker Eves recommended that New Business Items #2 through 10 (submission of reports) be considered as a group. The following reports have been submitted for acceptance:

- Preliminary Report of the Maine Health Exchange Advisory Committee (December 2013)
- Final Report of the Commission to Study the incidence of and Mortality Related to Cancer (December 2013)
- Final Report of the Commission to Study Long-term Care Facilities (December 2013)
- Final Report of the Commission to Study Transparency, Costs and Accountability of Health Care System Financing (December 2013)
- Eighth Annual Report of the Right to Know Advisory Committee (January 2014)
- Annual Progress Report on Public Law 2005, Chapter 1, aka "LD 1" (Governor's Office of Policy and Management)

- Final Report of the Commission to Establish a Competitive Bidding Process for the Operation of Future Casinos and Slot Machine Facilities (January 2014)
- Overpayment Recovery Audit (State Controller's Office)
- Report of the Commission to Study the Board of Corrections and the Unified County Corrections Systems (December 2013)

Motion: That the Legislative Council accept and place on file the reports identified in items 2-10 on the Legislative Council agenda. Motion by President Alfond. Second by Representative Berry. **Motion passed unanimous (7-0-0-3, with Senators Jackson, and Representatives Fredette and Willette absent).**

Item #11: Request for Extension of Reporting Date and Permission to Meet during the week of February 10, 2014 (Forensic Mental Health Services Oversight Committee)

The Forensic Mental Health Services Oversight Committee submitted a request for approval to hold one additional meeting during the week of February 10, 2014. In addition, the committee requested an extension of its deadline to submit its final report and recommendations from January 15th to February 24, 2014.

Motion: That the Legislative Council approve the request by the Forensic Mental Health Services Oversight Committee to hold an additional meeting during the week of February 10, 2014 and to extend its final report deadline to February 24, 2014. Motion by President Alfond. Second by Representative McCabe. **Motion passed unanimous (6-0-0-4, with Senators Jackson and Thibodeau and Representatives Fredette and Willette absent).**

Item #12: Executive Session

Motion: That, in accordance with 1 MRSA, Section 405, subsection 6, the Legislative Council enter into an executive session for the purposes of discussing collective bargaining negotiations between the employee representative for the Administrative Unit of Legislative Employees and the Legislative Council, and discussing collective bargaining negotiations between the employee representative for the Independent Association of Nonpartisan Legislative Professionals and the Legislative Council. Motion by Senator Alfond. Second by Senator Haskell. **Motion passed unanimous (6-0-0-4, with Senators Jackson and Thibodeau and Representatives Fredette and Willette absent).**

The Legislative Council entered into an executive session at 2:50 p.m. At the conclusion of its executive session, on a motion by Representative Berry, seconded by President Alfond, the Legislative Council voted unanimously to end its executive session at 3:14 p.m. and reconvene its regular meeting.

President Alfond then offered the following motion:

Motion: That the Legislative Council authorize its Executive Director to enter into negotiations with the bargaining agent for the Independent Association of Nonpartisan Legislative Professionals (IANLP) over terms and conditions of employment for legislative employees in the IANLP bargaining unit. Motion by Senator Alfond. Second by Representative Berry. **Motion passed unanimous (7-0-0-3, with Senator Jackson and Representatives Fredette and Willette absent).**

ANNOUNCEMENTS AND REMARKS

With no other business to consider or announcements, the Legislative Council meeting was adjourned at 3:15 p.m.

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**126th Maine State Legislature
Legislative Council
Action taken on
Requests to Introduce Legislation
Second Regular Session
As of: 1/23/2014**

SPONSOR: Pres. Justin L. Alfond

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2706	An Act To Disclose the Status of School Construction Projects	Tabled 1/23/14

SPONSOR: Rep. Janice E. Cooper

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2730	An Act To Revise the Description of Commercial Fishing Vessels That Are Exempt from Attachment and Seizure	PASSED

SPONSOR: Rep. Eleanor M. Espling

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2714	An Act To Allow Medical Expenses To Be Exempted from the \$27,500 Income Tax Deduction Limit	FAILED
2742	An Act To Standardize the Vehicle Inspection Program across the State	Tabled 1/23/14

SPONSOR: Rep. Lori Fowle

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2712	An Act To Amend the Laws Governing Charitable Solicitations	PASSED

SPONSOR: Rep. Anne P. Graham

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2754	An Act Concerning Certain Issues Related to Recommendations of the Subcommittee on Abandoned and Discontinued Roads	Tabled 1/23/14

SPONSOR: Rep. Lance E. Harvell

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2716	An Act To Amend the Laws Governing the Location of Motor Vehicle Excise Tax Collection for Motor Vehicles Owned by Public Utilities	PASSED

SPONSOR: Sen. Troy D. Jackson

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2699	An Act To Amend the Process for Pursuing Small Claims in Court	Tabled 1/23/14

2700	An Act To Make Consistent the Sales Tax Imposed on Various Fuels Used To Heat Buildings for Human Habitation	PASSED
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SPONSOR: Sen. Christopher K. Johnson

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2739	An Act To Clarify and Update a Nurse's Ability To Administer Medication	PASSED

SPONSOR: Sen. Brian D. Langley

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2711	An Act To Authorize a General Fund Bond Issue To Purchase the Bar Harbor Ferry Terminal	PASSED

SPONSOR: Rep. Louis J. Luchini

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2758	An Act To Allow Veterans To Move to Maine To Qualify for In-state Tuition	PASSED

SPONSOR: Rep. William F. Noon

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2736	An Act To Allow the Sale of Unregulated Dairy Products at the Site of Production	PASSED

SPONSOR: Rep. Matthew G. Pouliot

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2696	An Act To Reduce the State's Costs of Nursing Homes and Emergency Hospital Care For Maine's Elderly	FAILED

SPONSOR: Sen. Thomas B. Saviello

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2755	An Act To Redefine "Septic System" for Purposes of the Shoreland Zoning Laws	PASSED

SPONSOR: Sen. John L. Tuttle, Jr

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2726	An Act To Allow a Second Liquor Store in Certain Towns	Tabled 1/23/14

SPONSOR: Rep. Alexander R. Willette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2702	An Act To Increase the Penalty for an Assault on a Health Care Worker	Tabled 1/23/14

SPONSOR: Sen. Edward M. Youngblood

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2741	An Act To Amend the Law Regarding Tidal Energy Demonstration Projects	Tabled 1/23/14

JOINT RESOLUTION

SPONSOR: Rep. Justin Mark Chenette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2458	JOINT RESOLUTION URGING THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES TO RECONSIDER ITS DEFERRAL ON BLOOD DONATIONS FROM GAY MEN	Tabled 1/23/14

SPONSOR: Rep. Diane Russell

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2326	JOINT RESOLUTION MEMORIALIZING THE FEDERAL GOVERNMENT TO ENACT LAWS SAFEGUARDING THE PRIVACY OF AMERICANS AS IT RELATES TO GOVERNMENT SURVEILLANCE PROGRAMS	Tabled 1/23/14

TABLED BY THE LEGISLATIVE COUNCIL

SPONSOR: Sen. John J. Cleveland

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2623	An Act To Assist Electric Utility Ratepayers	Tabled 10/31/13

SPONSOR: Rep. Kenneth W. Fredette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2509	An Act To Expand the Maine New Markets Capital Investment Program	Tabled 11/21/13

SPONSOR: Sen. Stanley J. Gerzofsky

<u>LR #</u> 2302	- <u>Title</u> An Act To Provide Enforcement Authority to the State Board of Corrections	- <u>Action</u> Tabled 10/31/13
2506	An Act Regarding the Involuntary Medication of an Inmate at a Correctional Facility	Tabled 11/21/13
SPONSOR:	Sen. Roger J. Katz	
<u>LR #</u> 2694	- <u>Title</u> An Act to Prohibit Providers of Cloud Computing Service to Primary and Secondary Educational Institutions from Processing Student Data for Commercial Purposes	- <u>Action</u> Tabled 11/21/13 PASSED 1/23/14
SPONSOR:	Sen. Colleen M. Lachowicz	
<u>LR #</u> 2491	- <u>Title</u> An Act Relating to Nursing Home and Hospice Patients and Medical Marijuana Use	- <u>Action</u> Tabled 11/21/13 PASSED 1/23/14
SPONSOR:	Rep. Jeff M. McCabe	
<u>LR #</u> 2524	- <u>Title</u> An Act To Clarify County Jail Debt Financing	- <u>Action</u> Tabled 10/31/13
SPONSOR:	Rep. Robert J. Saucier	
<u>LR #</u> 2477	- <u>Title</u> An Act To Restore Confidence in Maine Campaign Finance Laws	- <u>Action</u> Tabled 11/21/13
SPONSOR:	Rep. Michael A. Shaw	
<u>LR #</u> 2248	- <u>Title</u> An Act To Enhance Freedom of Access	- <u>Action</u> Tabled 11/21/13
SPONSOR:	Rep. Corey S. Wilson	
<u>LR #</u> 2374	- <u>Title</u> An Act To Grant the State Board of Corrections Authority To Approve Wages, Benefits and Budgets for Correctional Facilities	- <u>Action</u> Tabled 11/21/13



MAINE STATE LEGISLATURE

OFFICE OF THE EXECUTIVE DIRECTOR
LEGISLATIVE COUNCIL

Legislative Council

**Executive Director's Report
February 27, 2014**

1. NCSL Visit to Maine

Representatives of the National Conference of State Legislatures (NCSL) will be in Maine from March 18th - 20th to meet with members of Leadership, other Legislators and staff. The visit is part of NCSL's yearly effort to visit member state legislatures.

2. Change in Custodial Work Schedules

The Bureau of General Services has notified us that it intends to eliminate its 3rd shift for custodians (10:30 pm – 6:30 am). This change will affect the State House since much of the cleaning of the chambers and offices occurs at night when the building is not occupied. I have requested that the elimination of the 3rd shift not take effect until the 2nd regular session adjourns *sine die*.

3. Natural Gas to Fuel State House Campus

The Bureau of General Services announced that as of Tuesday, February 25th, the State had converted from No. 2 fuel oil to natural gas as the fuel source to heat and cool the State House campus (including the State House and the Cross Building).

A gas pipeline to the Cross Building was installed last fall and boilers and chimneys were retrofitted over the past several months to convert them to methane use.

4. New Employee Orientation

The Executive Director's office held an orientation on February 21st for 16 new employees in the Legislature. The employees were provided information on administrative and security procedures, computer use policies, and sexual harassment and violence in the workplace response policies.

Fiscal Briefing

Legislative Council Meeting

February 27, 2014

Prepared by the Office of Fiscal & Program Review

1. General Fund Revenue Update (also see attached)

Total General Fund Revenue - FY 2014 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
January	\$294.0	\$298.8	\$4.8	1.6%	\$302.7	-1.3%
FYTD	\$1,649.1	\$1,655.1	\$6.0	0.4%	\$1,607.4	3.0%

General Fund revenue was over budget by \$4.8 million (1.6%) in January and \$6.0 million (0.4%) for the fiscal year through January. Most of the major taxes are very close to budget.

The only significant negative variances are the Estate Tax and Transfers from the Lottery Commission. The Estate Tax was under budget for the fiscal year by \$3.6 million. This negative variance could be offset by year's end by the normal few larger estate tax filings. Lottery transfers are under budget by \$2.5 million for the fiscal year. These transfers are not expected to recover and offset the negative variance within this fiscal year.

2. Highway Fund Revenue Update (also see attached)

Total Highway Fund Revenue - FY 2014 (\$'s in Millions)

	Budget	Actual	Var.	% Var.	Prior Year	% Growth
January	\$25.8	\$26.7	\$0.8	3.2%	\$26.1	2.3%
FYTD	\$165.2	\$169.5	\$4.3	2.6%	\$171.4	-1.1%

Highway Fund revenue was over budget by \$0.8 million (3.2%) in January and \$4.3 million (2.6%) for the fiscal year through January. The Fuel Taxes category was over budget by \$4.3 million through January accounting for almost all of this positive.

3. Cash Update

Average cash balances for January showed an improvement after falling below last year's balances in December. The General Fund, which was expected to decline below last year's level, rebounded in January. Highway Fund balances improved in January, recovering from the significant annual Local Road Assistance payment at the beginning of December.

4. Revenue Forecasting Update (also see attached)

With only very small adjustments in the updated economic forecast by the Consensus Economic Forecasting Commission (CEFC) and revenue performing close to or above budgeted levels, the Revenue Forecasting Committee (RFC) recommended the following modest net changes to budgeted revenue:

- General Fund revenue was revised upward by approximately \$2.3 million for the current biennium. Revenue from Liquor Sales and Operations and the net effect of an increase of projected milk prices were the largest contributors to the General Fund net increase;
- Highway Fund revenue was increased by \$3.5 million for the current biennium primarily from recognizing recent positive Gasoline Tax revenue variances;
- Fund for a Healthy Maine revenue was increased by \$7.6 million for the current biennium from updated projections of tobacco settlement payments and the recognition of the receipt of certain disputed payments; and
- MaineCare Dedicated Revenue Taxes were revised downward by \$7.2 million for the current biennium from revised estimates of taxes on hospital and private non-medical institutions.

Summary of March 2014 Revenue Forecast

General Fund Summary

	FY12 Actual	FY13 Actual	FY14	FY15	FY16	FY17
Current Forecast	\$3,015,538,222	\$3,094,383,842	\$3,074,377,614	\$3,275,813,158	\$3,141,373,000	\$3,254,534,076
Annual % Growth		2.6%	-0.6%	6.6%	-4.1%	3.6%
Net Increase (Decrease)			(\$223,125)	\$2,488,233	\$63,134	(\$636,866)
Revised Forecast	\$3,015,538,222	\$3,094,383,842	\$3,074,154,489	\$3,278,301,391	\$3,141,436,134	\$3,253,897,210
Annual % Growth		2.6%	-0.7%	6.6%	-4.2%	3.6%

2014-2015
Totals

\$2,265,108

Highway Fund Summary

	FY12 Actual	FY13 Actual	FY14	FY15	FY16	FY17
Current Forecast	\$317,202,409	\$318,825,700	\$308,575,863	\$306,789,766	\$306,422,199	\$306,042,627
Annual % Growth		0.5%	-3.2%	-0.6%	-0.1%	-0.1%
Net Increase (Decrease)			\$1,691,348	\$1,786,974	\$1,800,475	\$1,786,975
Revised Forecast	\$317,202,409	\$318,825,700	\$310,267,211	\$308,576,740	\$308,222,674	\$307,829,602
Annual % Growth		0.5%	-2.7%	-0.5%	-0.1%	-0.1%

\$3,478,322

Fund for a Healthy Maine Summary

	FY12 Actual	FY13 Actual	FY14	FY15	FY16	FY17
Current Forecast	\$55,516,906	\$50,992,315	\$54,705,782	\$54,340,982	\$53,861,451	\$53,384,108
Annual % Growth		-8.1%	7.3%	-0.7%	-0.9%	-0.9%
Net Increase (Decrease)			\$1,214,994	\$6,343,549	\$833,155	\$890,662
Revised Forecast	\$55,516,906	\$50,992,315	\$55,920,776	\$60,684,531	\$54,694,606	\$54,274,770
Annual % Growth		-8.1%	9.7%	8.5%	-9.9%	-0.8%

\$7,558,543

Medicaid/MaineCare Dedicated Revenue Taxes Summary

	FY12 Actual	FY13 Actual	FY14	FY15	FY16	FY17
Current Forecast	\$151,925,600	\$153,241,054	\$172,021,517	\$172,021,517	\$172,021,517	\$172,021,517
Annual % Growth		0.9%	12.3%	0.0%	0.0%	0.0%
Net Increase (Decrease)			(\$3,583,841)	(\$3,583,841)	(\$3,583,841)	(\$3,583,841)
Revised Forecast	\$151,925,600	\$153,241,054	\$168,437,676	\$168,437,676	\$168,437,676	\$168,437,676
Annual % Growth		0.9%	9.9%	0.0%	0.0%	0.0%

(\$7,167,682)

Summary of March 2014 Revenue Forecast

General Fund Revenue
Fiscal Year Ending June 30, 2014 (FY 2014)
January 2014 Revenue Variance Report

Revenue Category				Fiscal Year-To-Date					FY 2014 Budgeted Totals
	January '14 Budget	January '14 Actual	January '14 Variance	Budget	Actual	Variance	Variance %	% Change from Prior Year	
Sales and Use Tax	102,778,743	105,368,761	2,590,018	583,686,706	588,402,289	4,715,583	0.8%	10.8%	1,108,677,783
Service Provider Tax	4,482,415	4,432,728	(49,687)	24,561,258	24,325,974	(235,284)	-1.0%	-3.2%	49,317,427
Individual Income Tax	170,006,486	165,891,144	(4,115,342)	825,624,921	828,071,175	2,446,254	0.3%	-5.3%	1,380,685,000
Corporate Income Tax	619,000	5,661,738	5,042,738	82,275,164	84,601,488	2,326,324	2.8%	10.8%	169,706,958
Cigarette and Tobacco Tax	10,700,493	10,732,810	32,317	81,115,776	82,086,693	970,917	1.2%	-0.6%	135,900,000
Insurance Companies Tax	48,309	(86,116)	(134,425)	13,186,780	12,840,921	(345,859)	-2.6%	-10.9%	80,715,000
Estate Tax	2,109,365	1,950,251	(159,114)	12,788,430	9,178,449	(3,609,981)	-28.2%	-69.9%	27,553,982
Other Taxes and Fees *	10,185,163	11,083,991	898,828	68,417,813	70,439,728	2,021,915	3.0%	-9.3%	127,884,891
Fines, Forfeits and Penalties	1,664,519	1,773,123	108,604	13,291,724	12,927,697	(364,027)	-2.7%	-2.8%	23,431,666
Income from Investments	(2,740)	15,594	18,334	114,273	153,221	38,948	34.1%	98.3%	13,818
Transfer from Lottery Commission	4,288,457	2,977,568	(1,310,889)	32,163,457	29,710,510	(2,452,947)	-7.6%	-3.0%	55,750,000
Transfers to Tax Relief Programs *	(10,704,627)	(9,007,668)	1,696,959	(58,255,544)	(58,323,031)	(67,487)	-0.1%	42.8%	(61,540,498)
Transfers for Municipal Revenue Sharing	(5,295,904)	(5,701,275)	(405,371)	(37,518,636)	(37,924,005)	(405,369)	-1.1%	29.3%	(64,795,934)
Other Revenue *	3,138,591	3,682,182	543,591	7,649,704	8,560,911	911,207	11.9%	24.5%	41,077,521
Totals	294,018,270	298,774,831	4,756,561	1,649,101,826	1,655,052,020	5,950,194	0.4%	3.0%	3,074,377,614

* Additional detail by subcategory for these categories is presented on the following page.

General Fund Revenue
Fiscal Year Ending June 30, 2014 (FY 2014)
January 2014 Revenue Variance Report

Revenue Category	January '14 Budget	January '14 Actual	January '14 Variance	Fiscal Year-To-Date					FY 2014 Budgeted Totals
				Budget	Actual	Variance	Variance %	% Change from Prior Year	
Detail of Other Taxes and Fees:									
- Property Tax - Unorganized Territory	0	0	0	11,970,000	11,999,965	29,965	0.3%	24.3%	13,584,806
- Real Estate Transfer Tax	905,307	1,001,613	96,306	4,961,470	5,221,851	260,381	5.2%	-3.9%	9,176,840
- Liquor Taxes and Fees	1,714,948	1,560,707	(154,241)	12,060,644	12,985,414	924,770	7.7%	8.5%	20,818,837
- Corporation Fees and Licenses	273,575	271,253	(2,322)	1,615,749	1,675,278	59,529	3.7%	-1.2%	8,313,649
- Telecommunication Excise Tax	0	0	0	0	(1,169,972)	(1,169,972)	N/A	-189.7%	8,000,000
- Finance Industry Fees	2,528,653	2,714,000	185,347	14,708,636	15,741,500	1,032,864	7.0%	9.0%	24,851,990
- Milk Handling Fee	104,859	90,741	(14,118)	679,645	650,634	(29,011)	-4.3%	-64.6%	1,203,936
- Racino Revenue	732,706	741,373	8,667	5,294,340	5,187,570	(106,770)	-2.0%	-38.3%	8,957,869
- Boat, ATV and Snowmobile Fees	356,539	371,456	14,917	2,084,002	2,082,960	(1,042)	-0.1%	-3.4%	4,523,561
- Hunting and Fishing License Fees	2,279,675	2,958,437	678,762	9,769,527	10,626,569	857,042	8.8%	4.1%	16,101,822
- Other Miscellaneous Taxes and Fees	1,288,901	1,374,410	85,509	5,273,800	5,437,959	164,159	3.1%	-55.8%	12,351,581
Subtotal - Other Taxes and Fees	10,185,163	11,083,991	898,828	68,417,813	70,439,728	2,021,915	3.0%	-9.3%	127,884,891
Detail of Other Revenue:									
- Liquor Sales and Operations	1,534	5,550	4,016	10,736	27,440	16,704	155.6%	117.8%	8,408,196
- Targeted Case Management (DHHS)	176,028	174,882	(1,146)	1,232,194	1,231,740	(454)	0.0%	21.6%	2,112,332
- State Cost Allocation Program	1,485,392	1,598,727	113,335	10,749,415	11,119,736	370,321	3.4%	22.0%	18,296,833
- Unclaimed Property Transfer	0	0	0	0	0	0	N/A	N/A	6,015,000
- Tourism Transfer	0	0	0	(10,381,884)	(10,381,884)	0	0.0%	-4.5%	(10,381,884)
- Transfer to Maine Milk Pool	0	0	0	(282,242)	0	282,242	100.0%	100.0%	(282,242)
- Transfer to STAR Transportation Fund	0	0	0	(6,069,901)	(6,069,901)	0	0.0%	1.1%	(6,069,901)
- Other Miscellaneous Revenue	1,475,637	1,903,022	427,385	12,391,386	12,633,780	242,394	2.0%	-11.8%	22,979,187
Subtotal - Other Revenue	3,138,591	3,682,182	543,591	7,649,704	8,560,911	911,207	11.9%	24.5%	41,077,521
Detail of Transfers to Tax Relief Programs:									
- Me. Resident Prop. Tax Program (Circuitbreaker)	(1,000)	872	1,872	(757,484)	(755,992)	1,492	0.2%	97.9%	(760,000)
- BETR - Business Equipment Tax Reimb.	(9,154,649)	(8,917,110)	237,539	(35,666,997)	(34,031,444)	1,635,553	4.6%	24.6%	(38,205,000)
- BETE - Municipal Bus. Equip. Tax Reimb.	(1,548,978)	(91,430)	1,457,548	(21,831,063)	(23,535,595)	(1,704,532)	-7.8%	-13.6%	(22,575,498)
Subtotal - Tax Relief Transfers	(10,704,627)	(9,007,668)	1,696,959	(58,255,544)	(58,323,031)	(67,487)	-0.1%	42.8%	(61,540,498)
Inland Fisheries and Wildlife Revenue - Total	2,727,261	3,486,365	759,104	12,434,209	13,416,308	982,099	7.9%	2.4%	21,532,511

Highway Fund Revenue
Fiscal Year Ending June 30, 2014 (FY 2014)

January 2014 Revenue Variance Report

Revenue Category	January '14 Budget	January '14 Actual	January '14 Variance	Fiscal Year-To-Date					FY 2014 Budgeted Totals
				Budget	Actual	Variance	% Variance	% Change from Prior Year	
Fuel Taxes:									
- Gasoline Tax	15,162,881	15,852,499	689,618	99,944,569	102,725,870	2,781,301	2.8%	0.8%	188,780,000
- Special Fuel and Road Use Taxes	3,546,009	3,688,723	142,714	22,413,896	24,378,611	1,964,715	8.8%	5.7%	42,980,000
- Transcap Transfers - Fuel Taxes	(1,374,545)	(1,439,117)	(64,572)	(10,549,729)	(10,950,006)	(400,277)	-3.8%	-1.9%	(17,027,938)
- Other Fund Gasoline Tax Distributions	(379,179)	(396,423)	(17,244)	(2,920,686)	(2,992,769)	(72,083)	-2.5%	-0.7%	(4,720,822)
Subtotal - Fuel Taxes	16,955,166	17,705,682	750,516	108,888,050	113,161,706	4,273,656	3.9%	1.7%	210,011,240
Motor Vehicle Registration and Fees:									
- Motor Vehicle Registration Fees	4,584,377	4,518,650	(65,727)	36,169,695	36,466,655	296,960	0.8%	1.3%	65,659,536
- License Plate Fees	115,477	94,511	(20,966)	1,841,334	1,928,935	87,601	4.8%	4.5%	3,351,681
- Long-term Trailer Registration Fees	1,357,335	1,327,677	(29,658)	3,845,872	3,916,585	70,713	1.8%	-2.5%	9,384,523
- Title Fees	1,096,943	989,070	(107,873)	7,346,008	7,600,942	254,934	3.5%	-41.5%	12,843,660
- Motor Vehicle Operator License Fees	743,530	586,889	(156,641)	4,872,074	4,698,017	(174,058)	-3.6%	-5.2%	8,522,204
- Transcap Transfers - Motor Vehicle Fees	0	0	0	(7,608,626)	(7,751,270)	(142,644)	-1.9%	17.0%	(15,398,687)
Subtotal - Motor Vehicle Reg. & Fees	7,897,662	7,516,797	(380,865)	46,466,357	46,859,863	393,506	0.8%	-7.2%	84,362,917
Motor Vehicle Inspection Fees	345,215	711,362	366,147	2,276,005	1,961,401	(314,605)	-13.8%	-13.6%	2,982,500
Other Highway Fund Taxes and Fees	71,518	81,297	9,779	751,011	687,506	(63,505)	-8.5%	-2.9%	1,313,165
Fines, Forfeits and Penalties	67,825	67,436	(389)	609,001	605,785	(3,216)	-0.5%	-3.7%	1,007,998
Interest Earnings	8,286	1,080	(7,206)	59,392	32,388	(27,004)	-45.5%	-25.6%	100,825
Other Highway Fund Revenue	477,086	574,957	97,871	6,147,041	6,235,083	88,042	1.4%	3.4%	8,797,218
Totals	25,822,758	26,658,610	835,852	165,196,857	169,543,732	4,346,875	2.6%	-1.1%	308,575,863

**Legislative Council Actions
Taken by Ballot Since the
January 23, 2014 Council Meeting**

Requests for Introduction of Legislation:

LR 2776 An Act to Amend Tidal Energy Demonstration Project Laws

Submitted by: Senator Edward Youngblood
Approved: February 4, 2014 Vote: 10-0 in favor

**LR 2785 An Act To Make Available to the Public Certain Information Concerning
the Alcohol Content of Malt Liquor**

Submitted by: Representative Louis Luchini
Approved: February 4, 2014 Vote: 7-3 in favor (with Senator Thibodeau, and
Representatives Fredette and Willette opposed)

**LR 2790 An Act to Designate Maine State Housing Authority to Receive the National
Housing Trust Fund**

Submitted by: Senator John Patrick
Approved: February 13, 2014 Vote: 9-0-1-0 in favor (with Representative
Fredette abstaining)

**LR 2794 An Act to Cancel the No Bid Alexander Group Contract to Produce Savings
in Fiscal Year 2014**

Submitted by: Representative Richard Farnsworth
Approved: February 14, 2014 Vote: 6-4 in favor (with Senators Thibodeau
and Katz and Representatives Fredette and Willette opposed)

LR 2804 An Act to Protect Jobs in the Forest Products Industry

Submitted by: Senator Troy Jackson
Approved: February 18, 2014 Vote: 10-0 in favor

Legislative Council Decisions:

That the Legislative Council authorize expenditures of up to \$5,000 to hire a human resources consultant to assist the personnel committee in carrying out its responsibilities.

Motion by: Representative Mark Eves
Second by: Senator Roger Katz
Approved: January 23, 2014 Vote: 10-0 in favor

**126th Maine State Legislature
Legislative Council
Requests to Introduce Legislation
Second Regular Session**

REVISED As of: 2/27/2014

SPONSOR: Sen. Emily A. Cain

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2780	An Act To Authorize the State To Enter into Reciprocity Agreements with the New England Board of Higher Education	

SPONSOR: Rep. H. David Cotta

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2767	An Act To Provide a Means To Recover Costs for Damages to Discontinued or Abandoned Roads	

SPONSOR: Sen. John L. Patrick

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2774	An Act To Designate the Maine State Housing Authority as the Agency To Receive Funding from the National Housing Trust Fund	Withdrawn and Replaced by LR2790 Action by Ballot

TABLED BY THE LEGISLATIVE COUNCIL

SPONSOR: Pres. Justin L. Alfond

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2706	An Act To Disclose the Status of School Construction Projects	Tabled 01/23/14

SPONSOR: Rep. Eleanor M. Espling

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2742	An Act To Standardize the Vehicle Inspection Program across the State	Tabled 01/23/14

SPONSOR: Rep. Anne P. Graham

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2754	An Act Concerning Certain Issues Related to Recommendations of the Subcommittee on Abandoned and Discontinued Roads	Tabled 01/23/14

SPONSOR: Sen. Troy D. Jackson

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2699	An Act To Amend the Process for Pursuing Small Claims in Court	Tabled 01/23/14

SPONSOR: Sen. John L. Tuttle, Jr

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2726	An Act To Allow a Second Liquor Store in Certain Towns	Tabled 01/23/14

SPONSOR: Rep. Alexander R. Willette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2702	An Act To Increase the Penalty for an Assault on a Health Care Worker	Tabled 01/23/14

SPONSOR: Sen. Edward M. Youngblood

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2741	An Act To Amend the Law Regarding Tidal Energy Demonstration Projects	Tabled 01/23/14 (Withdrawn and Replaced by LR 2776 Action by Ballot)

SPONSOR: Sen. John J. Cleveland

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2623	An Act To Assist Electric Utility Ratepayers	Tabled 10/31/13

SPONSOR: Rep. Kenneth W. Fredette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2509	An Act To Expand the Maine New Markets Capital Investment Program	Tabled 11/21/13

SPONSOR: Sen. Stanley J. Gerzofsky

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2302	An Act To Provide Enforcement Authority to the State Board of Corrections	Tabled 10/31/13

2506	An Act Regarding the Involuntary Medication of an Inmate at a Correctional Facility	Tabled 11/21/13
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SPONSOR: Rep. Jeff M. McCabe

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2524	An Act To Clarify County Jail Debt Financing	Tabled 10/31/13

SPONSOR: Rep. Robert J. Saucier

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2477	An Act To Restore Confidence in Maine Campaign Finance Laws	Tabled 11/21/13

SPONSOR: Rep. Michael A. Shaw

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2248	An Act To Enhance Freedom of Access	Tabled 11/21/13

SPONSOR: Rep. Corey S. Wilson

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2374	An Act To Grant the State Board of Corrections Authority To Approve Wages, Benefits and Budgets for Correctional Facilities	Tabled 11/21/13

JOINT RESOLUTION

SPONSOR: Rep. Justin Mark Chenette

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2458	JOINT RESOLUTION URGING THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES TO RECONSIDER ITS DEFERRAL ON BLOOD DONATIONS FROM GAY MEN	Tabled 01/23/14

SPONSOR: Rep. Diane Russell

<u>LR #</u>	- <u>Title</u>	- <u>Action</u>
2326	JOINT RESOLUTION MEMORIALIZING THE FEDERAL GOVERNMENT TO ENACT LAWS SAFEGUARDING THE PRIVACY OF AMERICANS AS IT RELATES TO GOVERNMENT SURVEILLANCE PROGRAMS	Tabled 01/23/14

**126th Maine State Legislature
Addendum
Legislative Council
Requests to Introduce Legislation
Second Regular Session**

Actions Taken After February 21, 2014

SPONSOR: Sen. James A. Boyle

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2826	An Act To Clarify Outcome-based Forestry	-

SPONSOR: Rep. Joseph E. Brooks

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2816	Resolve, To Require the Installation of a Fence on the Penobscot Narrows Bridge	-

SPONSOR: Rep. Sara Gideon

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2817	An Act To Provide for More Comprehensive Natural Gas Infrastructure Construction Standards	-

SPONSOR: Sen. Troy D. Jackson

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2824	An Act To Establish a Commission on Manufacturing in the State	-
2825	An Act To Ensure That Employees of the Maine Military Authority Retain the Right To Sue for Severance Pay	-

SPONSOR: Rep. Jeff M. McCabe

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2823	An Act To Amend the Outcome-based Forestry Experimental Program	-

SPONSOR: Sen. John L. Tuttle, Jr

<u>LR #</u>	<u>Title</u>	<u>Action</u>
2818	An Act To Increase Employment Opportunities for Veterans	-

EXECUTIVE DIRECTOR'S
OFFICE

2014 JAN 27 A 8: 08



January 6, 2014

The Honorable Paul LePage
Governor of the State of Maine
State House Station #1
Augusta, Maine 04330

Subject: Annual Report of MRRA for the year ending December 31, 2013

Dear Governor LePage:

Pursuant to 5 MRSA §13083-S, I am writing to advise you of the activities of the Midcoast Regional Redevelopment Authority (MRRA) for the year ending December 31, 2013 at the completion of our fifth year of operation.

The highlights of 2013 include:

- ❑ Since the first Public Benefit Conveyance (PBC) for the airfield on March 28, 2011 and the Economic Development Conveyance (EDC) Purchase and Sale Agreement signed on September 28, 2011, the Navy has transferred 1,659.64 acres of the 2,090 acres that MRRA is slated to receive. MRRA has now received 937.43 (94%) of the 992.2 acres of airport land and 722.2 (66%) of the 1,098 acres of the non-airport property.
- ❑ MRRA managed a fully operational regional airport, with more than 1,200 landing and take offs last year.
- ❑ In March, MRRA completed the construction of a \$14.65 million build-to-suit manufacturing facility for Mölnlycke Health Care of Gothenburg, Sweden. Mölnlycke Health Care is a world leading manufacturer of single-use surgical and wound care products and services for the professional health care sector with wound care product plants in Finland, the United Kingdom and now Brunswick, Maine.

Pierre Guyot, Chief Executive Officer of Mölnlycke Health Care said:

Increasing production capacity in America is one of the key elements of our strategy for sustainable expansion and reinforces our position as the number one player in the American advanced wound care market. By investing in the conversion of materials produced at our nearby Wiscasset manufacturing facility we are improving the efficiency and security of our supply chain, as well as providing local customers with 100% American made products. Mölnlycke Health Care has a long-term commitment to the State of Maine including plans for further investment in



the vicinity of our two existing factories. As we build our presence in the region I hope to see the creation of a best-in-class R&D and innovation hub, where we can bring together our global expertise with the skills available.

- ❑ Forty one entities now call Brunswick Landing or the Topsham Commerce Park home and those entities are in the process of creating 750 jobs, exceeding the statutory short term economic development goal of replacing the 714 civilian employees at Naval Air Station Brunswick.
- ❑ In 2013, we signed new leases totaling 222,000 square feet of space to the following new companies:
 - ❖ ABL Electric
 - ❖ Brunswick Sewer District
 - ❖ D & D Automotive
 - ❖ Fessenden Geo-Environmental Services/Construction Materials Testing
 - ❖ Midcoast Chamber of Commerce
 - ❖ Mölnlycke Health Care ¹
 - ❖ O'Neal Janitorial
 - ❖ Savilinx ¹
 - ❖ Seachange Group LLC ¹
 - ❖ Tempus Jets ¹
 - ❖ Tri-Star Sheet Metal

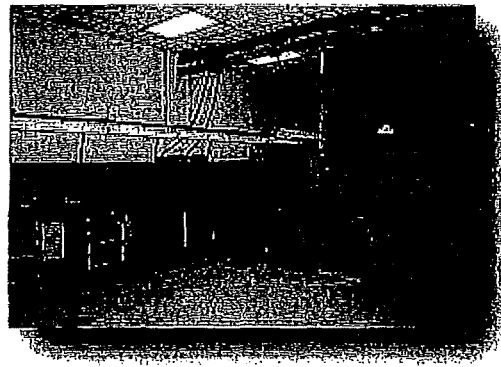
This brings leased space total square footage to 329,632.

- ❑ In the spring of 2013, MRRA received subdivision approval for the initial phase of the Brunswick Landing property paving the way for the sale of 44.61 acres and 28 buildings in Brunswick. To date MRRA has sold 290.01 acres of land, 334,303 square feet of real estate (331,803 just this year), and there are now four private sector real estate developers engaged in redevelopment activities at Brunswick Landing. As a result, a number of these buildings are in the process of being leased to, the following entities:
 - ❖ Seeds of Independence
 - ❖ Providence Service Corporation
 - ❖ Wicked Joe Coffee
 - ❖ The Maine Harvest Company ¹
 - ❖ Wild Oats
 - ❖ Midcoast Veterans Center
- ❑ MRRA has awarded over \$25 million dollars in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure since May of 2011.
- ❑ Private investment at Brunswick Landing and Topsham Commerce Park exceeds \$100 million, with another \$30-50 million in the planning stages.
- ❑ Over \$51 million in new tax base has been added to the property tax assessment rolls in the towns of Brunswick and Topsham, with new property tax revenues exceeding \$2 million from the former base properties.

¹ These companies are new to Maine.

- ❑ In July, the Town of Brunswick and the Maine Department of Economic and Community Development approved two Tax Increment Financing Districts at Brunswick Landing. The thirty year TIF development program calls for a revenue share of fifty percent of incremental property tax revenue to invest up to \$12.0 million for various infrastructure and building upgrades, including improvements to nearly nineteen miles of roads, sanitary and stormwater sewer collection and pump station system and electrical and potable water distribution system.
- ❑ U.S. Secretary of Commerce Penny Pritzker and U.S. Secretary of Labor Thomas E. Perez announced on October 22, 2013 the eleven winners of the *Make It in America Challenge*, an Obama Administration Initiative to accelerate job creation and encourage business investment in the United States. The programs are designed to encourage U.S. companies to keep, expand or re-shore their manufacturing operations -- and jobs -- in America, and to entice foreign companies to build facilities and make their products here. MRRA was one of the eleven recipients.

MRRA in partnership with the Maine Manufacturing Extension Partnership (MMEP) and Coastal Counties Workforce, Inc. (CCWI) was approved for a \$2,425,000 grant from the Economic Development Administration, Department of Labor and National Institute of Standards and Technology to establish and fit-up of the 95,000 square foot *TechPlace*, an Advanced Manufacturing, Science and Technology Business Accelerator on the campus of Brunswick Landing in building 250, the former aircraft intermediate maintenance department, provide supply chain assessments and employee training. *TechPlace* will support innovative manufacturing businesses in the sectors of composite and advanced materials, biotechnology, renewable energy, and aviation/aerospace.



Other partners included: the Town of Brunswick, the Brunswick Development Corporation, the Maine Department of Economic and Community Development, Southern Maine Community College, the University of Maine, the Maine Technology Institute, Mölnlycke Health Care and Kestrel Aircraft. Both the Brunswick Development Corporation and DECD have made financial commitments of \$250,000 each.

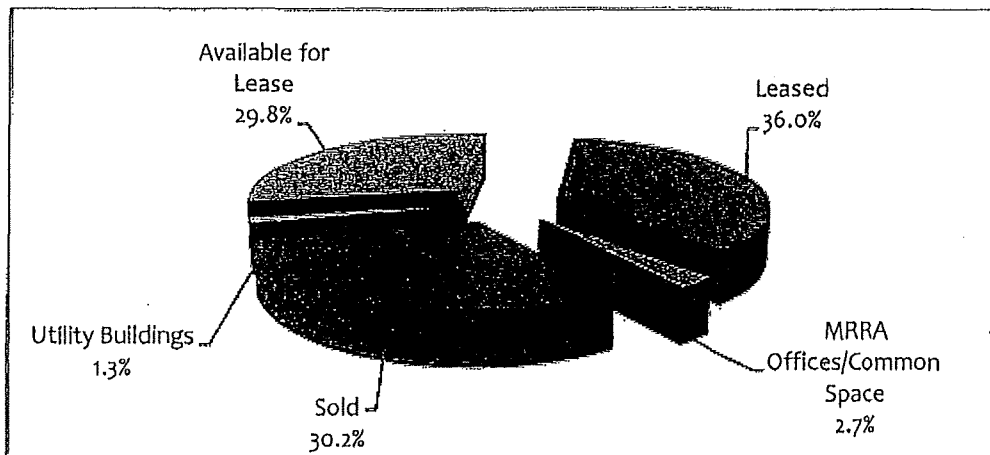
Portland Press Herald

Planned Brunswick tech incubator receives nearly \$3 million in funding

Brunswick, Maine — The organization that is developing the former Brunswick Naval Air Station will receive nearly \$3 million in grants and matching funds to help launch an incubator and science building on the 100-acre site that would provide high-tech office, lab and retail space for advanced manufacturing companies. The grant, the largest ever from the U.S. Department of Commerce's Economic Development Administration, will give a \$2.4 million contribution of \$250,000 each from the Brunswick Development Corp., Maine's Department of Economic and Community Development and the Southern Maine Community College. The grant will also cover the cost of the incubator building.

- ❑ As of December 31, 2013 MRRA has leased, sold or managing the following property:

	Square Footage
Available for Lease	329,632
Leased	399,084
MRRA Offices/Common Space	29,928
Sold	334,303
Utility Buildings	14,728
	<hr/> 1,107,675



The statute requires that the report must address the following issues for the previous year:

A. Description of the Authority's Operations

The year 2013 was another busy, challenging and successful year for MRRA. As a state, we continued to wrestle with an economy that is stagnant and the closure of NAS Brunswick only compounds the challenges facing Maine and the Midcoast region. Despite these challenges, MRRA continues to work hard to enhance the redevelopment of Brunswick Landing and Topsham Commerce Park and to be a catalyst for the State's economic recovery. Our business development efforts continue to focus on quality job creation in several targeted industries: aviation/aeronautics, renewable energy, composites, information technology, biotechnology, and higher education.

The Midcoast Regional Redevelopment Authority reached a number of important milestones in 2013, just nineteen months following the disestablishment ceremony by the United States Navy. This past year's more important accomplishments include:

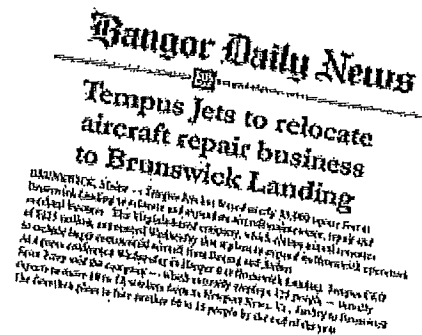
- ❑ The MRRA Board approved a Power Purchase Agreement and a long term land lease for 4.25 acres with Village Green Ventures to construct an anaerobic digester to produce green

energy at Brunswick Landing. Village Green Ventures, LLC, headquartered in Brooklyn, New York will use proven anaerobic gas digester technology to deliver an operating biogas plant capable of delivering up to 1 megawatt of electricity to the Brunswick Landing campus.

- ❑ Last year, the Board approved the establishment of a direct lending revolving loan program capitalized by a portion of the proceeds from property sales. This year, MRRA worked with Mechanics Savings Bank of Maine to expand the lending program to include working capital and equipment. MRRA would act as an intermediary lender, relending bank funds to Brunswick Landing businesses.
- ❑ The Navy transferred former Field House (building 211) to the Town of Brunswick through a transfer through the federal Department of Interior in October. The Town moved its entire Parks and Recreation operation from downtown Brunswick to this site.
- ❑ In July MRRA sold .33 acres of land to Precast Concrete that abutted the company's property at the Topsham Commerce Park. Superior Concrete provides a wide range of concrete products for both residential and commercial construction in mid-coast and southern Maine, principally manholes, catch basins, and utility boxes and more recently retaining wall systems.
- ❑ In May the Board authorized the transfer of 24 acres on the south end of the campus to the Maine National Guard to support the Joint Marine and Army Reserve complex and other State needs.
- ❑ In April MRRA sold ten buildings that were the former Bachelor Enlisted Quarters to Affordable Midcoast Housing (AMH) and 4.93 acres for \$1,040,096.
- ❑ On April 29, MRRA sold the former Personnel Support Building (building #24) and the Veterinarian Clinic Building (building # 592) on 2.86 acres to TBW, LLC for \$510,000. These two buildings will house a new restaurant and commercial kitchen for Wild Oats Bakery and Café and the Seeds of Independence. Seeds of Independence is a mentor and volunteer-based nonprofit organization committed to helping at risk youth in Maine reach their full potential as independent, productive members of society. The organization combats juvenile delinquency and positively affects the school dropout rate in our state by operating numerous programs aimed at mentoring at risk youth.
- ❑ The second block of Bachelor Enlisted Quarters (BEQs), 8.87 acres and 12 buildings, was sold to Affordable Midcoast Housing on June 21, 2013 for \$1,561,644.
- ❑ To date, Affordable Mid Coast Housing (AMH) has closed on 71 housing units in the McKeen Street neighborhood. Our revenue sharing agreement with AMH requires that after \$5,000,000 sales have been realized, MRRA receives five percent of the purchase price of each unit sold. Land sales now total \$9,513,580 and MRRA has received \$225,679.
- ❑ In March, Steve Levesque and Annette Bussler of the Maine International Trade Center met with several companies in Great Britain and Germany who have expressed interest in expanding their businesses at Brunswick Landing.
- ❑ In August the Federal Aviation Administration announced grants awards for 2013. Approved projects included \$1.34 million for terminal building renovations, \$102,400 to repair the roof of Hangar 5, and \$181,000 for design costs related to renovations and expansion of the former fire station to house snow removal equipment. Over the last three years, the Redevelopment Authority has secured \$8.8 million in grants — including the most recent

funding — to build ten new T-hangars, demolish an old foundation, upgrade airport electrical and lighting systems, make safety improvements, add a new communication system and work on other projects. This announcement was matched by a similar commitment by the Maine Department of Transportation to provide a five percent state match totaling \$81,170.

- ❑ On August 7, 2013, the Office of Economic Adjustment signed a new Grant Agreement with MRRA for FY 2014 with a federal grant of \$1,472,750.
- ❑ In September MRRA announced that Tempus Jets of Newport News, Virginia will be relocating its FAA Part 145 repair station and interior completions businesses from Richmond, Virginia to Brunswick Executive Airport (BXM). Initially, the company has leased 34,532 sq. ft. of space in a 166,355-sq-ft hangar. The hangar's size and excellent condition will allow the company eventually to expand its aircraft repair and completions business to include Boeing and Airbus business jets, FAA Part 21 aircraft certification and engineering. Tempus has transferred over \$7 million in tooling, ground support equipment and spare parts to Brunswick from Richmond to support its operation.
- ❑ On October 17, the auditing firm of Runyon Kersteen and Ouellette presented the draft audit of the Financial Statements for the period ending June 30, 2013. In his presentation and letter to the Board of Trustees, Mr. Farrar stated that RKO did not identify any deficiencies in MRRA's internal control procedures and that MRRA's financial statements are free from material misstatement and their tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Accounting Standards Board requirements. This was MRRA's sixth clean audit.
- ❑ Steve Levesque and Marty McMahon attended the National Business Aviation Association's (NBAA) Business Aviation Convention and Exhibition in Las Vegas, Nevada in October to promote Brunswick Executive Airport. NBAA is the leading organization for companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful.
- ❑ In October, Robert Rocheleau of the MRRA staff attended the Data Center World – Global Conference in Orlando, Florida. This premier international conference for data center and facilities managers is sponsored by the Association for Computer Operations Management. Mr. Rocheleau returned with nineteen leads.
- ❑ On October 2, 3 and 4, Ben Sturtevant of the MRRA staff attended the JEC-Americas Composites Show and Conference in Boston, Massachusetts exhibiting Brunswick Landing as a center for excellence of composites. JEC is the largest composites industry organization in the world with a network of 250,000 professionals. JEC's mission is to organize exchanges and to facilitate connections among raw material producers, processors, distributors, machine and software manufacturers, institutions, academicians, researchers and users (aeronautics, automotive, marine, land transportation, construction, energy, and sports and leisure).



- ❑ MRRA showcased *Brunswick Landing* and the *Topsham Commerce Park* at the MaineBiz Momentum Convention in Augusta on October 17. The event is a statewide business-to-business exhibition along with professional development and networking opportunities, and an array of marketing opportunities for MRRA in the Exhibit Hall.
- ❑ During the last week of October, Steve Levesque participated in a foreign trade mission to Mexico with Maine Governor Paul LePage. The delegation included eight companies, three educational institutions, and three industry associations. The delegation held a total of 64 matchmaking meetings with potential agents, distributors, and partners. The Governor and others delivered a presentation on Maine to the Asociación de Empresarios Mexicanos – an association of investors, entrepreneurs, and Mexican professionals with fourteen locations throughout Mexico. Steve and Governor LePage traveled to the city of Santiago de Queretaro for meetings with local automobile and aerospace business leaders, as well as a tour of the National Aerospace University of Queretaro (UNAQ) to learn more about its training and workforce development initiatives servicing the growing aerospace cluster and the local Bombardier facility.
- ❑ In mid-October, MRRA welcomed Managing Director, Alison Semple and her colleague Alison and her colleague Julia Mills of OCO Global to gain a better understanding of the opportunities that Maine offers for investment and cooperative work with international companies. OCO Global is headquartered in Belfast, Maine with offices in London, Paris, and New York. Ms. Semple and Ms. Mills will work from their location in London to develop leads and represent Maine at various industry events and trade shows in the aviation, advanced materials, food processing, life sciences, and renewable energy sectors, as part of the *Invest in Maine Initiative* managed by the Maine International Trade Center.
- ❑ As result of a notice to the Country of Portugal by the United States Defense Department to drastically reduce the operations of the United States Air Force at Lajes Field in Terceira, Azores, the State Department and Defense Department set up meetings with three officials from the Azores and Deputy Director Jeffrey Jordan to discuss the redevelopment planning process and economic development opportunities and strategies.
- ❑ In November, Steve Leveque traveled to Washington, D.C. at the request of the Association of Defense Communities to meet with Congressional members and staffers on redevelopment issues, as well as HUB zone legislation and new market tax credit bills moving through Congress.
- ❑ MRRA installed security gates on the east side of the airport. These gates have proximity card readers that will allow greater access for airport users and increase security by eliminating combination and key locks on existing gates. This system has also increased airport safety since each card holder must complete airport safety training.
- ❑ Wildlife fencing was installed along the west side of the airport property to reduce the possibility of wildlife impacts on the airport.
- ❑ MRRA completed the construction of a ten unit T- Hangar for private general aviation aircraft storage at a cost of just under \$1.0 million. Eight of the ten units have been leased.
- ❑ The former Navy Air Operations Building is being renovated to serve as a general aviation air terminal.

- ❑ The airport lighting systems have been upgraded to civilian FAA standards. This project included demolition of old approach lighting systems and installation of new approach lighting systems at the south end of the airport.
- ❑ In December we were notified that the Navy had approved a Finding of Suitability to Lease (FOSL) Hangar 4 and Building 250. The Navy and MRRA signed a Lease in Furtherance of Conveyance (LIFOC) for Hangar 4 and Building 250.
- ❑ On November 21, MRRA held its sixth Annual Meeting. Former BRAC PMO Director for the Northeast, David Drozd, presented the keynote address. He spoke about his experiences with the 2005 BRAC round and MRRA's strong performance record. The Board also re-elected the current slate of officers: Chairman, John Peters; Vice Chair, Sally DelGreco, Treasurer, Rita Armstrong and Secretary, Lois Skillings.
- ❑ On December 10, MRRA hosted a foreign trade zone training seminar for its tenants and other economic development organizations within the State. Scott Taylor from Miller and Company of Kansas City, Missouri was on hand to present the benefits of the foreign trade zone designation of 394 acres at Brunswick Landing. There were twelve participants.
- ❑ Providence, a provider of home-based behavioral health treatment services to children and families in Maine and education and treatment services to children with Autism Spectrum Disorders, is leasing two buildings owned by Priority Real Estate Group of Topsham.
- ❑ MRRA is working with CBRE/The Boulos Company of Portland and REMAX Riverside of Topsham, to market the former Ground Support Equipment Building, the former P3 Support Building and Officers Club, among others.
- ❑ On December 19, MRRA hosted a forum in concert with the Environmental and Energy Technology Council of Maine on the Brunswick Renewable Energy Center (BREC) and TechPlace. The Authority reported on its effort to work with private businesses, non-profit organizations, government entities, and other interested parties to explore possible investments in energy efficiency, conservation, renewable energy, and other alternative energy-related businesses, research and development programs at Brunswick Landing.
- ❑ In December, Executive Director Steve Levesque spent a day with the Board of Trustees of the Loring Commerce Centre at a Board retreat to discuss strategic planning. Steve Levesque and Carl Flora discuss collaborative redevelopment opportunities on an ongoing basis.
- ❑ On December 27, MRRA closed on the sale of the former Navy Gateway Inn, a 248 room hotel facility on 14.7 acres for just under \$3.4 million to Affordable Midcoast Housing.
- ❑ As of December 31, 2013, the following entities are doing business at Brunswick Landing and Topsham Commerce Park:

Open for Business

- | | |
|-----------------------------------|------------------------------------------------------------------------|
| ❖ ABL Electric Inc. | ❖ Brunswick Sewer District |
| ❖ Affordable Midcoast Housing | ❖ D & D Automotive |
| ❖ American Bureau of Shipping | ❖ Fessenden Geo-Environmental Services/ Construction Materials Testing |
| ❖ Bowdoin College | ❖ Flight Level Aviation |
| ❖ Brunswick Executive Airport | ❖ Goodwill Industries |
| ❖ Brunswick Naval Aviation Museum | |

- ❖ Great Island Boat Yard
- ❖ JHR Development
- ❖ Kestrel Aircraft Company
- ❖ Maine Army National Guard
- ❖ Maine Coastal Flight
- ❖ Maine Department of Economic and Community Development
- ❖ Maine Technology Institute
- ❖ Maine Tool and Machine
- ❖ Mere Creek Golf Course (Harris Golf)
- ❖ Midcoast Chamber of Commerce
- ❖ Midcoast Regional Redevelopment Authority
- ❖ Midcoast Veterans Center
- ❖ Mölnlycke Health Care
- ❖ New England Tent and Awning
- ❖ Providence Service Corporation of Maine
- ❖ O'Neal Janitorial
- ❖ Oxford Networks
- ❖ Savi Solutions
- ❖ SaviLinx
- ❖ Seachange Group LLC
- ❖ Seeds of Independence
- ❖ Southern Maine Community College
- ❖ Tempus Jets
- ❖ The Maine Harvest Company
- ❖ Town of Brunswick
- ❖ Tri-Star Sheet Metal
- ❖ United States Marine Reserve Center
- ❖ University of Maine College of Engineering
- ❖ Wicked Joe Coffee
- ❖ Wild Oats Bakery and Café

B. An accounting of the Authority's receipts and expenditures, assets and liabilities at the end of its fiscal year

Please find attached an Unaudited Financial Report for the period ending December 31, 2013, including a balance sheet and budget report. Also please find attached a copy of the audited Financial Statements for the period ending June 30, 2013. The audit was conducted by Runyon Kersteen and Ouellette. These documents been presented to office of the State Controller for inclusion in the State financial statements for the period ending June 30, 2013.

It should be noted that MRRA does not receive a state appropriation as part of the General Fund Budget. MRRA's funds come from a combination of funds from the Office of Economic Adjustment within the United States Department of Defense and revenues from leases. Capital improvements projects are funded from a combination of aviation capital improvement funds from Maine DOT, the Federal Aviation Administration and the federal Economic Development Administration within the Department of Commerce.

C. A listing of all property transactions pursuant to Section 13083-K

On February 7, 2011 the Navy and MRRA and signed the airport Public Benefit Conveyance (PBC) Agreement for 992.2 acres, including three large hangars, a number of aviation related support buildings and revenue producing facilities for the airport. The conveyance of title will come over time as properties that are determined to be "clean" through a Finding of Suitability to Transfer (FOST) can be transferred from the Navy. Accordingly, not all the properties will be conveyed at the same time, but in phases as clean-up continues and FOSTs are issued. As of December 31, 2013 MRRA has received a total of 936 acres of airfield property and 31 buildings, only 14 of which will be used by MRRA. Seventeen of the buildings, many of which are small storage sheds or the former fuel farm facility will be demolished. In 2013, only the General Aviation Terminal Building (building 200) and corresponding 2.81 acres was transferred to MRRA as part of a PBC transfer.

MRRA may also enter into a Lease In Furtherance of Conveyance (LIFOC) with the Navy for property that may be used by MRRA or leased to another entity for property which has not yet been cleared environmentally. In December of 2013, MRRA signed a Lease In Furtherance of Conveyance on Hangar 4 and Building 250, the former Aviation Intermediate Maintenance Department.

As a condition of transfer from the Federal Aviation Administration and the Navy, land and buildings within the Airport property cannot be sold.

On September 14, 2011 the Navy signed a *Non-Binding Summary of the Acquisition Terms and Conditions for the Naval Air Station Brunswick, Maine by and between the United States of America and the Midcoast Regional Redevelopment Authority* (i.e. term sheet) for a total of 1,098 acres. This property is being transferred through an Economic Development Conveyance (EDC) which requires annual principal payments to the Navy beginning in 2015 of \$150,000, plus interest of 150 basis points over the U.S. Treasury Composite Rate secured by the property. In addition, MRRA must share annually with the Navy twenty-five percent of gross revenues from the sale or lease or EDC property after the receipt of the first \$7.0 million. The revenue share remains in place until gross revenues reach \$37.4 million. There is no revenue sharing in excess of \$37.4 million and less than \$42.4 million. The Authority is required to pay the United States Government 50.0% of gross real estate proceeds in excess of \$42.4 million until September 29, 2034. Property sales during the last fiscal year exceeded \$7.0 million, requiring a payment of \$57,931.05.

As of December 31, 2013, MRRA has received a total of 73 buildings and 722.19 acres (66%) of the 1,098 acres of the non-airport property through the EDC transfer. Sixteen of the 73 buildings, largely former security buildings, sheds and functionally obsolete buildings are scheduled to be demolished through a grant from the Economic Development Administration. No buildings or land were transferred to MRRA from the Navy during calendar year 2013.

The covenants of the Economic Development Conveyance from the United States Government require all sales and leases of property must be at market rate.

In summary MRRA manages a total of 47 buildings with 773,372 square feet of commercial, industrial and professional office space along with all of the associated utilities serving those buildings, including – streets and sidewalks, street lights, traffic signals, electricity, water, sewer and stormwater utilities.

The subdivision approval by the Town of Brunswick in March of 2013 paved the way for the sale of the property. This year, MRRA sold the following property:

<i>Building Number</i>	<i>Description</i>	<i>Sold To</i>	<i>Date of Sale</i>	<i>Square Footage</i>	<i>Sale Price</i>
730, 731, 732, 733, 734, 735, 736, 739, 746	Bachelor Enlisted Quarters	Affordable Midcoast Housing	April 10, 2013	60,939	\$1,040,096
24	Personnel Support Det. Bldg.	T8W, LLC	May 01, 2013	10,642	
592	Vet Clinic	T8W, LLC	May 01, 2013	1,621	
				<u>12,263</u>	<u>\$479,500</u>
737, 738, 740, 741, 742, 743, 744, 745, 748, 749	Bachelor Enlisted Quarters	Affordable Midcoast Housing	June 21, 2013	73,701	\$1,561,644
land only	Land at Topsham Commerce Park	Precast Concrete (1.57 acres)	July 25, 2013	0	\$11,000
31	Navy Lodge	Priority Group	July 29, 2013	15,054	
583	Bowling Center/Rec Mall	Priority Group	July 29, 2013	19,380	
				<u>34,434</u>	<u>\$1,100,000</u>
land only	Property adjacent to cemetery at Brunswick Landing	Roman Catholic Bishop of Portland	October 10, 2013	0	\$0
335	Commissary	JR Development	November 15, 2013	35,446	\$165,000
750	Navy Gateway Inn	Affordable Midcoast Housing	December 27, 2013	115,000	\$3,397,174
				<u>331,783</u>	<u>\$7,754,414</u>

¹ MRRA also has an outstanding note of \$127,500

D. An accounting of all activities of any special utility district formed under Section 13083-L

In September of 2011 the Navy transferred all utilities on the base, including the potable water distribution system, the sewer collection and pump station assets, stormwater collection system and the electrical distribution system. We have inherited the Navy's utility systems, but without the financial wherewithal of the federal government. We are faced with competing needs to (a) maintain service to the businesses, organizations and residential properties located on our properties and (b) provide for the sufficient funding to maintain and repair the utility system at Brunswick Landing. On October 1, 2011 MRRA began providing electrical distribution services, water and sewer/stormwater services to our tenants and through a Tenancy in Common Agreement with those who own property on the base.

This year also marked MRRA's third year of operation of a regional general aviation airport which is becoming a great asset for the Midcoast region, with over 1,000 takeoffs and landings, just this year. With the inclusion of the Brunswick Executive Airport in the FAA's Military Airport Program (MAP) the federal government in partnership with the State of Maine and MRRA, made substantial investments this year at the airport including

E. A listing of any property acquired by eminent domain under Section 13083-N

No property was acquired by MRRA through its powers of eminent domain.

F. A listing of any bonds issued during the fiscal year under section 13083-I

MRRA did not issue any bonds during 2013.

The voters of Maine, however, approved a state transportation improvement bond which included \$500,000 for investment in aviation facilities at the airport facility in Brunswick. These funds are being used as the local match for FAA Military Airport Program Investments at Brunswick Executive Airport. Each dollar of state investment leverages \$38 from the FAA and another \$1 from MRRA.

The State Legislature and the voters of Maine also approved a bond referendum for \$3.25 million to address Americans with Disabilities Act deficiencies at base buildings, utility meter upgrades, and building removals and other public improvements to support base redevelopment and job creation. As of June 30, 2013 all funds had been drawn down by MRRA from the State of Maine.

While not a bond, MRRA through one of its affiliates, the Brunswick Landing MHC USA LLC borrowed \$10.3 million from Bangor Savings Bank and a new market tax credit investment of \$4.0 from Wells Fargo Bank two years ago (December 29, 2011) to finance the construction of an 80,000 square foot "build to suit" manufacturing facility for Mölnlycke Healthcare at Brunswick Landing. The building was completed in March.

G. A statement of the Authority's proposed and projected activities for the ensuing year

Please find attached a copy of the FY 2014 Work Plan.

H. Recommendations regarding further actions that may be suitable for achieving the purposes of this article

Finally, the actual realization of new jobs and the timing of such at NASB will be dependent on several factors, including, but not limited to: receipt of successful and timely conveyances from the Navy for the remaining buildings and land, the condition and stability of the national and local economic markets; and the availability of sufficient financial resources for property management, security and operations, infrastructure, property improvements and marketing.

Successful redevelopment of closed bases is a very long-term proposition, which requires substantial public and private resources and patience. A key element in successful base redevelopment efforts is the level of support provided by the local, state and federal governments.

With the leadership and broad support of the Maine Legislature the voters of Maine approved an \$8.0 million bond issue back in 2009 to support the redevelopment effort. This bond included \$3.25 million to support investment in infrastructure replacement/ upgrades and building upgrades to meet civilian reuse and \$4.75 million for Southern Maine Community College to rehab buildings as NAS Brunswick. The bond has been an important key this past year to our ability to bring new businesses to Brunswick Landing.

In addition to the bond issue for capital projects, the State of Maine adopted two additional pieces of legislation that will be key to ensuring the rapid and successful redevelopment of NAS Brunswick. The first is the Brunswick Naval Air Station Job Increment Financing Fund that was established in

The second new tool, which already has had a significant statewide impact, is the Legislature's decision to exempt all aircraft and repair parts for aircraft for the period of July 1, 2011 through June 30, 2015. The State's previous policy created a "black mark" on the State of Maine by the aviation community as place to avoid as an aviation destination or to conduct business. This decision has had a statewide impact on growth in the aviation sector. This change in the law has also provided the impetus for the Brunswick Executive Airport to lead an initiative, with supportive funding from the Maine Office of Tourism, to develop the Maine Flying Trail to help promote Maine to the flying public as an aviation destination. Without this change in legislation, Tempus Jets would not have relocated its operation from Virginia to Maine.

I. A description of the MRRA's progress toward achieving the goals set forth in Section 13083-G:

1. **Short-term goal.** Recover civilian job losses in the primary impact community resulting from the base closure;
2. **Intermediate goal.** Recover economic losses and total job losses in the primary impact community resulting from the base closure; and
3. **Long-term goal.** Facilitate the maximum redevelopment of base properties.

the FORECASTER

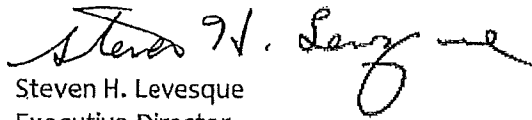
Brunswick Landing seen as model for base redevelopers

by **WILLIAM F. ALLEN** - *Kelley Johnson, chief of Brunswick Landing, has been chosen by the state to lead the first major effort to transform the old Naval Air Station into a civilian and defense-oriented development. Johnson, who will be one of the founders of a firm to be created through the American Institute of Defense Transformation to study how and to persuade the federal government to redevelop the base, has said it is possible to change from production to marketing and sales, business attraction and other kinds of the study.*

"I'm excited when we finally have a clear picture of what a plan for the future of the base is," Johnson said. "The fact that the American Institute of Defense Transformation is the first to study the base is a great first step. It's a foundation for the future."

Thank you for your interest and support of this important economic development project for the State of Maine.

Sincerely,



Steven H. Levesque
Executive Director

cc. John Butera, Governor's Office
George Gervais, Commissioner, MaineDECD
David Boulter, Director, Legislative Council
Joint Standing Committee on Labor, Commerce, Research and Economic Development
Brunswick Legislative Delegation
Brunswick Town Council
Topsham Board of Selectman
Gary Brown, Brunswick Town Manager
Cornell Knight, Topsham Town Manager
MRRRA Board of Trustees
Jeffrey K. Jordan, Deputy Executive Director

STATE OF MAINE

Compendium of State Fiscal Information

**Through Fiscal Year
Ending June 30, 2013**

**Pub. #45
January 2014**

**PREPARED BY
Maine State Legislature
Office of Fiscal and
Program Review**

COMPENDIUM OF STATE FISCAL INFORMATION

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SECTION I – INTRODUCTION

The Compendium of State Fiscal Information, updated on an annual basis, provides a summary of the most important fiscal information affecting Maine State Government. It includes a summary of actual operating revenue and expenditures, descriptions of revenue sources, and summaries of Maine's debt, General Fund reserve fund balances and Maine's tax burden. The Office of Fiscal and Program Review hopes you find this information useful. Recent additions and changes to this report as part of efforts to improve its usefulness may result in some questions for those using this information for historical purposes. Questions regarding conversions of data or suggestions for improvements to this report should be directed to: Office of Fiscal and Program Review, 5 State House Station, Augusta, Maine 04333-0005, Telephone: (207) 287-1635.

Report Layout

This report presents information in seven different sections. The first section, the *Introduction*, presents an overview of the report and some of the accounting methods used for the data included in this report. The second section, *Summary of Major Taxes and Revenue Sources*, provides descriptions of the major taxes and revenue sources including the current tax rates, current fees and assessments. Each major revenue source includes a table providing a 10-year history of the revenue generated. Most of the summaries also include information on when the tax, fee or assessment was first adopted and the major amendments affecting that tax, fee or assessment. The third section, *Revenues and Expenditures*, provides exhibits detailing revenues and expenditures of Maine State Government by major fund type. The fourth section, *Maine's Bonded Debt*, includes a summary of Maine's general obligation debt, debt of the Maine Governmental Facilities Authority and other tax-supported debt. The fifth section provides a history of the major *General Fund Reserve Funds*, the Maine Budget Stabilization Fund (formerly the Maine Rainy Day Fund) and the Reserve for General Fund Operating Capital. The sixth section, *State and Local Tax Burdens*, provides a history of Maine's taxes per capita and as a percentage of personal income. The seventh and final section provides a 20-year history of authorized position counts for Maine State Government.

Accounting and State Fiscal Year

The information in this report is presented on a budgetary basis, which summarizes all funds as they are recorded on the official accounting system maintained by the Office of the State Controller within the Department of Administrative and Financial Services. (Some minor adjustments have been made by the Office of Fiscal and Program Review to correct for certain data entry errors.) Revenue recognition and the amounts included in this report are based on a modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. The major taxes subject to accrual are the individual income tax, sales and use tax and the telecommunications excise tax. Fuel taxes were added at the end of fiscal year 1999 and several additional taxes became subject to accrual at the end of fiscal year 2000. Revenues from other sources are recognized when received and expenditures are recorded when paid. The table on the next page summarizes the major taxes that are subject to accrual and the amounts accrued for the last 5 fiscal years.

Maine State Government's fiscal year runs from July 1st through June 30th. References to fiscal years or a fiscal year throughout this report will use the year in which the fiscal year ends, i.e., fiscal year 2013 refers to the fiscal year ending June 30, 2013.

Table I-1 Major Revenue Accruals
Fiscal Years 2009 - 2013

REVENUE SOURCE	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$
Income Taxes					
Individual Income Tax	\$57,335,427	\$48,378,910	\$42,132,671	\$51,655,517	\$53,698,160
Corporate Income Tax	\$2,442,978	\$4,070,218	\$2,000,000	\$4,000,000	\$1,500,000
Sales and Use Taxes	\$88,963,969	\$85,979,975	\$86,839,775	\$96,443,395	\$96,474,318
Service Provider Tax					
General Fund	\$4,474,537	\$5,754,416	\$5,927,048	\$4,483,465	\$4,298,454
Other Special Revenue Funds	\$0	\$0	\$0		\$0
Estate Tax	\$5,949,315	\$4,490,000	\$4,432,150	\$6,400,000	\$8,700,000
Tobacco Products Tax	\$600,000	\$800,000	\$980,000	\$950,000	\$950,000
Cigarette Tax	\$0	\$0	\$0	\$0	\$0
Telecommunications Excise Tax	\$18,390,880	\$17,678,938	\$17,731,074	\$13,355,947	\$10,043,114
Real Estate Transfer Tax					
General Fund	\$1,000,000	\$900,000	\$975,000	\$875,000	\$875,000
Other Special Revenue Funds	\$1,000,000	\$900,000	\$975,000	\$875,000	\$875,000
Gasoline Tax	\$14,300,000	\$16,000,000	\$16,850,000	\$16,850,000	\$16,850,000
Special Fuel	\$4,700,000	\$4,400,000	\$4,400,000	\$4,400,000	\$4,400,000

Fund Accounting

The normal operations of Maine State Government are recorded and controlled on a fund basis in three major operating funds: **General Fund, Highway Fund and Other Special Revenue Funds**. The tables in Section III provide a summary of total revenues and expenditures of these three major operating funds. An additional table has been included to provide a history of expenditures for all funds, see pages 78 and 79.

General Fund

The General Fund is the primary operating fund of Maine State Government. It receives revenue from general state revenue sources not otherwise accounted for in another fund. The largest sources of revenue are from the Individual Income Tax, Sales and Use Tax, Corporate Income Tax and Cigarette Tax. These four major taxes account for more than 91% of General Fund revenue. The Graph and Tables on pages 86 to 92 provide a summary of revenues and expenditures of the General Fund.

Highway Fund

The Highway Fund is used to account for revenue derived from excise taxes and license and other fees related to the registration, operation, and use of vehicles on public highways and from fuel used for the propulsion of these vehicles, with fuel taxes representing roughly two-thirds of Highway Fund revenue. Pursuant to the Constitution of Maine, Article IX, Section 19, this revenue must be used for highway-related activities. This revenue is expended primarily within the Departments of Transportation, Public Safety and the Secretary of State (Bureau of Motor Vehicles). The Graph and Tables on pages 93 to 96 summarize the revenues and expenditures of the Highway Fund.

Other Special Revenue Funds

Other Special Revenue Funds receive their revenues from segregated or dedicated sources. The funds are expended by category for specific purposes. Although included as Other Special Revenue Funds in the reporting of the Office of the State Controller, this report segregates Federal Funds into separate exhibits. In this report, this group of funds includes only the State's

own source dedicated or special funds. This group also includes the Fund for a Healthy Maine (whose primary income source is Tobacco Settlement funds), which is treated by the Legislature as a separate fund for budget purposes, but is technically just a group of accounts in Other Special Revenue Funds. The graph and tables on pages 97 to 103 summarize the revenues and expenditures grouped under Other Special Revenue Funds. Supplemental tables on page 103 provide a separate look at only the revenue and expenditures of the Fund for a Healthy Maine.

Federal Funds

As noted above, this report separates out the Federal Funds (Federal Expenditures Fund and Federal Block Grant Fund) from the Office of the State Controller's Other Special Revenue Funds category. For the purposes of this report, the Federal Expenditures Fund and the Federal Block Grant Fund will be referred to as "Federal Funds" and include federal stimulus funds received under the American Recovery and Reinvestment Act of 2009 (ARRA). The graphs and tables on pages 104 to 108 summarize the revenue and expenditures of the Federal Funds.

Other Funds

In addition to the operating funds that are listed above, there are numerous other funds that are used to record specific activities. These include the following.

- The *Debt Service Funds* are used to account for issuance of general obligation debt and the use of general obligation debt proceeds as well as the revenue collected for the payment of principal and interest on certain revenue bonds.
- *Capital Project Funds* are used to account for financial resources used to acquire major capital assets other than those financed by proprietary funds.
- *Proprietary funds* are used to account for ongoing activities supported by fees for goods or services and are either:
 - *Enterprise Funds* for activities providing goods and services to the general public; or
 - *Internal Services Funds* for activities providing goods and services between state agencies.
- *Fiduciary funds*, including *Expendable Trust Funds*, *Non-expendable Trust Funds* and *Agency Funds*, are used to account for assets held by the State acting as a trustee or an agent for individuals, organizations or other funds.

The table on pages 78 and 79 provides a history of total expenditures in these "non-operating" funds. Debt Service Funds and Internal Service Funds are included in this exhibit and are sub-totaled separately, but are excluded from the Total State Expenditures to avoid double-counting expenditures.

Sources

The Office of Fiscal and Program Review has compiled this report using numerous sources including the records of the Office of the State Controller and the Office of the State Treasurer and various other state departments and agencies. Population and Personal Income data are from the U.S. Department of Commerce.

Expenditure and revenue data have been downloaded from the State's accounting system. With the implementation of the State's new accounting system beginning in fiscal year 2008, some expenditure by category detail may be different by minor amounts from actual expenditures in that category due to the Controller's methodology for accounting for certain prior period adjustments.

REP. JOHN RICHARDSON
CHAIR

SEN. BETH EDMONDS
VICE-CHAIR



122ND MAINE STATE LEGISLATURE
LEGISLATIVE COUNCIL

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DAVID E. BOULTER
EXECUTIVE DIRECTOR

Legislative Council Policy On the Use of the Hall of Flags

1. Introduction

Since its construction, the Hall of Flags has had a long and distinguished tradition as a Reception room and gathering area for Legislators and the public. With its historic collection of battle flags from the Civil War forward, the Hall of Flags is a place for Maine citizens to honor and reflect upon the many Maine men and women who defended our Country and made the ultimate sacrifice defending freedom and our democratic values and way of life. It is also the most public room in the Maine State House, where members of the public, Executive and Judicial officials and Legislators freely intermingle and communicate in the course of legislative affairs.

In adopting this Hall Use Policy, the Legislative Council establishes protocols for use of the Hall of Flags that: protect the safety of the public; prohibit uses that are inappropriate in the presence of schoolchildren or others; and provide for social discourse and forums for education on governmental matters in ways that bestow respect for the Hall of Flags and honor to the people and events it symbolizes.

2. Authorized Uses

The Hall of Flags may be used only for organized events that have a bona fide educational purpose relating to governmental matters, legislative affairs, legislative or gubernatorial ceremonies or other like category of activity. The Hall of Flags may not be used for any substantially private activity or event unrelated to the conduct of the public's business.

Furthermore, the Hall of Flags may not be used for acts of civil disobedience, petition signing for referenda, clemency petitions or advocacy, private events such as weddings, funerals, dinners or dances, or mercantilism. In addition, activities, including the display or distribution of materials that a person would reasonably find to be offensive, harassing, degrading or unduly disruptive or activities that are inappropriate in the presence of schoolchildren are prohibited.

3. Health and Safety

Protection of the health and safety of persons in the State House takes precedence over all activities and events in the Hall of Flags. The Legislative Council authorizes the Executive Director to establish such procedures and standards as necessary to protect the

health and safety of occupants in the State House at all times and to protect the integrity of the building and its contents. At a minimum: adequate clearances for safe ingress and egress must be maintained at all times in the Hall of Flags; equipment or activities that pose a risk of fire or explosion are prohibited; toxic, noxious or infectious materials are prohibited; and any activity requiring the disabling of smoke detectors, fire alarms or security devices is prohibited. Except for Welcome Back Day and Maine Agriculture Day, the number of tables in the Hall of Flags may not exceed 15.

4. Security

Entities using the Hall of Flags must comply with all facility security requirements and all instructions by security personnel. The Bureau of Capitol Security may remove persons who are threatening, disruptive or in violation of provisions of this policy. Persons who violate this policy or who are disruptive or threatening may be denied future use of the Hall of Flags for any organized event.

5. Limitation on Food Service

The Legislature compensates legislators for some legislative expenses including meals, and legislative staff are sufficiently compensated in their work such that it is unnecessary for others to provide legislators or staff with complementary meals. Escalating levels of food service at Hall of Flag events in recent years have had the unintended but inevitable result of increasing expectations of meal service to be provided by other groups as well as increasing costs to those groups using the Hall of Flags. Furthermore, the serving of meals is unduly disruptive, increases facility maintenance costs, detracts from the overall purposes for use of the Hall of Flags and presents potential facility security risks.

Therefore, except as provided below, the offering of food and beverages in the Hall of Flags is strictly limited to refreshments such as milk, juices, coffee, tea, soda, water, doughnuts, pastries, cookies, fruit, nuts, healthy snacks and other similar category of foods that does not constitute the offering or serving of a meal or partial meal.

Entities who use the Hall of Flags are not obligated to make available any food or beverage as a condition of their use of the hall. However, to the extent that allowable foods are offered, the proprietor of the State House café must be contacted by those entities for the opportunity to provide the desired food service. Furthermore, the Legislative Council encourages the use of locally grown or produced foods to the maximum extent practical when food is served in the State House.

Exceptions: The Legislative Council hereby authorizes such an exception for the following events: Welcome Back Day, New Member Orientation, the Pre-Legislative Conference and other legislative receptions hosted by the Legislature; Maine Agriculture Day; Maine Bankers Day; Maine Community College Day; Maine County Day(s); Maine Tourism Day; and school food service day.

6. Equipment and Furnishings

Equipment and furnishing such as chairs, tables, lights, podiums and sound systems used in the Hall of Flags must be those provided by the Legislative Council. However, The Legislative Council authorizes the use of LCD and slide projectors, laptop computers, tabletop displays and other such portable information presentation equipment to be provided by the entity authorized to use the Hall of Flags. Use of other equipment is not allowed unless it is consistent with the intent of this policy and is specifically authorized by the Clerk of the House when accepting hall reservations under paragraph 11.

7. Nonexclusive Use

The Hall of Flags is a public hall and entities authorized to reserve and use the Hall of Flags often are expected to share the hall with other entities or coordinate activities and schedules. Accordingly, such entities should neither expect nor demand exclusive use of the Hall of Flags. Legislative uses take precedent over other uses in the Hall of Flags, regardless of whether other, nonlegislative entities obtained advance reservations for its use.

8. Times Held for Legislative and Visitor Use

The Clerk of the House shall establish a reservation schedule that provides for unreserved blocks of time in the Hall of Flags each week for legislative press conferences or other unscheduled legislative activities that may arise during the course of the legislative session. In addition, the schedule must provide for convenient times when visitors to the State House may view and reflect upon the collection of historic flags uninterrupted by organized events in the Hall of Flags.

9. Prohibitions

At a minimum, the following are prohibited from the Hall of Flags:

- A. open flames except when used in a safe manner for warming dishes
- B. propane, gasoline, accelerants and other flammable materials
- C. compressed gases and helium-filled balloons
- D. toxic, noxious and infectious materials
- E. grills, frying pans and fryolators
- F. alcohol
- G. animals, except for service animals
- H. noisemakers, bullhorns and other sound amplification or broadcast devices. However, bona fide members of the news media may use broadcast equipment in the course of their work
- I. strobe lights
- J. signs and banners on wooden or rigid supports that may cause injury
- K. weapons of any type except on the person of a law enforcement who is on duty and when the presence of such weapons has first been disclosed to the Bureau of Capitol Security
- L. altering or disabling electrical, telecommunication or security devices or wiring

- M. affixing signs, banners, displays or other materials to walls, columns, flag cases or portraits
- N. active distribution of materials or leaflets
- O. soliciting, marketing or selling of goods or services

10. Security Deposit and Use Agreement

Nonlegislative entities, other than the Chief Executive, Chief Justice or Constitutional Officers, who reserve and use the Hall of Flags must, at the time of reservation or prior to use, provide a security deposit of \$100 and enter into a Use Agreement accepting the terms and conditions of use of the Hall of Flags. The agreement must require such entities to immediately report and accept financial responsibility for any damages to the facility or equipment occurring during their use of the Hall of Flags. The security deposit will be returned unless the entity that uses the Hall of Flags damages legislative equipment or facilities, does not set up or remove all items in a timely fashion, including removing all litter following use, or violates the terms of the Use Agreement. The Executive Director will notify the Clerk of the House when the director believes that an entity has caused damage to the facility, improperly used the Hall of Flags or left the Hall of Flags in an improper condition.

The security deposit may be waived for those entities using the Hall of Flags that require three or fewer tables to be set up. Furthermore, the security deposit may be waived or reduced in situations where paying the deposit would result in a serious economic hardship to the entity using the Hall of Flags.

11. Administration

The Clerk of the House of Representatives and the Executive Director of the Legislative Council, jointly, shall administer this policy. The Clerk is responsible for scheduling and reserving the Hall of Flags for authorized activities during regular business hours and for collecting applicable security deposits. The Executive Director is responsible for preparing the Hall for the scheduled activities and maintaining the Hall of Flags.

12. Authority and Effective Date

Pursuant to its authority under 3 MRSA, §162, the Legislative Council hereby adopts this Policy on the Use of the Hall of Flags on this 27th day of October, 2005.

This policy becomes effective on January 1, 2006.

BY: David E. Boudier
Maine Legislative Council

OPEGA
ANNUAL
REPORT

EXECUTIVE DIRECTOR'S
OFFICE

2014 FEB 24 A 9:49



Office of Program Evaluation and
Government Accountability

Annual Report on
Activities and Performance

2013

a report to the
Government Oversight Committee and the Legislature
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

February

2014

GOVERNMENT OVERSIGHT COMMITTEE OF THE 126TH LEGISLATURE

Senator Emily Ann Cain, Chair
Senator Roger Katz
Senator David C. Burns
Senator Margaret M. Craven
Senator Christopher K. Johnson
Senator Edward M. Youngblood

Representative Chuck Kruger, Chair
Representative Paul T. Davis, Sr.
Representative Andrea M. Boland
Representative H. David Cotta
Representative Lance Evans Harvell
Representative Matthew J. Peterson

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Requests for OPEGA reviews are considered by the Government Oversight Committee in accordance with a standard process. Requests must be made in writing and must be initiated or sponsored by a legislator. Individual legislators or citizens should review the process and FAQ that are posted on OPEGA's website at <http://www.maine.gov/legis/opegas/ProcessProducts.html>. There is also a form there to help facilitate the GOC's consideration of the request. Legislative committees can request reviews directly through a written communication to the Government Oversight Committee.

Copies of OPEGA's reports are free.

Reports are available in electronic format at:
<http://www.maine.gov/legis/opegas/Reports.html>

Hard copies of reports may be obtained by contacting OPEGA at:

(207) 287-1901

Office of Program Evaluation & Government Accountability

82 State House Station • Augusta, ME • 04333-0082

BETH L. ASHCROFT
DIRECTOR



MAINE STATE LEGISLATURE
OFFICE OF PROGRAM EVALUATION AND
GOVERNMENT ACCOUNTABILITY

February 14, 2014

The Honorable Emily Cain, Senate Chair
The Honorable Chuck Kruger, House Chair
And Members of the Government Oversight Committee
82 State House Station
Augusta, Maine 04333

The Honorable Justin Alfond, President of the Senate
and Members of the 126th Maine Senate
3 State House Station
Augusta, Maine 04333

The Honorable Mark Eves, Speaker of the House
and Members of the 126th Maine House of Representatives
2 State House Station
Augusta, Maine 04333

Dear Government Oversight Committee Members, Senators and Representatives:

In accordance with 3 MRSA §995.4, I respectfully submit OPEGA's Annual Report on Activities and Performance for 2013. OPEGA's service to the Legislature as a non-partisan resource is meant to provide support in overseeing and improving the performance of State government. I hope that you and Maine's citizens will continue to view our efforts and results as a worthwhile use of taxpayer dollars.

Sincerely,

A handwritten signature in cursive script that reads "Beth L. Ashcroft".

Beth L. Ashcroft
Director

Cc: Darek Grant, Secretary of the Senate
Millicent MacFarland, Clerk of the House

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About OPEGA

History:

The Office of Program Evaluation and Government Accountability (OPEGA) is a non-partisan, independent legislative office created by Public Law 2001, Chapter 702. The Office first became operational in January 2005. Its authorizing statute is 3 MRSA §§991- 997.

Organization:

OPEGA is part of a unique organizational arrangement within the Legislature that ensures both independence and accountability. This structure is critical to ensuring that OPEGA can perform its function in an environment as free of political influence and bias as possible.

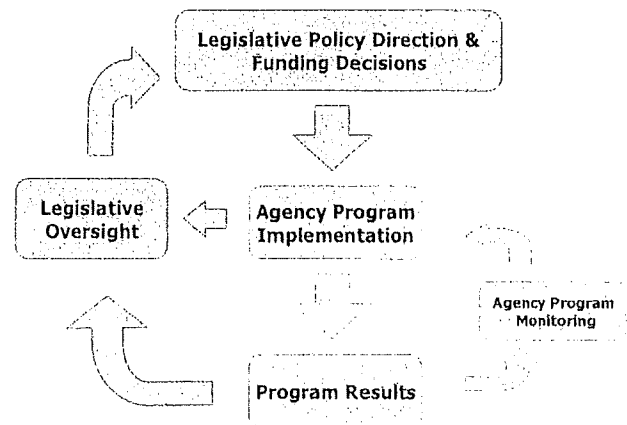
The Legislative Council appoints the Director of OPEGA for five year terms and also sets the Director's salary. OPEGA's activities are overseen by the legislative Government Oversight Committee (GOC), a 12-member bi-partisan and bi-cameral committee appointed by legislative leaders according to Joint Rule. The GOC's oversight includes approving OPEGA's budget and annual work plan as well as monitoring OPEGA's use of resources and performance.

Staffing:

OPEGA has an authorized permanent staff of seven full-time positions including the Director and the Administrative Secretary, who also serves as the Committee Clerk for the GOC. In 2013, OPEGA also had one temporary part-time analyst position for five months.

Function:

OPEGA primarily supports legislative oversight by conducting independent reviews of State government as directed by the GOC¹. As legislators perform their oversight function, they often have questions about how policies are being implemented, how programs are being managed, how money is being spent and what results are being achieved.



The GOC and OPEGA address those questions from an unbiased perspective through performance audits, evaluations and studies. The independence and authorities granted by their governing statute provide the Legislature with a valuable supplement to policy committee oversight. In addition, the GOC and OPEGA are in an excellent position to examine activities that cut across State government and span the jurisdictions of multiple policy committees.

The results of OPEGA's reviews are provided to legislators and the public through formal written reports and public presentations.

¹ When directed to do so, OPEGA also has authority to perform audits of non-State entities that receive State funds or have been established to perform governmental functions.

Mission

The Office of Program Evaluation and Government Accountability exists to support the Legislature in monitoring and improving the performance of State government by conducting independent, objective reviews of State programs and activities² with a focus on effectiveness, efficiency and economical use of resources.

Vision

OPEGA is valued as a credible source of objective information that contributes to good government and benefits Maine's citizens.

Values

OPEGA seeks to be a model for best practices in government and is committed to:

- ◆ Independence and objectivity
- ◆ Professionalism, ethics and integrity
- ◆ Participatory, collaborative approach
- ◆ Timely, effective communications
- ◆ Valuable recommendations
- ◆ Continuous improvement
- ◆ Using skilled and knowledgeable staff
- ◆ Minimizing disruption of operations
- ◆ Identifying root causes
- ◆ Measuring its own performance
- ◆ Smart use of its own resources

Overall Goals

- A. Provide timely, relevant and useful information and recommendations.
- B. Conduct all work with objectivity and accuracy.³
- C. Communicate regularly on our activities, results and impacts.
- D. Utilize OPEGA's resources effectively, efficiently and economically.

Indicators of Overall Outcomes

OPEGA tracks and reports on the following measures as broad indicators of the outcomes of our work:

- number of visits to OPEGA's website;
- percentage of recommendations that have been implemented or addressed affirmatively by the agencies or the Legislature; and
- estimated fiscal impact, actual or potential, associated with OPEGA recommendations.

² When directed to do so by the Government Oversight Committee, OPEGA is also authorized to perform audits of non-State entities that receive State funds or have been established to perform governmental functions.

³ OPEGA adheres as fully as possible to the performance auditing standards issued by the United States Government Accountability Office (GAO), known as the *Generally Accepted Government Auditing Standards (GAGAS)* or Yellow Book standards. Adherence to professional standards assures OPEGA's work is objective and accurate and reported results are appropriately supported.

Key Activities in 2013

OPEGA Completed Four Projects and Conducted Substantial Work on Four Others

OPEGA's GOC-approved Work Plan for 2013-2014 includes ten projects - seven regular performance reviews, two special projects and one formal follow-up review. Two of the performance reviews, the follow-up review and one special project were carried over from 2012. The remaining six projects were assigned by the GOC of the 126th Legislature who may still add or change projects in 2014. OPEGA's Work Plan and project status, shown in Table 1, is posted on the Office's web site.

The Office completed three of the performance reviews, including the two carry-overs from 2012, and issued three full reports with the results of those projects. Those reports contained 15 recommendations. Three of those recommendations have been implemented, or otherwise affirmatively addressed, and eight are in progress. Summaries of the results of those reviews can be found in the Summary of Projects and Results section beginning on page 11.

In addition, OPEGA conducted substantial work on three other reviews currently in progress. The final reports on two of them are expected to be released during the first half of 2014. The formal follow-up review of the Office of Information Technology is expected to continue through 2014.

Table 1. OPEGA Work Plan for 2013-2014 by Status and Date Initiated

Project Name	Date Initiated	Scope Approved	Status	Date Completed
Maine State Housing Authority: Energy Assistance Programs	June 2012	Sept 2012	Completed	July 2013
Public Utilities Commission	August 2012	Nov 2012	Completed	Sept 2013
Healthy Maine Partnerships' FY13 Contracts and Funding	May 2013	May 2013	Completed	Dec 2013
Special Project: Technical Assistance for Education Committee Contracted Study of Education Funding	May 2012	NA	Completed	Dec 2013
Follow Up Review: Office of Information Technology	Nov 2012	Nov 2012	In Progress	NA
Special Project: Tax Expenditure Programs	July 2013	NA	In Progress	NA
Maine Economic Improvement Fund	August 2013	Sept 2013	In Progress	NA
State Lottery	August 2013	Dec 2013	In Progress	NA
DHHS Audit Functions	NA	NA	Planned	NA
DHHS Workplace Culture and Environment	NA	NA	Planned	NA

OPEGA finished its work on a Special Project to provide technical assistance to the Joint Standing Committee on Education and Cultural Affairs for a contracted independent study of Maine's school funding formula. OPEGA's support of this effort, as described in legislative Resolve 2011, Chapter 166, was approved by the GOC and began in 2012. During 2013, OPEGA provided assistance with: facilitating the consultant's access to needed data and information; facilitating interactions between the consultant and the Education Committee; monitoring the consultant's progress, methodology and deliverables; and reviewing and providing feedback on draft deliverables to ensure a useful product for legislators. The consultant's final report was submitted by the contracted due date of December 1, 2013.

The Special Project on Tax Expenditure Programs is also nearly finished. OPEGA's work on this project included:

- analyzing and categorizing all tax expenditures⁴ included in the Maine State Tax Expenditure Report 2014-2015 produced by Maine Revenue Services; and
- drafting a proposed process for regular, objective legislative reviews of these lost revenues.

OPEGA consulted with representatives from the Pew Center for the States to consider best practices from other states that could be incorporated into that process. The GOC also provided input. Currently, draft legislation to establish a process is being reviewed by the Taxation Committee for possible introduction as a Committee Amendment to LD 1463. GOC and the OPEGA continue to provide input as the draft legislation is further developed.

OPEGA Monitored Actions Taken on Six Issued Reports

OPEGA actively follows up with agencies on actions taken, and monitors legislative efforts when applicable, related to report recommendations. The GOC periodically reviews the implementation status of specific reports and often receives formal report backs from responsible agencies.

In 2013, the GOC adopted a procedure for OPEGA's follow-up on issued reports. Under that procedure, OPEGA ceases active follow-up of any outstanding recommendations for reports issued more than two years ago. The procedure also calls for OPEGA to report to the GOC semi-annually on its follow-up activities and the status of actions on related recommendations so the GOC can determine whether additional action by the Committee is warranted.

In accordance with the procedure, in 2013, OPEGA monitored the status of actions on outstanding recommendations in six reports and ceased active follow-up of outstanding recommendations in four reports. Appendix B gives the follow up status of all OPEGA reports. The GOC, or other legislative committees, are currently considering further action on two previously issued reports as a result of these follow-up activities. OPEGA tracks the percent of recommendations implemented over time, as well as the estimated potential fiscal impact associated with recommendations, as overall outcome indicators. See page 9 for more detail on these results.

⁴ As defined in 5 MRSA §1666, "tax expenditures" means those state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability.

OPEGA Supported GOC and Other Legislative Efforts

OPEGA serves as staff for the Government Oversight Committee which held 13 meetings in 2013. Staff support includes coordinating and giving notice of meetings and agendas, developing and distributing written meeting materials, and preparing written summaries of the meetings. An archive of the Meeting Summaries from all GOC meetings is maintained on OPEGA's website.

OPEGA also performs research and gathers information to support the Committee's consideration of potential review topics. In 2013, the Office processed and conducted research related to eight formal requests for OPEGA reviews or assistance. Seven were requests from legislators or legislative committees – five from GOC members.⁵ Additionally, OPEGA conducted research to update information for ten topics on the GOC's On Deck List and three other topics proposed by GOC members during development of OPEGA's 2013-2104 Work Plan.⁶ The GOC requested more research on five topics. OPEGA prepared the following written research summaries and made them available to other interested legislators and citizens:

- Business Equipment Tax Reimbursement/Business Equipment Tax Exemption;
- Charter Schools;
- Maine Economic Improvement Fund;
- Tree Growth and Open Space Tax Laws; and
- Department of Health and Human Services Audit Functions.

In addition to staffing the GOC, OPEGA occasionally provides support or information for other legislative efforts outside of the current projects on the Office Work Plan. In 2013, OPEGA:

- Provided input, as requested, to the Joint Standing Committee on Judiciary during its consideration of several bills related to Guardians *ad Litem* for children including LD 872, An Act to Improve the Quality of Guardian *ad Litem* Services for the Children and Families of Maine, which was based in large part on recommendations made in OPEGA's 2006 report on Guardians *ad Litem* for Children in Child Protection Cases.
- Concurrent with our work on the Tax Expenditure Programs project, the Legislature directed OPEGA to provide support to the Tax Expenditure Review Task Force established in Public Law 2013, Chapter 368, Part S. We shared the results of our analysis and categorization of expenditures with the Task Force and produced several other analyses for its use. We also sought and incorporated the Task Force's input in developing a proposed process for on-going legislative review. The Task Force report submitted to the Appropriations and Financial Affairs Committee in December 2013 included a description of OPEGA's work with the Task Force.

⁵ Of the seven formal requests received from legislators or legislative committees, two were withdrawn and the remaining five were considered by the GOC. The GOC placed three of those topics on OPEGA's 2013 Work Plan as reviews or special projects and the other two are still under consideration. The eighth formal request received was from a citizen and, after some research, OPEGA determined the subject matter was not within the purview of OPEGA and the GOC.

⁶ The GOC maintains a formal On Deck List of topics the Committee voted as having merit for potential future OPEGA review. The GOC reviews the topics on this list during the development of OPEGA's Work Plan and throughout the year as warranted. Periodically, the GOC also votes on whether to add or remove topics from this list.

OPEGA Kept Legislators and Public Informed of Activities and Impact

OPEGA strives to keep those we serve regularly apprised of the projects and other activities we are working on, our results, and the work products available on the projects we complete. We also seek to provide information about the actual impacts of our work and the recommendations made as a result. Our target audience includes all legislators, not just GOC members, and the general public. OPEGA's communication efforts in 2013 included:

- posting our Work Plan (with current status) and reports, as well as GOC Meeting Agendas and Summaries, to OPEGA's website;
- distributing GOC meeting agendas in advance to an interested parties email list the Office maintains that includes media representatives, legislators and members of the public that have asked to receive such notifications;
- sending written advance notification of the scheduled public presentation of OPEGA reports, and related GOC public comment periods, to the members of legislative leadership and all joint standing committees that may have jurisdiction over, or a special interest in, the subject matter of the reports;
- distributing, immediately following release of the report, full copies of the final reports to each member of legislative leadership and all joint standing committees that may have jurisdiction over, or a special interest in, the subject matter of the reports;
- notifying all legislators, within a day of the report release, that a final report is available - typically done via email with a report summary attached;
- briefing legislative joint standing committees, when requested, on our reports and results as well as actions taken on our recommendations;
- submitting the statutorily required annual report on OPEGA's activities and performance for 2012 to the Government Oversight Committee and the Legislature; and
- responding to numerous inquiries on our work from interested legislators, citizens and the media.

In 2013, as in the previous two years, there was media interest in some OPEGA reports, as well as certain topics under consideration by the GOC. The media coverage, when it occurs, is generally helpful in keeping the public and legislators informed of GOC and OPEGA activities. OPEGA tracks the number of visits to our website as a general overall indicator of interest. That metric is discussed on page 8 of this report.

OPEGA's Annual Reports also include mention of significant actions taken on past reports in the past year (see page 14) as well as discussion of two overall indicators of impact that we track. Those indicators, discussed on pages 9-11, are percent of recommendations implemented or affirmatively addressed and estimated potential fiscal impact associated with OPEGA's recommendations.

OPEGA Stayed Within Budget but Faced Staffing Challenges in 2013

OPEGA's actual expenditures have been under budget each year since beginning operations in 2005 and that trend continued in 2013. Table 2 shows OPEGA's adjusted General Fund budget and actual expenses for the past three fiscal years.

Table 2. OPEGA's Adjusted Budget and Expenditures by Year.			
	FY 2011	FY 2012	FY 2013
Total General Fund budget (adjusted)	\$962,048	\$791,442	\$817,894
Total General Fund dollars expended	\$780,173	\$672,613	\$721,858
Dollar variance of expenditures to budget	(\$181,875)	(\$118,829)	(\$96,036)
% variance of expenditures to budget	(19%)	(15%)	(11.7%)

OPEGA's adjusted budget for FY11 included a transfer of \$147,268 from prior year unencumbered balances to cover anticipated consulting costs - increasing OPEGA's adjusted budget for that year from \$814,780 to \$962,048. In FY13, OPEGA's adjusted budget also included a transfer of \$20,000 from prior year balances to cover costs associated with a temporary part-time position. In some years, OPEGA's baseline budget is adjusted to meet State or legislative cost savings initiatives. OPEGA's adjusted budgets for FY12 and FY13 included reductions associated with eliminating merit salary increases for employees and changes to employee benefit plans.

OPEGA's actual expenditures for FY13 were \$721,858 about 12% under the adjusted budget. The variance was primarily due to:

- full-time position vacancies partly offset by salary, benefits and vacation payouts for a temporary part-time position that ended in June 2013;
- no projects requiring consultant services; and
- actual costs for employee training, printing, advertising and per diem payments for GOC members lower than budgeted.

OPEGA faced some staffing challenges in 2013 with turnover in two full-time positions and resulting vacancies while those positions were filled. The impact of the full-time vacancies was somewhat lessened by having a temporary part-time employee for five months and a part-time consultant for another five months. Even with these part-time resources, however, OPEGA was down on average one full-time equivalent over the course of the entire year.

Outcome Indicators

OPEGA tracks three measures that are broad indicators of the outcomes of our work; potential fiscal impacts, recommendations implemented and visits to OPEGA's website. Outcomes associated with OPEGA's work are affected by many factors beyond OPEGA's control. For example, the nature of review topics assigned to OPEGA by the Government Oversight Committee can vary considerably from year to year and not all are primarily focused on cost savings. The ability to calculate estimated savings also varies based on the exact nature of the recommendations made and data available. Nonetheless, OPEGA is committed to identifying and documenting opportunities to improve the State's fiscal situation, where applicable, within the study areas determined by the GOC.

Similarly, while OPEGA is committed to offering recommendations that are actionable and make sense for the State, many factors outside our control affect whether those recommendations are implemented. Such factors include agency priorities, the nature and availability of resources needed for implementation, and political considerations. Some of our recommendations also call for actions that lay the ground work, or nurture support, for longer term improvements that may take time to implement and may not show their full benefits for years to come.

Number of Visits to OPEGA's Website

We track this measure as an indicator of the overall interest in our function and our work products. Figure 1 shows the trends in number of visits by point of origin. Table 3 gives the total number of web visits in each year and the details on the number of different locales those visits came from. OPEGA began tracking website visits in 2008 and since that time there have been a total of 48,541 visits to the website including:

- 38,022 visits from 255 Maine towns
- 6,413 visits from the 50 other states and the District of Columbia
- 3,895 visits from 140 countries other than the USA.

As shown in Figure 1, OPEGA's website traffic continued to decline in 2013 from a high in 2011. We believe the trend in website visits over the years, particularly with regard to web visits from within Maine, reflects the number of OPEGA reports released each year and, more importantly, the degree of media interest in those reports. Several of OPEGA's projects in 2011, and the GOC actions related to them, were of significant general interest to Maine's citizens and were well covered throughout the year by Maine's media. This included the report on the Maine Turnpike Authority and the GOC investigation that followed, which also garnered national and international attention. There was also media coverage of two reports released in 2012. In 2013, however, there was only one report, released in December 2013, that drew significant media attention continuing into 2014.

Figure 1. OPEGA Web Visits by Point of Origin

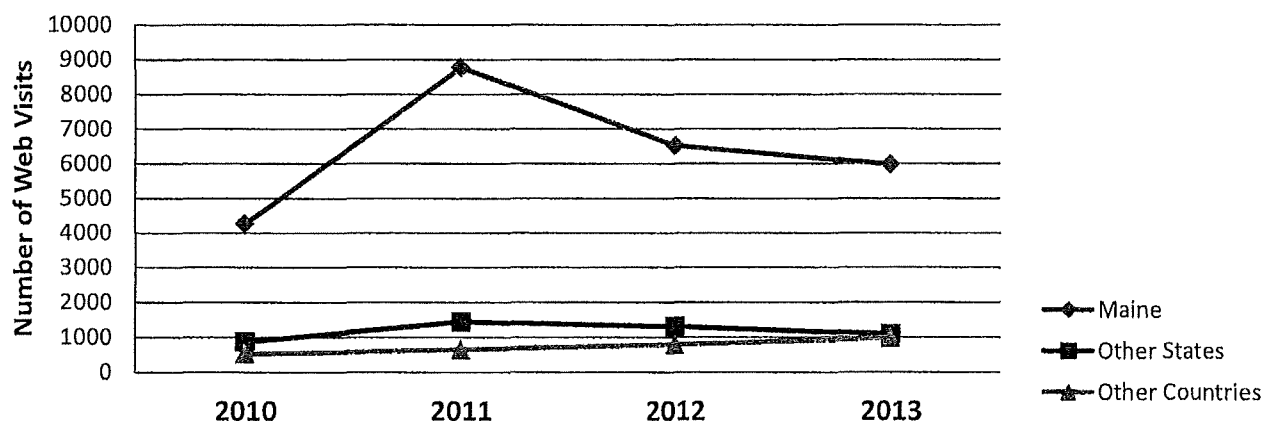


Table 3. Details of OPEGA Website Visits 2010 - 2013

Point of Origin	2010		2011		2012		2013	
	# of visits	# of locales	# of visits	# of locales	# of visits	# of locales	# of visits	# of locales
Maine towns	4,256	109	8,761	133	6,577	108	5,976	131
Other states*	861	48	1,439	48	1,318	47	1,086	47
Other Countries	517	75	645	82	810	89	974	92
Total	5,634		10,845		8,705		8,036	

*Counts includes visits from the District of Columbia

Percent of Recommendations Implemented or Affirmatively Addressed

This is a measure of how often action is taken by agencies or the Legislature to address the specific issues identified in our reviews, either through implementation of our recommended action or through alternative actions reasonably expected to improve the situation we identified. Tracking this data gives us insight into the significance and usefulness of our recommendations, as well as the overall effectiveness of our ability to stimulate warranted changes in State government.

Table 4 shows the cumulative number of recommendations by status for each of the last four years. For the period January 2005 through December 2013 (based on OPEGA's follow-up to date) 59% of all recommendations made (113 of 193) have been implemented or affirmatively addressed including:

- 62% of the recommendations directed to management (81 of 131); and
- 52% of recommendations directed to the Legislature (32 of 62).

OPEGA is aware of activities in progress that, if successfully completed, could result in implementation of another 41 recommendations, of which 29 were directed to management and 12 to the Legislature.

In each of the past four years, as shown in Figure 2, the percentage of total OPEGA recommendations implemented or affirmatively addressed increased, as has the percentage of recommendations with some activity in progress. We believe this trend reflects improvements in crafting more actionable recommendations, increased willingness of agencies to act on issues identified by OPEGA, even while reviews are in progress, and the initiative of the GOC and individual legislators in the past few years to introduce legislation as a means to implement recommendations when appropriate.

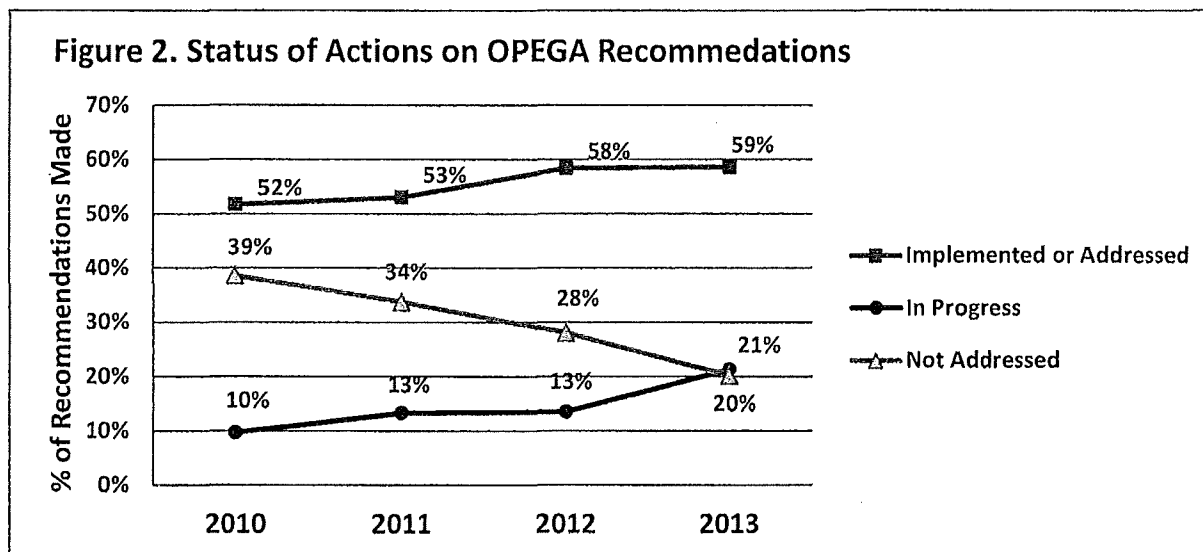


Table 4. Number of Recommendations by Status and Year

Status	2010	2011	2012	2013
Implemented or Affirmatively Addressed	75	88	104	113
In Progress	14	22	24	41
Not Yet Addressed	56	56	50	39
Cumulative Total of Recommendations Made	145	166	178	193

Of the 39 unaddressed recommendations at the end of 2013, 35 are from reports that the Office and GOC are no longer conducting active follow-up on. The other four are from a report just released in December 2013.

Nearly half of the unaddressed recommendations are from the reports issued in 2006: State-wide Information Technology Planning and Management and Guardians *ad Litem* for Children in Child Protection Cases. In both instances, over the years the responsible agencies noted resource constraints or the need for additional resources as barriers to implementing OPEGA's recommendations or otherwise addressing the issues reported. In 2012 and 2013, after issues raised in these past OPEGA reports re-emerged, the GOC, other legislators and/or citizens initiated action that resulted in several priority recommendations from these two reports being addressed at the legislative level. However, even with these efforts, there are still 17 outstanding recommendations from these reports that remain unaddressed.

Estimated Potential Fiscal Impact Associated with OPEGA Recommendations

The fiscal impacts associated with issues and recommendations reported by OPEGA for the period January 2005 through December 2013 are summarized below. Fiscal impacts associated with OPEGA's 2013 reports include reducing overpayments and unnecessary expenditures, reducing potential for fraud and misuse of funds and potential increase in annual costs for a new function. Some actual annual reduced costs associated with OPEGA's 2012 report on Child Development Services are also reported and included in the figures below. These impacts are described in more detail in the Summary of Reports and Results section on page 11 of this report. There was no reasonable basis for estimating dollar amounts associated with most of them, but dollar amounts that were available are included in the figures below. Supporting information about the fiscal impacts estimated for older reports can be found in OPEGA's prior annual reports.

As a result of identified weaknesses documented through OPEGA's work since 2005, there have been at least:

- \$30.5 million in unplanned costs that could have been avoided;
- \$4.18 million in overpayments and other unnecessary expenditures;
- \$597,806 in confirmed misuse of funds and fraud; and
- other inefficiencies, reduced productivity and opportunities for increase revenue that could not be readily quantified.

Correcting these deficiencies, as recommended by OPEGA, should help ensure that such negative fiscal impacts are not incurred in the future. Additionally, affected agencies have recovered at least \$430,000 of the total in confirmed misuse of funds and fraud from those responsible.

OPEGA recommendations for longer term, or more structural, changes have also offered the potential for avoiding or reducing costs on a significant level. For most of these, there was no reasonable basis for readily developing realistic, quantifiable estimates of what those positive fiscal impacts might be. In the few instances where sufficient information was available, we conservatively estimated **at least**:

- \$1,089,834 in actual reduced costs on an annual basis;
- \$190,700 in potential reduced costs on an annual basis;
- \$4,132,907 in potential reduced costs on a one-time basis; and
- 5,612 hours of State employee time (the equivalent of nearly 3 full-time positions) that could be saved or redirected.

Additional resources needed to implement recommendations made (including those meant to improve quality of services) are estimated to be at least:

- \$1,218,744 in one time expenditures; and
- \$628,196 in annual expenditures.

In some cases, the expenditure of additional resources is expected to be offset by future savings or greater efficiency and productivity but those offsets cannot be readily estimated.

Summary of Projects and Results

During 2013, OPEGA reported on three projects bringing the total reports published by OPEGA since 2005 to 36. A listing of those reports can be found in Appendix A.

Maine State Housing Authority: Energy Assistance Programs LIHEAP and WAP

OPEGA was tasked with reviewing two energy assistance programs, the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP). Both LIHEAP and WAP are federally funded programs which enable states to help low-income households, particularly those with members susceptible to hypothermia, meet their home heating needs. LIHEAP primarily provides fuel assistance and WAP provides assistance through the installation of weatherization measures in eligible households. The portion of OPEGA's review related to LIHEAP was focused on effective and efficient administration of the program, while the focus of the WAP portion was on the results being achieved.

OPEGA found that overall MaineHousing administers the LIHEAP program in an effective and efficient manner. The program operates in alignment with federal expectations and MaineHousing attempts to maximize benefits and clients served within the parameters of those expectations. MaineHousing also spends LIHEAP administrative funds appropriately. OPEGA did note, however, that controls to prevent and detect abuse of LIHEAP benefits were weak, allowing for potential abuse to occur and go undetected. Although only a small percentage of records analyzed by OPEGA were flagged as potential issues, the control weaknesses should be addressed to the extent possible.

OPEGA concluded that the WAP program generally produces satisfactory results. Overall, the program is well operated and in alignment with federal expectations. The households that are weatherized reflect program priorities and requirements. Weatherization projects are generally completed to program specifications and clients are very satisfied with the services received. Finally, policies and fiscal benchmarks are in place to ensure that funds are spent on actual weatherization services and, in particular, those services that produce greater energy savings than they cost.

There are, however, several areas where MaineHousing can take steps to strengthen WAP program performance. They include procurement, oversight and support of the Community Action Agencies (CAA) that implement the program, and use of outcome-based performance measures and data for monitoring the program. MaineHousing had already begun addressing these areas during the review. OPEGA also identified some WAP policy-level decisions that might be reconsidered in the future to ensure that as many clients, and the neediest clients, are served to the degree possible and allowable.

The agency has taken a number of steps in response to this report, addressing both LIHEAP and WAP. MaineHousing has strengthened some computer controls, as well as policies and procedures, and implemented regular data analysis routines that should further minimize potential abuse in the LIHEAP program. MaineHousing

also further examined LIHEAP transactions from 2008 to 2012 that OPEGA identified as potential abuse and confirmed that 111 of them appeared to be problematic. MaineHousing recalculated benefit amounts on 34 of those transactions that occurred in 2011 and 2012 and identified an estimated \$6,104 in benefits that may have been overpaid, noting that computer controls implemented over the five year period had reduced the number of these instances. With regard to WAP, MaineHousing has restructured the procurement process with the CAAs to provide more direct oversight of the process itself and will be leveraging the ECOS data system to improve management and performance monitoring of the program. Additionally, MaineHousing has returned to a regular schedule for auditing the CAAs administering WAP, with follow-up audits planned for each CAA six months after approval of a Corrective Action Plan.

Public Utilities Commission

OPEGA reviewed compliance, accessibility and the responsiveness of certain PUC processes, including Ten-Person complaints and other avenues available to consumers with common utility-related concerns. This was done from the viewpoint of ratepayers and members of the public, rather than that of regulated utilities. OPEGA also considered the adequacy of measures in place to ensure that the PUC acts in an impartial and unbiased manner when regulating public utilities.

OPEGA found that, overall, the PUC acts in compliance with its statutes and rules when handling Ten-Person complaints, though we did note instances where the Commission did not issue a decision within the nine-month timeframe required by statute. We also found that the Ten-Person complaint process is generally accessible and responsive to consumers' concerns. However, it is notably less so for complaints in which the PUC opens an investigation and deals with the complaint through an adjudicatory proceeding, particularly when complainants are representing themselves before the Commission.

Additionally, OPEGA found that State laws and PUC rules include ethical standards and other measures to support a transparent public process and impartial unbiased decisions, and we saw evidence of PUC compliance with those statutes and rules. However, these measures mainly focus on conflicts arising from financial interests and do not address all the factors that present risk, or create perceptions, of bias. Consumers OPEGA spoke with were more concerned with biases arising from relationships among individuals with shared perspectives. In Maine there is a reliance on personal integrity and ethics to guard against these types of bias.

Specific issues OPEGA noted in the report are:

- PUC's adjudicatory proceedings/process can be confusing and intimidating for citizens who want to represent themselves as parties in PUC cases.
- On-line case file system is difficult to navigate and search without a specific docket number.
- Consumers may not be aware that unsworn testimony and on-line comments submitted in PUC cases cannot be relied upon in the Commission's decision-making.
- PUC does not always make decisions on Ten-Person complaints that go to adjudicatory proceedings within nine months as required by statute.
- PUC lacks a structured process for identifying and addressing emerging issues and common concerns from individual complainants.
- Past associations and current working relationships between PUC staff and/or Commissioners and utilities they regulate create risk of actual or perceived bias.

The PUC has begun taking steps to address OPEGA's recommendations including enhancing communications to consumers to better explain the PUC's adjudicatory process, the role of the PUC staff and how the Commission uses comments and unsworn testimony submitted in PUC cases. The Government Oversight Committee and the Joint Standing Committee on Energy, Utilities and Technology continue to consider what legislative actions may be warranted to address issues raised in OPEGA's report and in the public comments received by the GOC following the report's issuance.

Healthy Maine Partnerships' FY13 Contracts and Funding

OPEGA reviewed the processes used, and documentation maintained, in the Maine Center for Disease Control and Prevention's (MCDC) selection of lead Healthy Maine Partnerships (HMP) and distribution of funds among HMPs for Fiscal Year 13 HMP grant awards. The Healthy Maine Partnerships Program is administered by the Maine Center for Disease Control and Prevention and implemented through independent, local HMP coalitions.

For FY13, MCDC made significant changes to the HMP program structure and funding distributions to the HMP coalitions. These changes were announced in June 2012 and public questions quickly arose about the process MCDC used to make its decisions. Allegations made by a MCDC senior manager in April 2013 prompted renewed legislative concerns about the process used to select lead HMPs and the potential shredding of related documents.

OPEGA acknowledged that MCDC did not have sufficient time to complete its typical Request for Proposal (RFP) process and followed guidance from DAFS Division of Purchases in pursuing an alternative approach. However, the lack of a new RFP process for the FY13 grant awards was not ideal given the change in roles and responsibilities for HMPs selected as leads.

OPEGA found that while the overall approach MCDC envisioned for selecting lead agencies could have been an appropriate alternative, the manner in which it was implemented was inappropriate and inconsistent. Existing HMP performance data was not useful for lead selection and criteria ultimately used were not relevant to key lead responsibilities in the new structure. In addition, multiple weaknesses in MCDC's scoring methodology undermined credibility of the process and presented the opportunity for MCDC to manipulate final outcomes. There were strong indications, including accounts from multiple interviewees, that such intentional manipulation may have occurred in the selection of the lead for the Penquis District.

OPEGA also found that MCDC did not maintain sufficient documentation to support key decisions in the course of its FY13 HMP lead selection process. While no documentation provided to us was withheld in response to the FOAA requests DHHS received, there was a next to final version of the scoring matrix referenced by multiple interviewees that was not provided to OPEGA and was not located in the electronic files. We know a former MCDC senior manager document claims a document similar in description to the scoring matrix referenced above was in her files and it has not been provided in response to her FOAA request.

MCDC will use a formal RFP process for the next HMP grant cycle beginning in FY16, and is working with the Maine State Archives to review and update the records management policies and practices used by the Department. The Department also has a goal of collecting high quality data and holding partners, including HMPs, accountable to performance measures.

As of the date of this Annual Report, the GOC is still considering what legislative actions might be warranted to address the concerns raised in this review.

Actions on Past Reports

OPEGA and the GOC continue to monitor actions taken on previously issued reports, and determine whether additional Committee action is needed to implement recommendations not yet satisfactorily addressed. Some notable actions taken on past OPEGA reports in 2013 were:

- The Legislature enacted PL 2013 Chapter 406 to improve Guardian *ad Litem* services for children. The law addresses and/or implements several recommendations from OPEGA's 2006 report such as clarifying the role and authority of GALs and improving the complaint process. Over the next year, the Supreme Judicial Court will develop and adopt standards of conduct for GALs, rules for the complaint process, and a post judgment evaluation process to collect and analyze data from parties in cases to which GALs are appointed.
- In compliance with 5 MRSA §§12023, 24 quasi-independent State entities submitted required reports to the Legislature by February 1, 2013 and the Executive Director of the Legislative Council forwarded each report to the appropriate joint standing committees. These reports described the entity's status in adopting and implementing written policies and procedures required by 5 MRSA §12022 on procurement practices and expenditures for contributions and travel, meals and entertainment. The GOC sent a letter to the joint standing committees reminding them of the reports and offering suggestions for their use. At the direction of the GOC, OPEGA also reviewed the reports to verify that each included all required information. Beginning in 2014, these entities will report annually to the Legislature on non-competitive procurements and contributions made in the prior year. The legislation resulting in these statutory reporting requirements was introduced by the GOC in 2012 as a by-product of OPEGA's 2011 report on the Maine Turnpike Authority.
- Child Development Services moved forward with implementation of OPEGA's 2012 report recommendations to improve the organization's structure, fiscal and contract management and increase revenue. CDS centralized provider contracts and standardized contract forms. CDS now procures professional services, such independent audit services, using a request for proposal process and has no contracted employees. Changes to organizational structure as well as changes to process and approach have resulted in an increased focus on fiscal stewardship and consistent service delivery organization-wide. CDS increased the number of private insurance companies it bills for services and expects to add more. Revised monthly fiscal reports for all CDS sites now include budget-to-actual information, current expenditures and insurance revenue. CDS projects revenue from private insurers will continue to grow and reports that it is seeing cost savings from changes made in response to OPEGA recommendations. Most of the cost savings cannot be reliably estimated, although CDS was able to estimate on-going annual savings totaling about \$323,000 from contract changes and the transfer of a CDS-run pre-school to a private provider.
- The Legislature enacted PL 2013 Chapter 338 which significantly enhanced Child Development Services' annual reporting requirements to the Legislature. The more detailed fiscal and programmatic data that will now be submitted to the Legislature should enhance oversight and inform policy-making for this significant program. The Public Law was a result of legislation introduced by the Government Oversight Committee (LD 34) following the issuance of OPEGA's 2012 report.
- The Department of Economic and Community Development (DECD) updated the State's Inventory of Economic Development Programs and, following a competitive bid process, contracted with independent consultants for the second Comprehensive Evaluation of Economic Development Programs. Both of these efforts are on-going activities resulting from recommendations in OPEGA's 2006 report on Economic Development Programs in Maine. The report from the first Comprehensive Evaluation was issued in March 2009. Although statute required subsequent evaluations on an annual basis, resource issues kept DECD from meeting that statutory obligation until 2013. The report from this current Comprehensive Evaluation has recently been submitted to the Legislature and is available on DECD's website.

Appendix B summarizes the current implementation and follow-up status of OPEGA's reports.

Acknowledgements

OPEGA would like to acknowledge and express appreciation to others in State government for the knowledge, service and other assistance they willingly contribute to OPEGA's reviews and general operations. In particular, special thanks to the:

- Office of the Executive Director of the Legislature;
- Office of Legislative Information Technology;
- Office of Policy and Legal Analysis;
- Office of Fiscal and Program Review;
- Law and Legislative Reference Library;
- Office of the State Controller;
- State Audit Department; and
- Office of the Attorney General.

Appendix A: Listing of Available OPEGA Reports by Date Issued

Report Title	Date Issued	Overall Conclusion	JSC's that Received Report
Healthy Maine Partnerships' FY13 Contracts and Funding	December 2013	Approach to selecting HMP lead agencies appropriate but the process was poorly implemented and allowed for manipulation of outcomes. Funding was consistent across HMPs based on role. Documentation maintained was insufficient to support key decisions in the selection process.	AFA HHS
Public Utilities Commission	September 2013	Improvements can be made in accessibility and responsiveness of avenues available for consumers to raise utility-related concerns. Risk of actual and perceived bias on the part of the PUC persists.	EUT
Maine State Housing Authority: Energy Assistance Programs LIHEAP and WAP	July 2013	Both programs administered well overall but LIHEAP controls should be improved and ongoing efforts to strengthen WAP program operations should be continued.	LCRED
Communications Regarding a Computer System Weakness Resulting in MaineCare Claims Payments for Ineligible Individuals	November 2012	DHHS MIHMS project staff knew of the issue in 2010, but executive management knowledge of the issue and its impact was limited until early 2012. Several factors contributed to the system weakness not being highly prioritized or reported to the DHHS Commissioner earlier.	AFA HHS
Child Development Services	July 2012	Implementing comprehensive program management, encouraging responsible stewardship of resources, and developing data to support management decisions could improve efficiency and cost effectiveness.	AFA EDUC
Cost Per Prisoner in the State Correctional System	June 2012	MDOC's methodology for calculating the cost per prisoner is reasonable but the statistic is of limited use in comparing states to one another due to a number of variables.	AFA CJ&PS
Maine State Housing Authority: Review of Certain Expenditures	May 2012	Most expenses reviewed were connected to MaineHousing's mission. Some expense types or amounts may be unnecessary and should be reconsidered.	AFA LCRED
Health Care Services in State Correctional Facilities	November 2011	Weaknesses exist in MDOC's monitoring of contractor compliance and performance. Contractor not compliant with some MDOC policies and professional standards. New administration is undertaking systemic changes.	AFA CJ&PS
Sales of State Real Estate	October 2011	Process is inconsistent across departments. Public notice on real estate sales is limited.	
GOC Special Project: Investigation into Sale of Real Estate to Maine State Prison Warden	August 2011	GOC questioned judgment of State officials in allowing sale to proceed but found no intentional misdealings.	
Maine Green Energy Alliance	August 2011	Weak controls and informal practices created high risk for misuse of funds and non-compliance. No inappropriate funding uses identified, but compliance issues were noted.	EU&T

Report Title	Date Issued	Overall Conclusion	JSC's that Received Report
Certificate of Need	May 2011	Process appears clear, consistent and transparent. Opportunity for better documentation exists.	HHS
Health Care Services in State Correctional Facilities: Opportunities to Contain Costs and Achieve Efficiencies	April 2011	Opportunities exist to better manage costs of health care in State correctional facilities by restructuring contracts with providers and implementing electronic medical records.	AFA CJ&PS HHS
GOC Special Project: Investigation into MTA's Purchase of Gift Cards	April 2011	GOC determined there was sufficient evidence of potential misuse of funds to request an investigation by the Attorney General's Office.	
Maine Turnpike Authority	January 2011	Strong planning process drives bond and toll decisions. Some contracting practices and expenditure controls should be improved. Additional clarity needed around surplus transfer and operating expenses.	Transportation
Emergency Communications in Kennebec County	February 2010	Fragmented PSAP and dispatch network presents challenges. Quality and rate issues need to be addressed to optimize public safety.	EU&T CJ&PS
OPEGA's Special Project on Professional and Administrative Contracts	February 2010	Opportunities exist to reduce FY11 General Fund costs for professional and administrative contracts by temporarily suspending some contracts. Potential also exists to reduce costs of on-going agreements.	AFA
Fund for a Healthy Maine Programs	October 2009	Adequate frameworks exist to ensure cost-effectiveness of specific activities. Allocations should be reassessed and changes should be made to improve financial transparency.	AFA HHS
MaineCare Durable Medical Equipment and Medical Supplies	July 2009	Prevention and detection of unnecessary or inappropriate claims should be strengthened to better contain costs.	AFA HHS
Maine State Prison Management Issues	June 2009	The workplace culture of Maine State Prison may be exposing employees and the State to unacceptable risks and needs continued attention.	CJ&PS
MaineCare Children's Outpatient Mental Health Services	February 2009	8% of funds spent support DHHS's administrative costs. Primary drivers are a contract with the ASO and costs incurred in processing provider claims. Another 19% of expenses can be attributed to providers' administrative costs.	AFA HHS
Fund For A Healthy Maine Programs: A Comparison of Maine's Allocations to Other States and a Summary of Programs	February 2009	Maine consistently prioritized preventive health services more than other states.	AFA HHS
State Contracting for Professional Services: Procurement Process	September 2008	Practices generally adequate to minimize cost-related risks; controls should be strengthened to promote accountability.	AFA
DHHS Contracting for Cost-Shared Non-MaineCare Human Services	July 2008	Cash management needs improvement to assure best use of resources.	AFA HHS
State Administration Staffing	May 2008	Better information needed to objectively assess possible savings opportunities.	AFA

Report Title	Date Issued	Overall Conclusion	JSC's that Received Report
State Boards, Committees, Commissions and Councils	February 2008	Opportunities may exist to improve State's fiscal position and increase efficiency.	AFA State & Local Nat. Resources
Bureau of Rehabilitation Services: Procurements for Consumers	December 2007	Weak controls allow misuse of funds, affecting resources available to serve all consumers.	AFA Labor
Riverview Psychiatric Center: An Analysis of Requests for Admission	August 2007	Majority seeking admission not admitted for lack of capacity but appear to have received care through other avenues; a smaller group seemed harder to place in community hospitals.	CJ&PS HHS
Urban-Rural Initiative Program	July 2007	Program well managed; data on use of funds should be collected.	Transportation
Highway Fund Eligibility at the Department of Public Safety	January 2007	The absence of a clear definition of HF eligibility and reliable activity data prevent a full and exact determination of which DPS activities are eligible to receive HF.	AFA CJ&PS Transportation
Economic Development Programs in Maine	December 2006	EDPs still lack elements critical for performance evaluation and public accountability.	AFA Agriculture LCRED Taxation
Guardians <i>ad Litem</i> for Children in Child Protection Cases	July 2006	Program management controls needed to improve quality of guardian ad litem services and assure effective advocacy of children's best interests.	HHS Judiciary
Bed Capacity at Riverview Psychiatric Center	April 2006	RPC referral data is unreliable; other factors should be considered before deciding whether to expand.	CJ&PS HHS
State-wide Information Technology Planning and Management	January 2006	State is at risk from fragmented practices; enterprise transformation underway and needs steadfast support.	AFA State & Local
Review of MECMS Stabilization Reporting	December 2005	Reporting to Legislature provides realistic picture of situation; effective oversight requires focus on challenges and risks.	AFA HHS
Title IV-E Adoption Assistance Compliance Efforts	November 2005	Maine DHHS has made progress in addressing compliance issues; additional efforts warranted.	HHS

Appendix B: Summary of Implementation and Follow-Up Status on Issued Reports
 (Implementation status based on information gathered by OPEGA as of 12-31-13)

Report Title (Date)	Implementation Status	Follow-up Status
Reports Still in Active Follow-Up Status (by date of issuance)		
Healthy Maine Partnerships' FY13 Contracts and Funding (December 2013)	Limited Implementation (Activity in Progress)	Follow-up continuing
Public Utilities Commission (September 2013)	Partially Implemented (Activity in Progress)	Follow-up continuing
Maine State Housing Authority: Energy Assistance Programs LIHEAP and WAP (July 2013)	Partially Implemented (Activity in Progress)	Follow-up continuing
Child Development Services (July 2012)	Partially Implemented (Activity in Progress)	Follow-up continuing
Health Care Services in State Correctional Facilities (November 2011)	Partially Implemented (Activity in Progress)	Follow-up continuing
Maine Green Energy Alliance (August 2011)	Partially Implemented (Activity in Progress)	Follow-up continuing
MaineCare Children's Outpatient Mental Health Services (February 2009)	Limited Implementation (Activity in Progress)	Follow-up continuing
Economic Development Programs in Maine (December 2006)	Partially Implemented (Activity in Progress)	Follow-up continuing
Reports No Longer in Active Follow-Up Status (by date of issuance)		
Maine State Housing Authority: Review of Certain Expenditures (May 2012)	Fully Implemented	Active follow-up ceased
Maine Turnpike Authority (January 2011)	Fully Implemented	Active follow-up ceased
Emergency Communications in Kennebec County (February 2010)	Mostly Implemented	Active follow-up ceased
OPEGA's Special Project on Professional and Administrative Contracts (February 2010)	Partially Implemented	Active follow-up ceased
Fund for a Healthy Maine Programs (October 2009)	Mostly Implemented	Active follow-up ceased
MaineCare Durable Medical Equipment and Medical Supplies (July 2009)	Mostly Implemented	Active follow-up ceased
Maine State Prison Management Issues (June 2009)	Fully Implemented	Active follow-up ceased
State Contracting for Professional Services: Procurement Process (September 2008)	Fully Implemented	Active follow-up ceased
DHHS Contracting for Cost-Shared Non-MaineCare Human Services (July 2008)	Fully Implemented	Active follow-up ceased
State Administration Staffing (May 2008)	Partially Implemented	Active follow-up ceased
State Boards, Committees, Commissions and Councils (February 2008)	Limited Implementation	Active follow-up ceased

Report Title (Date)	Implementation Status	Follow up Status
Bureau of Rehabilitation Services: Procurements for Consumers (December 2007)	Fully Implemented	Active follow-up ceased
Urban-Rural Initiative Program (July 2007)	Fully Implemented	Active follow-up ceased
Guardians <i>ad Litem</i> for Children in Child Protection Cases (July 2006)	Partially Implemented	Active follow-up ceased
Bed Capacity at Riverview Psychiatric Center (April 2006)	Fully Implemented	Active follow-up ceased
State-wide Information Technology Planning and Management (January 2006)	Partially Implemented	Active follow-up ceased
Review of MECMS Stabilization Reporting (December 2005)	Mostly Implemented	Active follow-up ceased
Title IV-E Adoption Assistance Compliance Efforts (November 2005)	Fully Implemented	Active follow-up ceased

Note: Implementation and follow-up are not applicable for the following OPEGA study reports as they did not contain recommendations: Communications Regarding Computer System Weakness, Cost Per Prisoner in the State Correctional System, Sales of State Real Estate; Certificate of Need; Health Care Services in State Correctional Facilities; Opportunities to Contain Costs and Achieve Efficiencies; Riverview Psychiatric Center: An Analysis of Requests for Admissions; Highway Fund Eligibility for the Department of Public Safety; and, Fund For A Healthy Maine Programs: A Comparison of Maine's Allocations to Other States and a Summary of Programs.

Boulter, David

Subject: RE: Invitation to attend the 2014 Maine STEM Summit March 28, at Colby

Importance: High

From: lmitchell18@gmail.com [<mailto:lmitchell18@gmail.com>] **On Behalf Of** Laurie Larsen

Sent: Monday, February 24, 2014 3:01 PM

To: Boulter, David; Alfond, SenJustin (FWD); Jackson, SenTroy; Haskell, RepAnne (FWD); Mike Thibodeau; Katz, SenRoger; Eves, RepMark; McCabe, RepJeff; Berry, RepSeth; Fredette, RepKenneth; Willette, RepAlexander

Cc: Tom Keller

Subject: Invitation to attend the 2014 Maine STEM Summit March 28, at Colby

The following message is sent on behalf of Tom Keller

Dear Members of the Maine Legislative Council,

Science, technology, engineering and math (STEM) are critical to the future of our state's education and workforce systems. In a continuing effort to make these systems robust and coherent, the Maine STEM Collaborative is hosting the 2014 Maine STEM Summit at Colby College on Friday, March 28, 2014. We invite you to attend and participate in this opportunity to learn about successful implementation of STEM programs in K-12, higher education and business/industry. Attendance is projected at 250-300 people and thanks to our generous sponsors there is no registration fee though we do ask for contributions.

The program begins at 8:30 am and ends at 4:30 pm and presenters include Jay Labov of the National Academy of Sciences and a host of Maine educators and business people. In addition, Eliot Cutler and Mike Michaud have agreed to present at the Summit in the afternoon.

Information on the conference and a registration link may be found at www.mmsa.org/stemsummit. Please contact me via email TKeller@mmsa.org should you need further information and we hope to see you there.

Thank you,

Tom

Laurie Larsen

Administrative Manager

Maine Mathematics and Science Alliance

219 Capitol Street, Suite 3, Augusta, Maine 04330

Tel: 207-626-3230 Ext. 115

Fax: 207-287-5885

Email: LLarsen@mmsa.org

Administrative Coordinator for Maine STEM Collaborative

www.mainestem.org



STATE OF MAINE
OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0066

EXECUTIVE DIRECTOR'S
OFFICE

2014 FEB 27 A 10:28
MARY GINGROW-SHAW, CPA
DEPUTY STATE AUDITOR

POL A. BUCKLEY, CPA, CISA
STATE AUDITOR

TEL: (207) 624-6250
FAX: (207) 624-6273

MICHAEL J. POULIN, CIA
DIRECTOR OF AUDIT and ADMINISTRATION

February 21, 2014

Honorable Members of the Legislative Council for the 126th Legislature

Honorable Paul R. LePage
Governor of the State of Maine

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the State of Maine are described Note 1 to the financial statements. Governmental Accounting Standards Board (GASB) Statements 60, 61, 62 and 63 were implemented by the State of Maine during fiscal year 2013. Of these, only the implementation of GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, had an impact on the State of Maine's accounting policies. As a result of implementing this standard, the term "net assets" was changed to "net position" throughout the financial statements which use the economic resources measurement focus and the accrual basis of accounting. This includes the government-wide, proprietary and fiduciary funds Statements of Net Position. We noted no transactions entered into by the State of Maine during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Governmental Funds and governmental activities were the accrual of taxes receivable, taxes payable, and other post-employment benefit obligations.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We consider all notes to the financial statements to be significant to the users as the notes are an integral part of the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures that were material, either individually or in the aggregate, to any opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountant about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require that the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

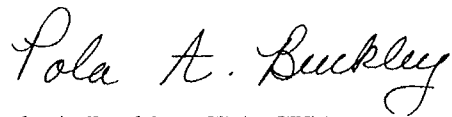
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to commencing the audit. Additionally, we have communicated an internal control related matter to management and those charged with governance in a separate report dated February 21, 2014. Because we are authorized by statute to conduct the financial audit of the State of Maine, pre-engagement discussions and the development of internal control related matters were not factors in our retention as Auditor.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

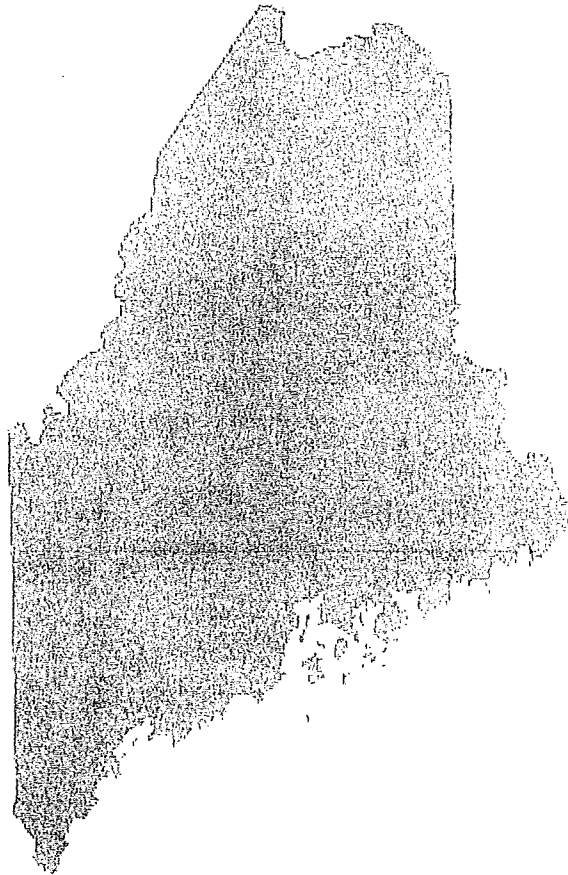
This information is intended solely for the use of members of the Legislative Council of the 126th Legislature and management of the State of Maine and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Pola A. Buckley". The signature is written in dark ink and is positioned above the printed name and title.

Pola A. Buckley, CPA, CISA
State Auditor

**One Maine,
One System -**



Report of the Commission to Study the State Board of Corrections and the
Unified County Corrections System to the 126th Maine Legislature

An Act Regarding the State Board of Corrections

Be it enacted by the People of the State of Maine as follows:

Section 1

30-A MRSA §701, sub-§2-A is amended to read:

2-A. Tax assessment for correctional services. The counties shall annually collect no more and no less than \$62,172,371 from municipalities for the provision of correctional services, excluding debt service, in accordance with this subsection.

The assessment to municipalities within each county may not be greater or less than the fiscal year 2007-08 county assessment for correctional-related expenditures, which is:

- A. A sum of \$4,287,340 in Androscoggin County;
- B. A sum of \$2,316,666 in Aroostook County;
- C. A sum of \$11,575,602 in Cumberland County;
- D. A sum of \$1,621,201 in Franklin County;
- E. A sum of \$1,670,136 in Hancock County;
- F. A sum of \$5,588,343 in Kennebec County;
- G. A sum of \$3,188,700 in Knox County;
- H. A sum of \$2,657,105 in Lincoln County;
- I. A sum of \$1,228,757 in Oxford County;
- J. A sum of \$5,919,118 in Penobscot County;
- K. A sum of \$878,940 in Piscataquis County;
- L. A sum of \$2,657,105 in Sagadahoc County;
- M. A sum of \$5,363,665 in Somerset County;
- N. A sum of \$2,832,353 in Waldo County;
- O. A sum of \$2,000,525 in Washington County; and
- P. A sum of \$8,386,815 in York County.

Notwithstanding this subsection, the county assessment for correctional services-related expenditures in Somerset County must be set at the fiscal year 2009-10 level when the new Somerset County Jail is open and operating at a level sufficient to sustain the average daily number of inmates from Somerset County.

For the purposes of this subsection, "correctional services" includes the management services, personal services, contractual services, commodity purchases, capital expenditures and all other costs, or portions thereof, necessary to maintain and operate correctional services. "Correctional services" does not include county jail debt.

Section 2

30-A MRSA §710 is amended to read:

30-A MRSA §710. COUNTY CORRECTIONAL SERVICES BUDGET PROCEDURE

1. Budget growth guidance and proposed budget. At least 14 months before the beginning of the first year of the next biennium, the corrections working group established in Title 34-A, section 1804 shall provide biennial budget growth guidance for the correctional services expenditures in the new fiscal year for each county biennial budget. The county commissioners shall submit proposed itemized correctional services budgets to the board in a format and by a date to be determined by the board, but no later than 12 months before the beginning of the next biennium.

1-A. Budget growth factor. The overall budget growth factor shall be the state growth percentage for the current year as determined by LD1.

2. Review of county correctional services budget. The Board shall review, amend if necessary and approve each county correctional services budget submitted under subsection 1. The board shall approve the county correctional services proposed budget if the total expenses in the proposed budget do not exceed the lesser of the prior year's actual or budgeted expenses plus the growth factor described in subsection 1-A as applied to the lesser of the prior year's actual or budgeted expenses, for submission to the Legislature for appropriations of any recommended sum in excess of the county share established in §701(2-A).

3. Hearing on county commissioners' budget. The board may hold a hearing under this subsection, except that it shall hold a hearing on a county correctional services budget when the county requests a hearing. If the board holds a hearing under this subsection, the provisions of Title 5, chapter 375, subchapter 4 apply.

4. Budget adjustment process. For a county correctional services budget submitted to the board, the board may amend or accept the proposed budget provided that the total estimated revenues, together with the amount of county tax to be levied pursuant to section 701, subsections 2-A and 2-B, equal the total estimated expenditures.

5. Adoption of budget. After review of a county correctional services budget submitted to the board under subsection 2, a hearing, if necessary pursuant to subsection 3, and the adjustment process under subsection 4, the board shall adopt a final correctional services budget for the county and transmit that budget to the county commissioners.

6. Assessment of taxes. The property tax assessment for county correctional services expenditures as established in section 701, subsection 2-A, and the county jail debt assessment established in section 701, subsection 2-b, approved by the board processes, are the final authorization for the assessment of county taxes. The budget must be sent to the county commissioners and the county tax must be authorized, apportioned and collected in accordance with section 706.

Section 3. 30-A MRS §924, sub§2 is repealed and replaced to read:

2. Use of Unencumbered Surplus Funds. After restoring the contingent account under subsection 1, the county commissioners shall use any unencumbered surplus funds as provided in this subsection. The county commissioners shall use any remaining unencumbered surplus funds in excess of 20% of fund balances of corrections expenditures to include tax assessment and other sources of revenue to reduce the tax levy in that year.

Section 4 Revise 34-A MRS Ch. 1, Sub. Ch. 5 as follows:

34-A MRS § 1801(2) is amended to read as follows:

2. State goals. The board shall develop goals to guide the development of and evaluate the effectiveness of a coordinated correctional system. The board shall present its goals for review and approval by the joint standing committee of the Legislature having jurisdiction over criminal justice and public safety matters. The goals must include benchmarks for performance in the following areas:

- A. Recidivism reduction;
- B. Pretrial diversion;
- C. Rate of incarceration;
- D. Increased standardization of practices, equipment and services among the counties;
- E. Increased efficiencies and economies of scale through consolidated purchases of goods and services, and common back office support services;
- F. Establishment of regional authorities to promote the goals of this Act;
- G. Establishment of common accounting practices, codifications and reporting formats and standardized performance metrics; and
- H. Establishment of a common, prioritized long term capital improvement budget.

Section 5

34-A MRS § 1803(1) is amended to add a new section (A-1) to read as follows:

A-1. Develop and adopt a Growth Formula to assist the counties in creating their biennial budgets by establishing a budget planning dollar cap which shall be no greater than the state growth percentage for the current year as determined by LD1. Any such budget submitted by a County and approved by the BOC shall be transmitted to the Legislature for its consideration.

Any funding requested by a County or the BOC in excess of the aforesaid cap shall be submitted to DAFS in accordance with the requirements for consideration for inclusion in the Governor's Budget.

In the event the Governor reduces or eliminates any request in excess of the cap, the BOC shall have the right to report its original request directly to the Joint Standing Committee of the Legislature having jurisdiction over criminal justice and public safety and the Joint Standing Committee having jurisdiction over appropriations and financial affairs.

Section 6

34-A MRS § 1803, sub-§1(F) is amended to read:

1. Manage the cost of corrections. The board shall develop a plan to achieve systemic cost savings and cost avoidance throughout the coordinated correctional system with the goal of operating efficient correctional services. Additionally, the board shall:

- A. Review, amend if necessary and adopt the correctional services expenditures in each county budget under Title 30-A, section 710;
- B. Develop reinvestment strategies within the coordinated correctional system to improve services and reduce recidivism;
- C. Establish boarding rates for the coordinated correctional system, except boarding rates for federal inmates;
- D. Review department biennial and supplemental budget proposals affecting adult correctional and adult probation services and submit recommendations regarding these budget proposals to the joint standing committee of the Legislature having jurisdiction over criminal justice and public safety

matters and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs;

E. Develop parameters for facility population, including but not limited to gender; classification; legal status, including pretrial or sentenced; and special needs; and

F. Enter into contracts on behalf of ~~and with the consent of the county commissioners and sheriffs in the case of county jails, and with the consent of the board of directors of the regional jail authority in the case of a~~ or regional jails, for any goods and services when such contracts will:

- (1) Lower the cost of providing correctional services;
- (2) Improve the delivery of correctional services; or
- (3) Otherwise help to achieve the goals of the board pursuant to section 1801.

When the board enters into such a contract, the county or counties on whose behalf the board has entered the contract shall be responsible for its pro rata share of the costs and shall not contract otherwise for any goods or services that were the subject of the board's contract without the express written approval of the board. Performance of the terms of the contract shall be the responsibility of the counties which are the beneficiaries of the contract. Nothing in this subsection shall preclude a county or regional jail from entering into an agreement with another county or regional jail to procure goods and services provided that such agreements and any resulting contracts are not for goods and services contracted for by the board pursuant to this subsection.

Section 7

34-A MRSA §1803, sub-§ 2 is amended to read:

2. Determine correctional facility use and purpose. The board shall:

A. Determine individual correctional facility and county jail use, including the location of specialty units, which may include medical, mental health, women's and substance abuse units, other specialty units and housing of pretrial and sentenced populations;

B. Review staffing levels at each correctional facility and county jail to ensure that safe conditions exist for staff, inmates and others; and

C. Review the use of all correctional facilities and county jails. The board may downsize or close facilities or reassign services. The board shall adopt rules governing the process and standards for closing or downsizing a correctional facility or a county jail, including criteria to be evaluated and stakeholders to be consulted. Rules adopted pursuant to this paragraph are major substantive rules as defined in Title 5, chapter 375, subchapter 2-A; and

D. Manage inmate bed space throughout the coordinated correctional system and direct the transfer of inmates between county jails whenever it determines there to exist a need for such actions, unless inconsistent with any specific directive of the Commissioner pursuant to 34-A M.R.S.A. §1404(1).

Section 8

34-A MRSA §1803(3)(D) is enacted to read:

Adopt and enforce standards to improve the efficiency of the county correctional system relating to:

- (i) Management Information Systems and their infrastructures;
- (ii) Security equipment;
- (iii) Inmate classification;
- (iv) Pretrial services;

- (v) Staffing qualifications and ratios of personnel in various levels of command;
- (vi) Other matters relating to construction, maintenance and operations.

Section 9

34-A MRSA §1803(5)(E) is amended to read:

E. Prepare and submit to the Governor a budget for the State Board of Corrections ~~Investment Fund~~ State Operations Support Fund established in §1805 biennially that clearly identifies the financial contribution required by the State to support the ~~actual~~ recommended costs of corrections as established in sub-§ A-1 hereof in addition to the capped property tax contribution under Title 30-A, section 701, subsection 2-A. The board shall also propose in its budget an appropriation to the State Board of Correction Capital Investment Improvement Fund program of an amount equal to the ~~difference between the 2007-08 fiscal year's county jail debt and the amount of that year's debt payment; and~~ 10% of the amount of projected Statewide long term capital improvement plan need as approved by the Board over the succeeding 10 years.

Section 10

34-A MRSA §1803-A is amended as follows:

3. Duties and powers of executive director. The Executive Director of the State Board of Corrections shall perform administrative duties and exercise the powers consistent with policies established by the board, which shall include review and recommendations concerning proposed county corrections budgets, preparation of the BOC budget and coordination of the long term county improvement plans submitted by the counties into a single budget document for submission to the Governor and Legislature; preparation of proposed goals and objectives, preparation of performance metrics and reports concerning the county correctional facilities, development of recommendations with respect to contracts, services, standards and other matters within the jurisdiction of the BOC as the Board may direct.

The Director may appoint a financial analyst to assist with the work of the BOC, and request the assistance of the DOC, Attorney General and other agencies of the State or the Counties.

4. Compensation. The compensation of the Executive Director and the Financial Analyst shall be set by the BOC.

Section 11

30-A MRSA §1804-A is enacted to read:

§1804-A. Financial data.

1. Develop a plan. The Board shall develop a plan, policies, and procedures regarding the collection, analysis, and interpretation of financial data.

2. Develop a guidance document for counties. The board shall develop a guidance document for the counties in regard to:

- A. Coding expenses;
- B. Submission of emergency requests;
- C. Submission of budgets;
- D. Implementing the Board's fiscal policies;

E. Developing marginal costs that can be used to compare costs within the system and averaged system-wide for the county jail facilities; and

F. And any other policies and procedures that the Board considers important to facilitating the counties' abilities to comply with the Board's needs.

3. Develop a Fund Balance Policy. Develop a Fund Balance policy consistent with the provisions of 30-A MRSA §924(2) to allow counties to reserve cash for their needs and reflect the policies and priorities of the Board. This policy shall provide an incentive for counties to save money. The Board shall regularly assess fund balances, and transfers of fund balances shall require approval of the Board.

4. Board Contracts with the counties. The Board may develop and execute contracts between the Board and the counties. The contracts may provide for the use of state funds, Board of Corrections and county responsibilities, and any other provisions the Board considers necessary.

Section 12

34-A MRSA §1804-B is enacted to read:

§1804-B. Application for other funds. The Board may apply for grants and other funds to implement statewide or multi-county corrections initiatives including programming, technology, innovation and other initiatives to create a statewide county jail system.

Section 13

34-A MRSA §1805(1) is amended as follows:

§1805. State Board of Correction Investment Operations Support Fund program.

1. Program established. The State Board of Corrections Investment Operational Support Fund program, referred to in this section as "the program," includes General Fund accounts and Other Special Revenue Funds accounts for the purposes specified in this section.

Section 14

34-A MRSA §1805 (4-A) is added to read:

4-A. County correctional budget savings. Any unencumbered balance in the corrections-related account of any county arising out of savings realized during the course of a fiscal year may be retained by the county for future corrections-related purposes without offset of the State Funds which would otherwise be due.

Section 15

§1805-A. Budget Preparation.

1. Creation of the county budget. The Board shall develop and implement a budget for County jails and a budget process that follows the same format and process that the State Budget Officer uses for the General Fund budget and the Department of Corrections.

2. Baseline budget and budget initiatives. The Board shall create a baseline budget for funding the county jails, and new funding initiatives that define the need for funding increases in excess of the Growth Factor or decreases. The Board of Corrections shall transmit budget instructions from the Department of Administrative and Financial Services to the County Commissioners, who shall have the

responsibility for submitting the budget to the Board of Corrections and the State. The budget instructions shall include a growth formula consistent with the provisions of 30-A MRS §710(1-A) that the Department of Administrative and Financial Services has approved.

3. Single chart of accounts. The Board shall establish a single chart of accounts for county corrections-related expenditures consistent with State General Fund standards and practices. All county jail budgets shall be based and submitted on a State Fiscal Year basis.

4. Standardized data and format. The Board of Corrections shall develop rules with respect to the standardized format and data to be used in county jail budgets and record-keeping. The Board shall ensure consistency in all county jail budgets to enable the Legislature to evaluate county jail budget requests and to facilitate comparisons among county budgets and benchmarking.

5. Funding allocation among county jails. The Board shall develop and approve a funding allocation formula for allocating funding to the jails. In determining the funding allocation formula, the Board shall adopt rules that include, but are not limited to:

- A. Jail size;
- B. Number of beds;
- C. Age of facility;
- D. Historic costs;
- E. Management information system upgrades; and
- F. Any other criteria deemed necessary by the Board.

Section 16

34-A MRSA §1805-B is enacted to read:

§1805-B. Capital Expenditure Budget preparation.

1. There is established a County Corrections Capital Improvement Fund, heretofore known as the "Inverse Debt Account."

2. Capital Budget. The Board of Corrections shall prepare a 10 year system-wide capital investment plan to be used to determine capital projects that can be funded from the Capital Improvement Fund for each county jail facility. The Board shall develop a Capital Expenditure budget for each county jail facility based on the Investment Plan to be submitted by each county with the operational budget for inclusion in the biennial budget or as required by the State Budget Officer.

3. Growth Factor. The capital budget may include a growth factor approved by the Department of Administrative and Financial Services.

4. Rules. The capital expenditures budget shall be based on rules that the Board has adopted to include but not be limited to:

- A. Age of the facility;
- B. Condition of the facility;
- C. Inmate and employee safety;
- D. The needs of the system-wide correctional system;
- E. Improvements necessary for the jail to be more efficient; and
- F. any other criteria the Board deems necessary.

5. County Bond Financing. Using the process established in §1803(4), the Board of Corrections shall approve for funding an amount not greater than that available in the Capital Improvement Fund for long term capital improvements, including new construction, and authorize the counties sponsoring an approved project to issue bonds to finance the project in an amount not to exceed the sum which would increase the property tax burden attributable to corrections in any such county to an amount greater than the statewide average for such expenditures, subject to the approval of the voters.

6. Verification of Emergency Capital requests. In cases of emergency, if there are insufficient funds in the Capital Improvement Fund and in the retained funds of the affected county the board may approve transfer of funds from the Operations Support Fund. The Board shall verify emergency capital requests based on criteria established by the Board. The Board shall:

- a. Develop a uniform request form;
- b. Require back-up information; and
- c. Require evidence that the county utilized the most efficient procurement process possible under the emergency circumstances.

7. Reports to the board of Corrections. Any payments made from the State Operations Support that are not required to be approved by the Board must be reported to the board in advance and included in financial reports on the State Operations Support fund.

Section 17

34-A MRS §1805-C is enacted to read:

§1805-C. Submission of the county jail budget to the Governor and State Budget Officer.

1. Budget Submission. The Board shall submit the county jail budgets to the Commissioner of Corrections and to the State Budget Officer as required for all state agencies.

2. Reduction in the budget. If the Governor or the Administration reduces or eliminates any Board of Corrections' requests from the budget following presentation of the budget to the Administration, the Board shall have the authority to report its original request to the Legislature. Whenever budget cuts are necessary in county jail budgets, the Board of Corrections shall reduce the appropriations to each county jail in a manner to minimize the overall impact on the county jail system.

Section 18

34-A MRS §1805-D is enacted to read:

§1805-D. Use of funds.

1. Restriction on use of funds. Property tax revenues for the support of county jails as capped according to statute and state appropriated operations funds shall only be used for county jail operations.

2. Fund balances. Fund balances remaining at the end of any fiscal year shall not lapse but shall be carried forward for the benefit of the county jails which created the surplus.

3. Capital funds. Capital funds appropriated or allocated through the ~~Inverse Debt~~ Capital Investment Fund Account or from other sources can only be used for approved capital investment purposes as determined by the Board.

4. Inmate Boarding Revenues. Federal or state inmate boarding revenues shall be retained by the county jail facility generating the funds and shall not be offset against the State appropriation otherwise due that county under the approved allocation formula.

5. Allocation of funds on quarterly basis. The Board shall distribute allotments of appropriate funds quarterly, together with a report of the financial status of each individual county jail facility. The Board may curtail funds necessary to address shortfalls. The Board may also request the State Budget Officer to transfer funds from one quarter to another to meet the needs of county jails.

Revenue and Expenditure Reports. Each county jail facility shall send a report of revenues generated and expenses incurred by each county jail to the Board of Corrections on a monthly basis and in the format prescribed by the Board.

Section 19

34-A MRS §1805-E is enacted to read:

§1805-E. Monitoring Performance.

The Board shall have the authority to monitor the operational, programmatic, and financial performance of each county jail facility, and to establish appropriate metrics and data collection requirements to compare the counties among themselves and with other appropriate jurisdictions.

The Board shall require timely reporting in a consistent format.

Section 20

34-A MRS §1805-F is enacted to read:

§1805-F. Compliance.

1. Incentivize compliance. The Board may:

A. Provide discretionary funding to support innovative or efficient programs for meeting identified needs;

B. Hold in escrow appropriations otherwise due for violations of established policies;

C. Declare a county jail facility ineligible for participation in programs for a period of time; and

D. Suspend or deny funding to any county jail that fails to follow rules or regulations issued by the Board or that refuses to cooperate and comply with policies of the Board, and direct the county in violation of such regulations to transfer funds collected pursuant to 30-A MRS §701(2-A) to the State Controller to be credited to the State Operations Support Fund in an amount sufficient to cover any sums due to the Board of Corrections, the State or the other counties.

Section 21

34-A MRS §1805-G is enacted to read:

§1805-G. Penalties for Non-Compliance.

Enforcement of Board authority. The Board shall by rule provide for penalties for County jails that do not comply with board policies, record-keeping, the budget format and budgeting process, funding directives, acceptance of inmates, cost savings measures, and program initiatives. If there is serious or systematic violation of board policies and rules associated with any county jail facility, the Board may suspend the license of a facility to operate, and request the Department of Corrections to take over the management and control of the facility, its staff, and inmates. The non-compliant county shall be responsible for all costs incurred by the State or other counties as a result of its non-compliance, and the Board of Corrections may reallocate appropriations which would otherwise be due to such county for the relevant period.

Section 22

Supplemental Budget

There is hereby authorized and appropriated the following amounts:

<u>1</u>			
<u>2</u>	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
<u>3</u>	POSITIONS – LEGISLATIVE COUNT	1,000	1,000
<u>4</u>	Personal Services	\$	\$
<u>5</u>	All Other	\$	\$
<u>6</u>			
<u>7</u>	OTHER SPECIAL REVENUE FUNDS TOTAL	\$	\$769,936

8 **State Board of Corrections ~~Investment~~ Operational Support Fund Z087**

9 Initiative: Provides funding to continue one Financial Analyst positions and reduces funding in All
10 Other for contractual services to fund the position. The financial analyst works jointly with the
11 State Board of Corrections and its executive director to achieve systemic cost savings and to
12 provide ongoing financial analysis and reporting.

<u>13</u>			
<u>14</u>	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
<u>15</u>	POSITIONS- LEGISLATIVE COUNT	1,000	1,000
<u>16</u>	Personal Services	\$89,486	\$95,519
<u>17</u>	All Other	(\$91,500)	(\$91,500)
<u>18</u>			
<u>19</u>	OTHER SPECIAL REVENUE FUNDS TOTAL	(\$2,014)	\$4,019

20 **State Board of Corrections ~~Investment~~ Operational Support Fund Z087**

21 Initiative: Reduces funding to bring allocations in line with available resources projected by the
22 Revenue Forecasting Committee in December 2012.

<u>23</u>			
<u>24</u>	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
<u>25</u>	All other	\$	\$
<u>26</u>			
<u>27</u>	OTHER SPECIAL REVENUE FUNDS TOTAL	\$3,806	(\$7,696)

28 **STATE BOARD OF CORRECTIONS ~~INVESTMENT~~ OPERATIONS SUPPORT Z087**

29 **PROGRAM STUDY**

<u>30</u>			
<u>31</u>	GENERAL FUND	2013-14	2014-15
<u>32</u>	All Other	\$	\$
<u>33</u>			
<u>34</u>	GENERAL FUND TOTAL	\$	\$

County Corrections Capital

Improvement Fund	2013-14	2014-15
All Other		

<u>1</u>	OTHER SPECIAL REVENUE FUNDS	2013-14	2014-15
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2	POSITIONS – LEGISLATIVE COUNT	2.000	2.000
3	Personal Services	\$	\$
4	All Other	\$	\$
5			
6	OTHER SPECIAL REVENUE FUNDS TOTAL	\$	\$
7			
8	CORRECTIONS, STATE BOARD OF		
9	DEPARTMENT TOTALS	2013-14	2014-15
10			
11	GENERAL FUND	\$	\$
12	OTHER SPECIAL REVENUE FUNDS	\$	\$
13			
14	DEPARTMENT TOTAL – ALL FUNDS	\$	\$

To: Bill Whitten
From: David T. Flanagan

Re: Draft legislation in support of the recommendations of the Commission to Study the State Board of Corrections and the Unified County Corrections System

Enclosed is a first draft of legislation to support the recommendation of the Commission.

From: David T. Flanagan

Re: Draft County Corrections Reform Legislation

Attached is a working draft of legislation derived from the recommendations of the Legislative Commission to Study the Board of Corrections and Unified County Corrections System.

The following analysis cross-walks the recommendations with the specific sections of the draft legislation, as follows:

Section 1. 30-A MRSA §701(2-A) clarifies that "correctional services" do not include county jail debt so that a county cannot argue for use of a State appropriations for debt repayment or debt service unless it is explicitly authorized by the Legislature on a case by case basis.

Section 2. 30-A MRSA §710(1-A) regarding the Corrections Working Group providing budget guidance to the counties with a new, objective consideration, a formula for a budget growth cap correlated with LD1 increases. See "XVI. Additional Recommendations – Budget Reform (2)," p. 31.

30-A MRSA §710(2) is added to try to reduce the amount of time the Board of Corrections spends on budget minutia by providing that so long as a County stays below the budgeted cap, its request can go straight to the Legislature for its consideration, and any budget approved by the Legislature in excess of the County's statutory share is a General Fund expense. See "XVI. Additional Recommendations – Budget Reform (6)," p. 32.

Section 3. 30-A MRSA §924(2) relates to unencumbered, corrections-related funds which a county has realized because of finding efficiencies and savings in the year in which they first occurred.

In its report on Board of Corrections financing and management, RHR Smith recommended an expansion of the authority to retain and use corrections-related surpluses, and the Commission adopted such a recommendation at its final meeting.

See also Section 14 and 18.

Section 4. 34-A MRSA §1801(2) relates to the Commissions vision of the scope of responsibilities of the Board of Corrections.

See "XV (1)(2) Vision," p. 25.

Section 5. 34-A MRSA §1803(A-1) again provided for a Growth Formula the same as in Section 2, but goes on to provide that any amount requested in excess of the cap must go to DAFS as well as the Board of Corrections for its review, but if not accepted by the Administration, the Board of Corrections may advise the Legislature of the deficiencies directly.

See "XVI Additional Recommendations – Budget Reform (6)," p. 32.

Section 6. 34-A MRSA §1803(1)(F) is amended to give the Board of Corrections authority to enter into contracts with some or all of the counties on its own initiative when it will realize savings and

efficiencies. This reform provides the authority for the Board of Corrections to act on its own initiative to create savings without waiting for consensus among the counties to develop.

See "XV (6) Lack of Will or Authority to Enforce its Decision (d)(iii)," p. 30.

Section 7. 34-A MRSA §1803(2) is amended to give the Board of Corrections authority to assign inmates when the intra-county transfer system is not operating due to the non-cooperation of any individual county.

See "XV (6) Lack of Will or Authority to Enforce its Decisions (d)(ii) and (v)," pp. 30-31.

Section 8. 34-A MRSA §1803(3)(D) clarifies the authority of the Board of Corrections to set standards to improve the efficiency of the system to promote statewide equality of treatment of inmates and to promote equity in the services available.

See "XV (6) Lack of Will or Authority to Enforce its Decisions (d)(ii)," p. 30.

Section 9. 34-A MRSA §1803(5)(E) changes the name of the "Board of Corrections Investment Fund" to the "State Operations Support Fund" to make it clear that this fund is to support on-going operations and maintenance expenses. Mixing this appropriation up with capital investment had led to confusion and uncertainty.

See "XVII Capital Planning and Finance," pp. 33-34.

Section 10. 34-A MRSA §1803-A is amended to more explicitly spell out the duties and expectations of the Executive Director and the Financial Analyst, to free the Board of Corrections up from detail to focus on policy issues.

See "XV (4) Lack of Executive Leadership (d)," p. 28.

Section 11. 34-A MRSA §1804-A is added to require uniform accounting and performance reporting among all the counties to the Board of Corrections.

See "XV (5) Lack of Common Accounting Standards (2)," p. 29.

Section 12. 34-A MRSA §1804-B is added to clarify the Board of Corrections can accept funds from other sources related to corrections improvements and innovations.

Section 13. 34-A MRSA §1805(1) is a change for consistency to redefine the existing "Investment Funds" as the "State Operating Support Fund."

See Section 9.

Section 14. 34-A MRSA §1805(4-A) is added to again deal with unencumbered surpluses.

See Section 3 and 18.

Section 15. 34-A MRSA §1805-A describes the budget process which are intended to make the Board of Corrections process consistent with general State budgeting processes.

See "XVI Additional Recommendations – Budget Reform," pp. 31-32.

Section 16. 34-A MRSA §1805-B is intended to create a clear path for capital budget development and funding to address the current lack of systematic planning and prioritization and failure of the Legislature to ever fund the "Inverse Debt Account" intended for this purpose.

See "XVII Capital Planning and Finance," pp. 33-35.

Section 17. 34-A MRSA §1805-C again provides that any amounts requested but deleted by the Governor can be reported by the Board of Corrections directly to the Legislature for its consideration.

See "XVI Additional Recommendations – Budget Reform (6)," p. 32.

Section 18. 34-A MRSA §1805-D replaces the obscurely named "Inverse Debt Fund" with the descriptive "Capital Improvement Fund" and resolves the legal question relating to who gets the Federal boarding revenue in favor of the county housing the prisoners, even though the Commission recognized that caused some extra costs to other counties when as a result there was not space to transfer their own excess inmates to the nearest facility.

See "XVII Capital Planning and Finance," p. 34.

Section 19. 34-A MRSA §1805-E again makes it clear the Board of Corrections can require the counties to submit data in a format and at times it mandates.

See "XV (6) Lack of Will or Authority to Enforce its Decisions (d)(ii)," p. 31.

Section 20. 34-A MRSA §1805-F provides incentives and sanctions to enforce its policies and decisions.

See "XV (6) Lack of Will or Authority to Enforce its Decisions (d)(ii)," p. 30.

Section 21. 34-A MRSA §1805-G provides penalties for serious non-compliance, including authority by the Board of Corrections to suspend the license to operate, directing a non-compliant county to report its county corrections tax revenues with the State Controller, and recommending that the Department of Corrections take over operation of a seriously deficient jail.

See "XV (3) Lake of Enforcement Power," p. 27.

Section 22. Appropriations.

The Commission believes that under certain scenarios the County Correctional System may run a deficit for \$2.8m for FY 14, and proposes that that amount be appropriated, as well as sufficient funds for projected needs in FY15.

It also believes that the State needs to begin building up a sinking fund for future capital needs.