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# Comprehensive Economic Development Evaluation Plan

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*January 2008*

John Richardson  
Commissioner

Maine Department of Economic and Community Development  
59 State House Station  
Augusta, ME 04333-0059







JOHN ELIAS BALDACCI  
GOVERNOR

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



JOHN RICHARDSON  
COMMISSIONER

**MEMORANDUM**

TO: Lynn Bromley, Senator Chair  
Nancy E. Smith, House Chair  
Joint Standing Committee on Business, Research and Economic Development

FROM: John Richardson, Commissioner *JGR*

DATE: January 22, 2008

SUBJECT: Plan for the Comprehensive Evaluation of Economic Development Programs

In December 2006, the Office of Program Evaluation and Government Accountability (OPEGA) issued a performance audit of economic development programs in Maine. This report was critical of the current evaluation methods for Maine's economic development portfolio and suggested that more in-depth evaluations would be appropriate.

The 123<sup>rd</sup> Legislature subsequently passed LD 1163, "An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability Regarding Economic Development in Maine." This act had three tasks for the Department of Economic and Community Development:

1. To develop and submit to the Governor and the Legislature a plan for the comprehensive evaluation of state investments in economic development (5 MRSA §13056-A);
2. To develop a proposal to amend the statutory definition of "economic development incentive;" and
3. To work with the Maine Development Foundation (MDF) to prepare a portfolio of all existing economic development activities that fit within the State's criteria for economic development.

Attached is the plan for the comprehensive evaluation of the state's investment in economic development programs, including a redefinition of "economic development incentive." Under separate cover, the Maine Development Foundation will deliver a portfolio of 58 economic development programs which fit within this redefinition, and a graphic portrayal of how these programs serve different sectors and types of companies.



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Going beyond the requirements of the statute, DECD has embarked upon a strategic planning effort which includes two significant operational commitments that are inexorably linked with the evaluation. First, the plan calls for a **systems approach to accountability**. This means using research and data as the basis for investment decisions, establishing annual benchmarks of appropriate indicators of activities and results, measuring actual outcomes, reporting these outcomes to the appropriate committees of oversight and refining strategies and tactics based on the data received.

Second, the strategic plan calls for a **seamless, efficient and effective statewide delivery system of business and community assistance**. The goal will be to map and evaluate all delivery mechanisms and partners to identify and eliminate redundancies, establish procedures and protocols for working collaboratively, and use the Internet and other tools as appropriate to improve the efficiency and effectiveness of our support of community and economic development.

DECD believes that the evaluation plan we have developed will be an essential tool for us to assess the performance of the entire economic development team and to continually improve its contribution to the state of Maine. Implementation of this plan will require the assistance of a large number of stakeholders from other agencies and organizations, as well as a creative financing mechanism. However, implementing this vision will provide the Governor, the Commissioner and the legislature with the information necessary to better provide this essential state activity.

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## 1. Introduction

In December 2006, the Office of Program Evaluation and Government Accountability (OPEGA) issued a performance audit of economic development programs in Maine. This report was critical of the current evaluation methods for Maine's economic development portfolio and suggested that more in-depth evaluations would be appropriate.

The 123<sup>rd</sup> Legislature subsequently passed Public Law 2007 Chapter 434 (LD 1163), "An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability Regarding Economic Development in Maine." This act had three tasks for the Department of Economic and Community Development:

1. To develop and submit to the Governor and the Legislature a plan for the comprehensive evaluation of state investments in economic development (5 MRSA §13056-A);
2. To develop a proposal to amend the statutory definition of "economic development incentive;" and
3. To work with the Maine Development Foundation (MDF) to prepare a portfolio of all existing economic development activities that fit within the State's criteria for economic development.

This document is the plan for the comprehensive evaluation of state investments in economic development, and is predicated upon a proposed new definition of "economic development incentive." The list of programs proposed to be included under this evaluation is the same as the portfolio developed by MDF and draws upon the research that MDF has conducted.

This document describes the design framework for the evaluation, including a logic model for the system, the identification of appropriate metrics and indicators, and an implementation plan. This document was developed by staff in the Department of Economic and Community Development with extensive experience in the evaluation of economic development programs. This plan, when approved, will form the basis for a competitive search for a contractor to conduct the ongoing annual evaluation.

The evaluation plan was developed using a four-part methodology. First, we identified the questions to be answered by the evaluation. Second, we drew a logic model of the entire portfolio to understand the mission and goals of all of the programs. Third, we described the metrics to measure the various aspects of the logic model and identified the indicators that would be used. Fourth, we designed an evaluation system to systematically

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collect data for the indicators. Finally, we described the analysis and reporting required to answer the questions posed. Each step is documented in the rest of this report:

- Questions to be Answered (**Section 2**)
- Logic Model (**Section 3**)
- Outcome Indicators (**Section 4**)
- Data Collection System (**Section 5**)
- Analysis and Reporting (**Section 6**).

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## 2. Questions to be Answered

The central question to be answered by this evaluation is contained in the OPEGA report:

Are the economic development programs a cost-beneficial use of public funds and are they effectively meeting their intent?

However, the OPEGA report also states that, “it will be some time before Maine is in a position to truly design and manage its economic development programs as an investment portfolio from a cost-benefit perspective.” Instead, OPEGA suggested that policymakers need three types of information about our investment in economic development:

- The ability to monitor progress toward desired results;
- Coordination to minimize overlaps and gaps, and maximize synergies and efficiencies among programs; and
- Publicly accessible, understandable information about the programs including relevant, objective and verifiable data on program costs and performance.

This evaluation, therefore, seeks to provide answers to two specific questions:

1. What is the economic impact of the state’s annual investments in economic development programs?
2. Are the programs meeting their statutory intent?

With this information, combined with benchmarks set by the Department of Economic and Community Development for its programs, legislators will be able to monitor the progress of economic development programs, and to access performance data. The portfolio analysis which is contained under separate cover is intended to provide a baseline of the relationships among programs currently; the portfolio coordinator position outlined in Public Law 2007, Chapter 434 (LD 1163) will enable the legislature to monitor this on an ongoing basis.

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### 3. Logic Model

#### 3.1 Economic Development and Economic Growth

Economic development is the process of enhancing land, labor, capital and technology to improve the economy and global competitiveness of a locality, region, state or nation. Most governments engage in a variety of strategies to promote economic development to promote economic growth and improve the quality of life for their citizens. The three general strategies are: encourage the growth of new companies (**entrepreneurship**), support and retain existing companies (**retention**) and attract companies to move to the locality (**attraction**).

Entrepreneurship is critical to economic development for a simple reason: all net job growth in the U.S. economy since 1980 has come from new companies, while existing companies have been shedding jobs. Therefore, support for entrepreneurship is critical to ensuring that an economy has a steady supply of new entities and new products to replace those lost to global competition.

Retention is an attractive strategy for most states with its focus on keeping the jobs already existing in a region. Without retention programs, many companies are vulnerable to either moving out of state (or out of the country), or going out of business entirely.

Attraction is the most controversial economic development strategy because many view it as a “zero-sum game;” various states, regions and localities compete with each other to attract companies to chose their locations over others.

#### 3.2 Logic Model of Economic Development Investments

We have identified six types of assistance that are offered in Maine to companies and communities—all support all three strategies to some extent. These types of assistance each have their own logic and rationale for government involvement:

Technical assistance is providing very specialized counseling and training on topics such as government procurement, exporting and manufacturing technologies. The rationale is that management, especially in small companies, has imperfect access to this information, and that it is in the best interests of the community as a whole for this knowledge to be shared. Ultimately, companies will benefit from the problem-solving aspects of this assistance and will increase revenues, exports, productivity, etc., and ultimately retain or add employees, promoting economic development.

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Business assistance is similar to technical assistance except that the subject matter is general business management counseling and training. Again, imperfect information is the rationale for the provision of this assistance, and increased revenues and employment is the desired outcome.

Access to capital encompasses debt, equity, grants, and tax credits, all of which are designed to help finance activities at companies that cannot otherwise be undertaken. The rationale is that capital markets are not perfect and some companies, especially those in rural areas and away from large financial markets, have limited access to well-priced capital. In addition, some expenditures, notably, research and development, are deemed to have a public benefit, and are therefore properly the province of government action. In all cases, the outcomes desired are the attraction of additional capital, increased revenues and retained or new employees.

Promotion is a different type of activity which focuses on developing the demand for a category of products. These activities are undertaken usually to support a broad class of products and services in a state or region. The outcomes desired are increased demand for products for individual companies within the category and increased revenues and employment.

Workforce development is the provision of specialized training for workers in order to increase the productivity of existing employees, or to provide new employees the specialized skills needed for a particular job or industry. Workforce development is seen as part of economic development because it is often offered to companies in order to retain workers through productivity gains. It is also used as a tool to attract a company to locate in a region by ensuring that a properly training workforce is available.

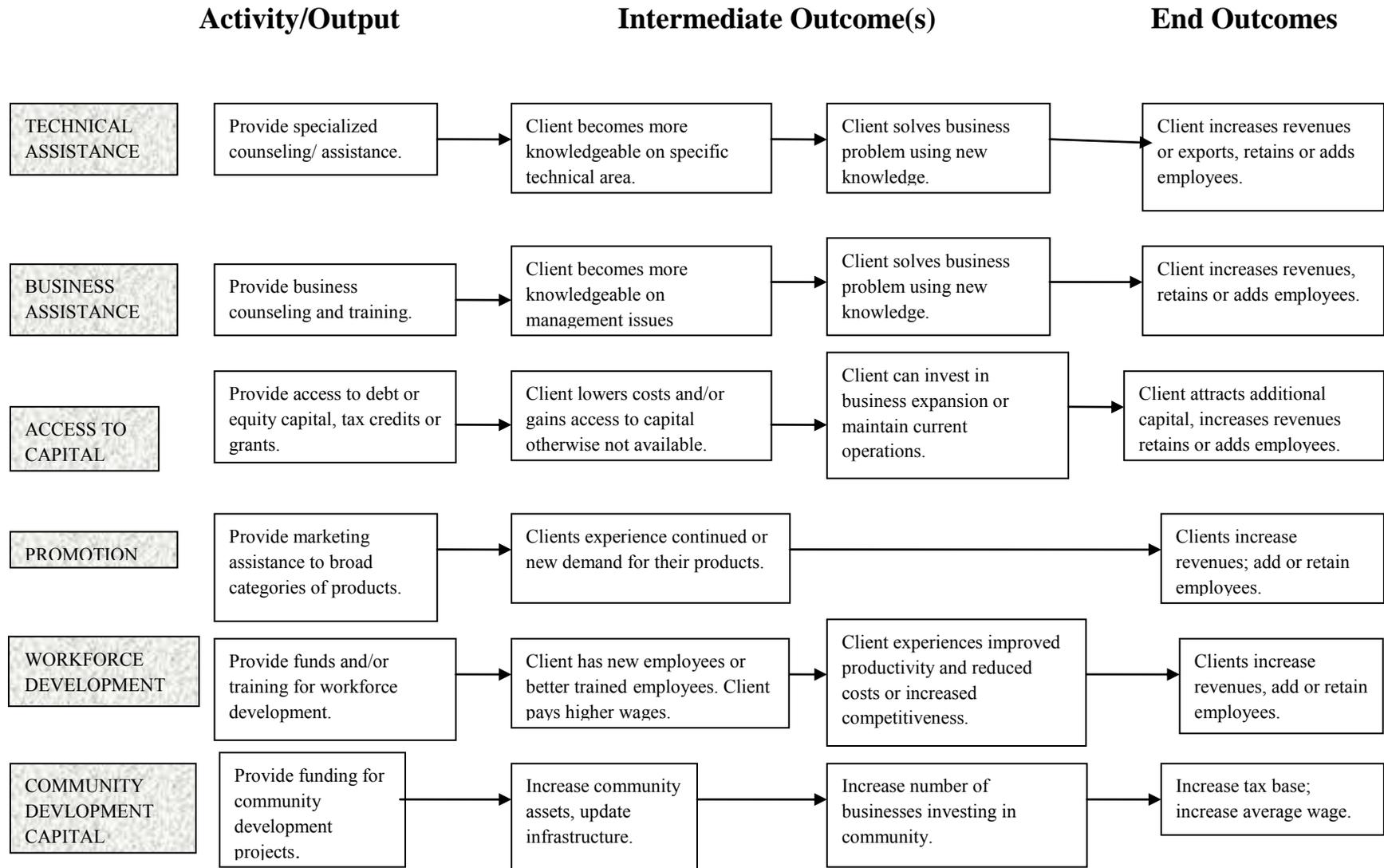
Community development is seen by many as a precursor to economic development. The funding of infrastructure improvements makes a community more attractive to businesses such as water and sewer services, transportation improvements, office or manufacturing parks and/or building, etc. These investments often lead to companies deciding to invest in a community, and either expanding their workforce or bring new jobs. The expanded or new company also expands the tax base of a community.

Each of these types of assistance is shown in Figure 1.

### **3.3 Programs to be Included in the Evaluation**

An essential element of the evaluation plan is to decide which programs should be included. Using the discussion of economic development in **Sections 3.1** and **3.2**, we developed this definition of economic development incentives:

**Figure 1. Logic Model for Economic and Community Development Programs**



“Federal and state statutorily-defined programs whose purpose is to create, attract or retain business entities related to business development in Maine and are state funded to some extent (General Fund, Dedicated Revenue and tax expenditures).”

Note that this definition crosses the boundaries of a number of state agencies and that the programs which fit under this definition are not limited to DECD. **Appendix A** includes a complete list of all programs in Maine which we believe fit into this definition. This list is the same list that the Maine Development Foundation used to describe the economic development portfolio.

The legislation calling for this evaluation specifically exempts programs which are already covered under the Comprehensive R&D Evaluation or federally-mandated evaluations. Therefore, the programs covered by this evaluation are in the two left-hand columns of **Table 3.1**.

**Table 3.1. Programs Covered by this Evaluation**

| DECD   | Non DECD  | R&D Evaluation   | Federal Evaluation   |
|--|---|--|--|
| <p>Business Answers</p> <p>Employment Tax Increment Financing</p> <p>Governor's Training Initiative</p> <p>Loring Development Authority</p> <p>Maine Attraction Film Incentive</p> <p>Maine International Trade Center</p> <p>Maine Made/Maine Products Marketing Program</p> <p>Maine Micro-enterprise Initiative Fund</p> <p>Maine Tourism Marketing Partnership Fund</p> <p>Midcoast Regional Redevelopment Authority</p> <p>Municipal Tax Increment Financing</p> <p>Pine Tree Development Zones</p> | <p>Agricultural Development Grant Program</p> <p>Agricultural Marketing Loan Fund</p> <p>Business Equipment Tax Exemption</p> <p>Commercial Facilities Development Program</p> <p>Commercial Loan Insurance Program</p> <p>Credit for Rehabilitation of Historic Properties</p> <p>Economic Recovery Loan Program</p> <p>Jobs and Investment Tax Credit</p> <p>Linked Investment for Agriculture</p> <p>Linked Investment for Commercial Enterprises</p> <p>Maine Farms for the Future Grants</p> <p>Maine Quality Centers</p> <p>Linked Investment Program for Ag</p> <p>Potato Marketing Improvement Fund</p> <p>Regional Economic Development Revolving Loan Fund</p> <p>Sales Tax Exemptions:</p> <p>    Commercial Agriculture and Commercial Fishing</p> <p>    Fuel and Electricity Used for Manufacturing</p> <p>    Manufacturing Machinery and Equipment</p> <p>    Products Used in Agriculture and Aquaculture Production and Bait</p> <p>Shipbuilding Facility Credit</p> <p>Speculative Buildings Program</p> | <p>Maine Technology Institute – Seed Grants, Development Awards, Cluster Enhancement Awards, Phase 0 Awards; Accelerated Commercialization Fund</p> <p>High-Technology Investment Tax Credit</p> <p>Maine Biomedical Research Fund</p> <p>Marine Research Fund</p> <p>Maine Seed Capital Tax Credits</p> <p>Maine Economic Development Venture Capital Revolving Investment Fund</p> <p>Research and Development Tax Credit</p> <p>Sales Tax Exemption: Equipment and Machinery for Research</p> <p>SBIR/STTR Assistance</p> <p>Super Research and Development Credit</p> <p>Technology Asset Fund</p> <p>Technology Centers</p> <p>(also in R&amp;D Evaluation, but not in this portfolio:</p> <p>Maine Economic Improvement Fund, Maine Agricultural and Forestry Extension Service, Maine Patent Program,))</p> | <p>Community Development Block Grants</p> <p>Community Enterprise Grant Program</p> <p>Downtown Revitalization Grant Program</p> <p>Economic Development Program</p> <p>Maine Manufacturing Extension Partnership</p> <p>Maine Procurement Technical Assistance Center</p> <p>Maine Small Business Development Center</p> <p>North Star Alliance Matching Fund (MTI)</p> |

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## 4. Outcome Indicators

We reviewed each of the programs included in this evaluation, taking into account the missions and purposes as specified in statute, or in some cases, gleaned from operational documents. This compilation was performed by the Maine Development Foundation and is contained in their portfolio report. For each program, we ascertained what outcomes were desired. A master list of all outcomes was compiled, and then consolidated. The final list of outcomes that covers all of the programs is shown below. Where programs have specialized or narrower versions of the general outcomes, we list them separately.

- Increase the number of companies/enterprises
  - New or retained agricultural and fishing enterprises, including potato farmers specifically
  - Businesses started or expanded, including shipbuilders with more than 6500 employees
  - New micro-enterprises; low and moderate income companies
- Increase the number of jobs created or retained
  - Jobs created or retained, including low and moderate income jobs, shipbuilding jobs
- Increase the competitiveness of companies/enterprises
  - Exports (dollars)
  - New revenues for commercial enterprises, agricultural enterprises including potato farmers, small or micro businesses
  - New capital raised
- Improve the quality of jobs as measured by average wages
- Increase community viability
  - New capital investment, including new investment in downtowns
  - Increased tax base

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## 5. Data Collection Methods

A number of concerns enter into the design decisions for this evaluation. Foremost is the importance of identifying the economic impact of all of the economic development programs taken as a whole. Since the R&D programs and the federal programs have mandated separate evaluations, we need to include their results, while maintaining the integrity of those evaluations. On the other hand, it is also important to respect the time of our clients and limit the amount of information that we request, and to ensure that they are not surveyed too often. Finally, we need to acknowledge that many clients use more than one program. Therefore, it is difficult to separate out the impacts of individual programs.

### 5.1 Recipients Database

Each year in May, all program managers whose programs are included in this evaluation, as well as all federal programs, will provide to the evaluator a list of all companies/enterprises and/or communities that have received assistance in the current fiscal year. The evaluator will combine these lists into a single database for companies/enterprises and a single database for communities. These databases shall include all contact information and should indicate which program(s) each recipient has used and in what time period. The company database shall also be merged with the comprehensive R&D evaluation database and coded with the appropriate R&D programs.

These databases shall be confidential and only the data obtained from them reported to the Governor and Legislature. It should be noted that tax information is inherently confidential and only limited information will be available, if any, about which companies have used the various tax credits. A legislative change can be made to direct Maine Revenue Service to release this information to DECD for the purpose of this evaluation.

### 5.2 Economic Development Index

The evaluation will use macro data as collected by the Maine Development Foundation for its annual Measures of Growth report to analyze state trends on the outcome indicators. These data will also be compared to at least 5 comparable states which will be selected by the evaluation team. The indicators will be:

- Personal Income
- Employment (average annual nonfarm wage and salary employment)
- International Exports

- 
- New Business Starts

### **5.3 Private Company/Enterprise Survey**

Each year the companies/enterprises identified in the master database will be surveyed via a web-based survey or other low-cost method. The survey will collect basic demographic data and ask questions related to the outcomes identified in **Section 4**. All recipients who have received assistance in the past five years who are not covered by the R&D evaluation or a federal evaluation will be surveyed. The survey instrument is included in **Appendix B**.

Since almost all of the companies served by these programs are private, the financial information contained in the survey data is inherently company proprietary and confidential. Therefore, the data will not be revealed except in the aggregate. This is to maintain appropriate research confidentiality as well as to ensure that companies believe that their information is protected.

### **5.4 Community Survey**

Each year, the communities that received assistance from the programs included in this evaluation, including the federal programs, will be surveyed via a web-based survey or other low-cost method. The survey will collect basic demographic data (e.g., population, tax base, percent of tax base related to businesses, etc.) and ask questions related to the outcomes identified in **Section 4**. All communities that have received assistance in the past five years will be surveyed.

Community data is inherently public and will not be closely held except to the extent that company confidential information is contained or implied in the responses.

### **5.5 Case Studies**

From time to time, the evaluation contractor may wish to include case studies to complement and expand upon the data collected through the methods identified in **Sections 5.2** through **5.4**. This is a mechanism that could be used to evaluate the impact of programs such as tax credits that do not readily fit into the larger evaluation.

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## 6. Analysis and Reporting

Each year in February, the Department of Economic and Community Development will report to the Governor and the legislature, specifically the Business, Research and Economic Development Committee, the results of this evaluation. The report should contain:

- Tabulations of all results from the surveys received;
- Data and graphs showing at least the past ten year's data for the macro indicators;
- Economic impact calculated by IMPLAN or a similar program based on the survey results.

The analysis should include a review of trend data, an explanation of how the results from the R&D and other federal evaluations relate to these results, and explanations of any anomalous results.

To the maximum extent possible, the analysis should endeavor to provide the results of this evaluation *and* the published results of the federal and R&D evaluations to obtain the results of the outcomes for the entire economic development team.

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## 7. Implementation

The Department of Economic and Community Development estimates that this project will cost \$150,000. This would be used to pay an independent contractor with extensive experience in the evaluation of economic development programs. The contractor should be chosen through a Request for Proposal process and could be a multi-year contract (i.e. 5 years). This cost does not include the costs associated with any DECD personnel who might be required to oversee the evaluation project. In the first year, DECD anticipates that we will be able to accomplish the project management within existing resources, but we do not anticipate that this will be sustainable.

### 7.1 Evaluation Fund

As described in 5 MRSA §13056-C, the Maine Economic Development Evaluation Fund is established as a non-lapsing Other Special Revenue Fund. Annually, all programs included in the evaluation other than tax credits, will be assessed for an amount to contribute to the fund not to exceed 0.08% of the General Fund appropriations, special revenue funds received or general obligation bonds issued. Only programs with appropriations greater than \$250,000 shall be assessed.

**Appendix C** shows a draft of assessments for FY08 based upon this language. This analysis reveals that only ten programs meet this criteria and that they would have to be assessed at a rate 1.72% calculated on FY06 funding levels or 3.17% calculated on FY07 levels. We believe that this is an unrealistic assessment and that an alternative funding source needs to be found.

### 7.2 Legislative Corrections

If this evaluation plan is adopted, it eliminates the need for some existing reporting mechanisms, and provides better data than is currently available. We recommend that the following legislative adjustments be made to implement this single evaluation and to reflect the ongoing comprehensive R&D evaluation:

1. 5 MRSA 383 §13058, 5 Delete: “The Maine Small Business Commission, as established in section 13032, shall conduct the evaluation and review required by this section with respect to small business programs.” Insert reference to 5 MRSA §13056-A.
2. 5 MRSA 383 §13063-A. Delete 7, Goal and Evaluation

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3. . 5 MRSA 383 §13063-O. Delete B.
  4. 5 MRSA 383 §13070-J. Change Section 3 to reflect requirement to respond to survey (see 5 MRSA §13056-B, reporting requirements of recipients of economic development funding).
  5. 5 MRSA 383 §13070-J. Delete 4.D.
  6. 5 MRSA 383 §13070-J. Delete 4.E.
  7. 5 MRSA 383 §13103. Section 2.G., take out requirement to report on number of new jobs created in the state and where.
  8. 5 MRSA 407 §15301. Delete 10. Evaluation.
  9. 7 MRSA 10 §309 Agricultural Development Grant Program: Replace requirement for annual review with requirement to report results from this evaluation.

In addition, 5 MRSA 383 §13056-C.3 should be amended to include the requirement for funds from special revenue accounts to be assessed as well.

Maine Revenue Services should be directed to provide DECD with a complete list of all taxpayers who take advantage of the tax credits in this evaluation in order for them to be included in the survey.

The definition of “economic development incentive” in 5 MRSA 383 §13070-J should be amended to be consistent with the definition offered on page 7 of this report and/or should include all programs listed in this portfolio.

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# **Appendix A**

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## **Master List of Economic Development Incentives and Programs**

| <b>Program Name</b>                              | <b>Description</b>  |
|--|---|
| Accelerated Commercialization Fund               | Investments in MTI-funded companies to help bridge the gap between R&D and sales.   |
| Agricultural Development Grant Program           | The Agricultural Development Grants assist farmers in assessing market potential of new ideas, increasing market promotion of existing businesses, or improve the adoption of new technology on the farm.   |
| Agricultural Marketing Loan Fund                 | This loan program offers a loan for either 75% or 90% of the total cost of a project for capital improvements for the business. At a 5% interest rate, this program can help save money for agricultural enterprises making improvements.   |
| Business Answers                                 | A program that provides quick access to information about local and state business assistance programs, Maine's regulatory requirements and a host of other business-related issues.  |
| Business Equipment Tax Exemption                 | Qualified business equipment first subject to property tax assessment on or after April 1, 2008 will be exempt from property taxes. The State is required to reimburse municipalities for property revenue loss according to the following schedule: 100% in 2008, 90% in 2009, 80% in 2010, 70% in 2011, 60% in 2012, and for 2013 and subsequent years, 50%. Alternative reimbursement may be chosen by municipalities with business property exceeding 5% of total taxable value.  |
| Cluster Enhancement Awards                       | Up to \$200,000 per project to industry-sponsored collaborative projects that stimulate and support growth of technology businesses and infrastructure. Rolling deadline. Match required.   |
| Commercial Facilities Development Program        | The Commercial Facilities Development Program provides financial resources to assist in the development of new commercial facilities and the acquisition and redevelopment of nonproductive commercial facilities for subsequent return to productive use through sale or lease. Under this program, the Maine Rural Development Authority can serve as lender, principal developer, partner or investor in the acquisition of property and redevelopment of existing commercial properties. Investments for the program are available up to \$500,000. |
| Commercial Loan Insurance Program                | The Loan Insurance Program insures a portion of a loan made by a financial institution. The program is designed to help businesses in Maine access commercial credit, and is available for any prudent business activity.   |
| Community Development Block Grants               | Community Development Block Grants and loans provide funding and technical support for community projects that meet economic development objectives and lead to job creation or retention for Maine residents with low to moderate incomes. Funding is distributed to a number of state programs.   |
| Community Enterprise Grant Program               | The Community Enterprise Grant Program (CE) provides grant funds to assist in innovative solutions to problems faced by small or micro-businesses and to provide streetscapes in downtown areas and business façade improvements.   |
| Credit for Rehabilitation of Historic Properties | A taxpayer that is a national historic landmark developer (person that owns 2 or more structures located in the Kennebec Arsenal District National Historic Landmark) is allowed a refundable credit. The credit is allowed only for tax years that begin on or after January 1, 2006 but before January 1, 2010. The credit may not exceed \$500,000 per year, and unused credit amounts may be carried forward only through the 2009 tax year.  |

| <b>Program Name</b>                       | <b>Description</b>   |
|---|--|
| Development Awards                        | Up to \$500,000 per project to support research and development of new products and services that lead to market, including prototype development and testing, patent applications, small scale manufacturing and scale up for manufacturing with limited production . Awarded three times per year. Match required.   |
| Downtown Revitalization Grant Program     | The Downtown Revitalization Program (DTR) provides funds for communities to implement comprehensive, integrated and innovative solutions to identified problems facing their downtown districts. These downtown revitalization projects must be part of a strategy that targets downtown service and business districts and will lead to future public and private investment.   |
| Economic Development Program              | The Economic Development Program provides gap funding in the form of grants and loans for communities to assist businesses in the creation/retention of quality jobs for low and moderate-income persons.  |
| Economic Recovery Loan Program            | This program offers financing to manufacturing, industrial, recreational or natural resource enterprises, located in the State and providing significant public benefit in relation to the amount of the loan, as determined by the authority. Loan proceeds may be used for any appropriate commercial purpose, as determined by the authority, including working capital and bridge loans pending other financing.   |
| ETIF                                      | For-profit, non-retail, non-utility businesses adding a minimum of five net new Maine jobs within a two-year period, may be eligible for Maine's Employment Tax Increment Financing. Under the ETIF program, businesses are reimbursed up to 80% of their new employees' Maine income tax withholdings for up to 10 years. To qualify, new employees must receive an annual income greater the county's average per-capita income, and be provided access to group health insurance and an Employee Retirement Income Security Act (ERISA)-qualified retirement program. |
| Governor's Training Initiative            | The Governor's Training Initiative program develops and coordinates training for firms intending to expand or locate in Maine, reorganize a workplace to remain competitive, or upgrade worker skills. Eligible businesses may receive reimbursements for on-the-job training, competitive retooling, assessment, job-task analysis, workplace safety and literacy, specialized recruitment, high-performance skills, or customized technical training.  |
| High-Technology Investment Tax Credit     | The credit is based on the adjusted basis of eligible equipment. Limitations: the credit is based on the adjusted basis of eligible equipment. Limitations: the credit is limited to high-tech equipment purchased (or leased) by businesses engaged primarily in high-tech activities. The credit cannot reduce tax to an amount below the previous year's tax after credits. The credit cannot be carried back, but can be carried forward for up to five years.   |
| Jobs and Investment Tax Credit            | The credit is based on the federal credit amount, according to the Internal Revenue Code in effect as of December 31, 1985 , which is based on investment in qualified property. Limitations: the taxpayer must create at least 100 new jobs within two years from the date the qualified property was placed in service and invest at least \$5,000,000 in one year. The credit is limited to tax liability or \$500,000, whichever is less, and cannot be carried back, but can be carried forward up to seven years.  |
| Linked Investment Program for Agriculture | This program is to help reduce borrower interest rate expenses on agricultural operating loans. Loans will be approved and made by lenders according to their own policies. The Maine State Treasurer will make a compensating deposit with the originating lender to provide interest rate saving as to the businesses on   |

| <b>Program Name</b>   | <b>Description</b>  |
|---|---|
|   | underlying loans.   |
| Linked Investment Program for Commercial Enterprises                    | This program is to help reduce borrower interest rate expenses. Loans will be approved and made by lenders according to their own policies. The Maine State Treasurer will make a compensating deposit with the originating lender to provide interest rate saving as to the businesses on underlying loans. Applies to non-agricultural for-profit businesses located in Maine.  |
| Loring Development Authority  | The Loring Development Authority provides businesses with the comprehensive, professional assistance needed to address concerns and meet the due diligence and business research, development and operation requirements.   |
| Maine Attraction Film Incentive Program                                 | Two-part monetary benefit package for qualified companies conducting certified media production in Maine. Part one is a partial reimbursement of wages paid to employees working on a certified media production. Companies are reimbursed 12% of wages paid to employees who are Maine residents and 10% of wages paid to nonresidents. Part two is a credit for all Maine income taxes that would otherwise have been assessed against the income associated with the certified production. |
| Maine Biomedical Research Fund  | Grants are available to eligible Maine institutions that conduct competitive, scientific biomedical research related to the biology, causes, diagnosis, treatment, control and prevention of physical and mental diseases or impairments afflicting humans.   |
| Maine Economic Development Venture Capital Revolving Investment Program | This program is designed to allow the State to invest as an equal partner with others in eligible private venture capital funds to support emerging and early-growth businesses in Maine. It is intended to utilize experienced professional fund managers to increase the probability of successful investments and the success of recipient companies.  |
| Maine Farms for the Future Grants                                       | This program provides grants of technical assistance to farmers developing business plans, and funds to help implement those plans. Eligibility is limited to farmers who own at least 5 acres of land in active agricultural production.   |
| Maine Technology Asset Fund   | For fiscal years 2008-2009 with two award levels: Up to \$500,000 per project and greater than \$500,000 per project. Funds may be used for capital expenditures such as equipment and infrastructure, and should focus on opportunities for collaboration and commercialization, not just new research. Match required.  |
| Maine International Trade Center  | MITC is the state's leading source for global trade information. MITC offers global exposure to Maine's small and medium-sized businesses that want to succeed in international markets. MITC's highly skilled staff helps businesses with a range of issues and provides technical assistance, trade counseling, workshops and more.   |
| Maine Made / Maine Products Marketing Program                           | The Maine Products Marketing Program builds recognition for hundreds of Maine made products, their producers, and Maine's industries in general. MPMP also provides marketing assistance and works to expand market opportunities for Maine's producers.  |

| <b>Program Name</b>                             | <b>Description</b>  |
|---|---|
| Maine Manufacturing Extension Partnership       | The Maine MEP is a not for profit organization with a culture of innovation that leverages MEP resources in the application of new ideas to clients, products and processes. The Maine MEP is able to leverage a vast array of public and private resources and in turn makes these resources and services available to every manufacturing enterprise in the state. The Maine MEP is a part of a nationwide network of technical, manufacturing and business specialist linked together by the US. Department of Commerce and the National Institute of Standards and Technology. The program is a resource for manufacturers to transform from a traditional to world-class organization. The program provides affordable, innovative solutions to the problems encountered by today's manufacturing enterprises. |
| Maine Micro-Enterprise Initiative Fund          | The Maine Microenterprise Initiative Fund is established as a nonlapsing fund and consists of money appropriated to it by the Legislature from the General Fund and eligible investment earnings from fund assets to encourage micro-enterprise growth in Maine.  |
| Maine Patent Program                            | Helping Maine inventors and small businesses understand how to identify and protect their intellectual property. A resource for information and education on trademarks, copyrights, the patent process and other means of intellectual property protection. Inform what needs to be done to obtain and maintain legal rights in ideas, if possible, and to provide assistance with the patent process to those who qualify.  |
| Maine Procurement Technical Assistance Center   | The Maine PTAC is part of a nationwide network of Procurement Technical Assistance Centers, or PTAC's, that helps Maine small businesses obtain government contracts with the Department of Defense, other federal agencies, state and local governments and federal prime contractors.   |
| Maine Quality Centers                           | Through its Community College System, Maine offers free training and education to qualified new and expanding businesses. Under the Maine Quality Centers program, businesses – or consortia of small businesses – creating a minimum of eight new full-time jobs are eligible for customized recruitment and guaranteed fast-track training designed to employer specifications.   |
| Maine Seed Capital Tax Credit Program           | This program is designed to encourage equity and near equity investments in young business ventures, directly and through private venture capital funds. FAME may authorize State income tax credits to investors for up to 60% of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research or working capital.  |
| Maine Small Business Development Centers (SBDC) | The Maine Small Business Development Centers' mission is to engage itself and others in development activities that contribute to the improvement of the economic climate for and the success of micro, small and technology-based businesses in the State of Maine. The Maine SBDC's focus is to assist in the creation, growth and the maintenance of viable micro, small and technology-based businesses and the jobs these businesses provide.  |
| Maine Technology Centers                        | Each of Maine's seven targeted technology sectors has its own incubation center. The incubation centers provide critical early-stage technical, business, administrative, and financial resources and training for participating firms  |
| Maine Tourism Marketing Partnership Program     | Creation and implementation of programs designed to stimulate and expand the travel industry within the tourism regions while strengthening the State's image by coordinating the promotional efforts of private industry with those of the Office of Tourism. Also support development of special major events that attract visitors to Maine and provide impact on more than one region.  |

| <b>Program Name</b>  | <b>Description</b>  |
|--|---|
| Marine Research Fund   | Awards from \$25,000 up to \$500,000 are available to Maine's non-profit organizations, laboratories, state governmental and quasi-governmental agencies and academic institutions to fund infrastructure and equipment needed to conduct high-quality, scientifically rigorous marine research programs that will have positive economic impact on the state of Maine. Private Maine companies can collaborate with these institutions as partners in proposed projects.   |
| Midcoast Regional Redevelopment Authority                            | The authority is entrusted with acquiring and managing the properties within the geographic boundaries of Brunswick Naval Air Station.  |
| Municipal Tax Increment Financing                                    | Maine municipalities may target some or all of the new property taxes from a commercial or industrial project within a designated district to assist in that project's financing.   |
| North Star Alliance Cluster Award Matching Fund                      | Funds are available to eligible organizations in Maine's boatbuilding, composite materials and marine trade industries that win MTI cluster enhancement awards. Resources can be used to match up to 75% of an eligible MTI awardee's cluster enhancement award.  |
| Phase 0 Awards   | Up to \$5,000 to support competitive federal Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) proposal submissions from Maine applicants. Match required.  |
| Pine Tree Development Zones  | This program works with existing programs and enhances them for specific businesses that fit particular economic and geographic criteria. Benefits include a Corporate Income Tax Credit of up to 100% for first five years and up to 50% for the next five years, Insurance Premiums Tax Credits on the same schedule, Income Tax Reimbursement up to 80% for ten years (ETIF), Personal and Real Property Tax Exemption up to 100% for 10 years on new personal and real property, Property Tax Reimbursement up to 100% for 30 years, and reduced Electricity Rates. |
| Potato Marketing Improvement Fund                                    | This fund provides financing to potato growers and packers to construct modern storages, modernize existing storages, and purchase packing lines as part of the industry's plan to improve the quality and marketing of Maine's potatoes.   |
| Regional Economic Development Revolving Loan Program                 | This fund provides loan assistance to businesses trying to create or retain jobs.   |
| Research Expense Tax Credit  | The credit is based on a percentage of the federal Credit for Increasing Research Activities. Limitations: the credit is limited to 5% of the excess qualified research expenses over the previous three-year average plus 7.5% of the basic research payments under IRC § 41(e)(1)(A). The credit is further limited to 100% of the first \$25,000 in tax liability plus 75% of the tax liability in excess of \$25,000. The credit cannot be carried back, but can be carried forward for up to 15 years.   |
| Sales Tax Exemptions (Commercial Agriculture and Commercial Fishing) | Sales tax is refunded to any person, association of persons, firm or corporation that purchases electricity, or that purchases or leases depreciable machinery or equipment, for use in commercial agricultural production, commercial fishing or commercial aquacultural production.   |
| Sales Tax Exemptions (Fuel and Electricity for Manufacturing)        | Manufacturers are exempt from paying 95% of the sales tax on fuel and/or electricity used in the manufacturing operation.   |

| <b>Program Name</b>  | <b>Description</b>   |
|--|--|
| Sales Tax Exemptions (Machinery and Equipment for Research)                                | Sales of machinery and equipment used by the purchaser directly and exclusively in research and development is eligible for a sales tax exemption.   |
| Sales Tax Exemptions (Manufacturing Machinery and Equipment)                               | Sales of machinery and equipment used by the purchaser directly and primarily in the production of tangible personal property for later sale or use is eligible for a sales tax exemption. In addition, items consumed or destroyed directly or primarily in production, and repair and replacement parts for qualified production equipment are exempt from sales tax. Also, any manufacturer is exempt from paying 95% of the sales tax on fuel and/or electricity used in the manufacturing facility.   |
| Sales Tax Exemptions (Products Used in Agricultural and Aquacultural Production, and Bait) | Sales tax exemption on sales of feed, hormones, pesticides, antibiotics and medicine for use in aquacultural production and sales of bait to commercial fishermen; sales of seed, fertilizers, defoliants and pesticides, including, but not limited to, rodenticides, insecticides, fungicides and weed killers, for use in the commercial production of an agricultural crop; sales of breeding stock, semen, embryos, feed, hormones, antibiotics, medicine, pesticides and litter for use in animal agricultural production. Animal agricultural production includes the raising and keeping of equines. |
| SBIR/STTR Assistance Program   | Information and counseling to assist Maine small businesses to secure federal funds for small business for research and development of innovative products and services.   |
| Seed Grant Program   | Up to \$12,500 per project to support early product development, commercialization, or business planning and development. Awarded up to six times per year. Match required.  |
| Shipbuilding Facility Credit   | Tax credit for up to \$3 million annually in state income taxes deducted and withheld from employees of shipbuilding facilities with at least 6500 employees.  |
| Speculative Buildings Program  | The Speculative Buildings Program provides communities and their local development corporations with financial assistance in the form of loans for the construction and associated costs of speculative commercial and industrial buildings. Loans for the SB program are available up to \$500,000.   |
| Super Research and Development Credit  | The credit is based on qualified research payments exceeding 150% of the average for the three-year period prior to the effective date of the credit. Limitations: the credit is limited to 50% of the tax otherwise due after all other credits. Further, the credit cannot reduce tax liability below the amount due the previous year after credits. The credit cannot be carried back, but can be carried forward for up to five years.  |

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# **Appendix B**

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## **Private Company/Enterprise Survey**

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20\_\_ Company/Enterprise Survey

(Name of entity, address etc. will be captured by web survey system)

1. Indicate the type of entity you are responding for:
  - Corporation
  - Partnership
  - LLC
  - Sole Proprietorship
  - Farm
  - Not a business, but an individual (*If f., go to Question #19.*)
  
2. Is your company/enterprise still in business today?
  - Yes
  - No (*if no, go to Question #19*)
  
3. In the last completed fiscal year, has your company/enterprise
  - Been acquired?  Yes  No
  - Purchased other companies?  Yes  No
  - Had an Initial Public Offering (IPO)?  Yes  No
  - Had other change in organizational structure? If so, explain:
  
4. Where is your company's headquarters located?
  - City \_\_\_\_\_
  - County \_\_\_\_\_
  - State/Province \_\_\_\_\_
  - Country \_\_\_\_\_
  
5. Does your company operate in any locations beyond your headquarters?
  - Yes
  - No
  
6. How many locations/establishments/places of business does your company currently have in Maine? \_\_\_\_\_
  
7. How many locations/establishments/places of business does your company currently have outside of Maine, but in the U.S.? \_\_\_\_\_
  
8. How many locations/establishments/places of business does your company currently have outside the U.S.?
  
9. What year was your company first organized? \_\_\_\_\_
  
10. Employees, Wages and Salaries:
  - a. How many employees did your company have last month, including the owner (including yourself if individual or sole proprietorship)? \_\_\_\_\_

- 
- b. How many employees did your company have twelve months ago, including the owner (including yourself if individual or sole proprietorship)? \_\_\_\_\_
- c. What was the total dollar value of wages and salaries paid to your employees (excluding the employer share of benefits in the last full fiscal year)? \$ \_\_\_\_\_
11. What were your company's total revenues in the last completed fiscal year from all sources? \$ \_\_\_\_\_
12. What were your company's total revenues from customers outside of the US? \$ \_\_\_\_\_
13. What were your company's total revenues in the year prior to the last completed fiscal year? \$ \_\_\_\_\_
14. How much corporate income tax did your company pay to the State of Maine for the last tax year? \$ \_\_\_\_\_
15. Did you receive any new debt financing in the last completed fiscal year?
- Yes
  - No (*if no, go to Question #17*)
16. Please indicate the dollar amount from each source of all new debt financing you received in the last completed fiscal year.
- |  |          |
|--|----------|
| Bank   | \$ _____ |
| Small Business Administration Guaranteed Loans | \$ _____ |
| FAME loans                                     | \$ _____ |
| Friends and Family                             | \$ _____ |
| Other  | \$ _____ |
17. Did you receive any new equity funding in the last completed fiscal year?
- Yes
  - No (*if no, go to Question #19*)
18. Please indicate the dollar amount from each source of new equity financing you have received in the last completed fiscal year.
- |                                      |          |
|--------------------------------------|----------|
| Venture capital firms                | \$ _____ |
| State Seed Capital Funds (e.g. SEGF) | \$ _____ |
| Angel Investors                      | \$ _____ |
| Friends and Family                   | \$ _____ |
| Other                                | \$ _____ |
19. Considering all of the State assistance you received in the last completed fiscal year, how important has this assistance been?
- Critically important
  - Very important
  - Frequently important
  - Occasionally important

- 
- Not important

20. Considering all of the state assistance you received in the last completed fiscal year, how satisfied have you been?

- Very satisfied
- Satisfied
- Somewhat satisfied
- Unsatisfied
- Very unsatisfied

21. If you have additional comments, please enter them here:

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# **Appendix C**

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## **Evaluation Fund Assessments**

**Calculation for Evaluation Fund**      FY07      FY06      Assessment Based on FY06  
 16-Jan-08

|                                   |             |             |          |           |
|-----------------------------------|-------------|-------------|----------|-----------|
| Agricultural Dev Grant Program    | \$0         | \$215,259   |          |           |
| Ad Mktg Loan Fund                 | \$0         | \$812,263   | \$13,986 |           |
| Business Answers                  | \$164,037   | \$165,923   |          |           |
| Commercial F Dev Progm            |             | \$2,000,000 | \$34,438 |           |
| Commercial Loan Insurance         | \$138,593   | \$233,206   |          |           |
| Econ Dev Match Loan P             | \$0         | \$0         | \$0      |           |
| Econ Recovery Loan Pro            | \$2,811,578 | \$1,401,637 | \$24,135 |           |
| GTI                               |             | \$1,800,000 | \$30,994 |           |
| Linked Inv Prog for Ag            | \$0         | \$0         | \$0      |           |
| Linked Inv Prog for Commercial    | \$0         | \$0         | \$0      |           |
| Loring                            | \$282,890   | \$282,890   | \$4,871  |           |
| Maine Farms for the Future Grants | \$0         | \$494,431   | \$8,514  |           |
| MITC                              | \$614,182   | \$656,112   | \$11,298 |           |
| Maine Made                        | \$2,657     | \$24,665    |          |           |
| Microenterprise Initiative Fund   | \$0         | \$315,000   | \$5,424  |           |
| Tourism Mktg Partnership Prog     | \$723,131   | \$639,990   | \$11,020 |           |
| MRRA                              |             |             | \$0      |           |
| Potato Mktg Improv Fund           |             | \$160,003   |          |           |
| Regional ED Revolving Loan Pro    | \$0         | \$309,000   | \$5,321  |           |
|                                   |             | \$8,711,323 | 1.72%    |           |
|                                   | \$4,737,068 |             | 3.17%    | \$150,000 |