FINANCE AUTHORITY OF MAINE

January 31, 2025

Hon. Nicole Grohoski, Senate Chair
Hon. Kristen Cloutier, House Chair
Joint Standing Committee on Taxation
100 State House Station
Augusta, ME 04333

Dear Senator Grohoski, Representative Cloutier, and Distinguished Members of the Joint Standing Committee on Taxation:

Attached please find the Finance Authority of Maine's (FAME's) report as required by 2023 Resolve, Chapter 151: *Directing an Analysis of and Report on the Maine New Markets Capital Investment Program.*

FAME has administered the Maine New Markets Capital Investment Program since the Legislature created it in 2011. We do so in cooperation with Maine Revenue Services. The program is modeled after the federal program and is designed to attract investment in economically distressed areas of the state. The program allows eligible investors to claim tax credits against state taxes in amounts up to 39 percent of a project's total cost. The maximum aggregate amount of tax credit authority is set forth at $250 million, and the total amount of tax credits permitted to be claimed per fiscal year by the program is limited to $20 million. Credits are to be taken over a seven-year period.

Since its inception, the Program has resulted in approximately $97.5 million in tax credits being awarded for approximately $250 million in investments in seventeen businesses in the state. These investments resulted in the creation and retention of 1,424 direct jobs and another 1,339 indirect jobs in Maine. Further, the 2017 OPEG review concluded, the Program generates a net surplus to the General Fund (i.e., anticipated tax revenues collected exceed the tax credits issued) and contributes over $20 to the Gross State Product for every $1 in tax credits issued.

We recognize you face challenging budgetary and funding decisions this session, but we would encourage you to please consider authorizing an additional allocation of tax credits for this important economic development tool.

We hope you find this information useful. We would be pleased to answer any additional questions you may have in person at a briefing at the committee's convenience.

Sincerely,

Carlos R. Mello

Carlos R. Mello
Chief Executive Officer

Encl.

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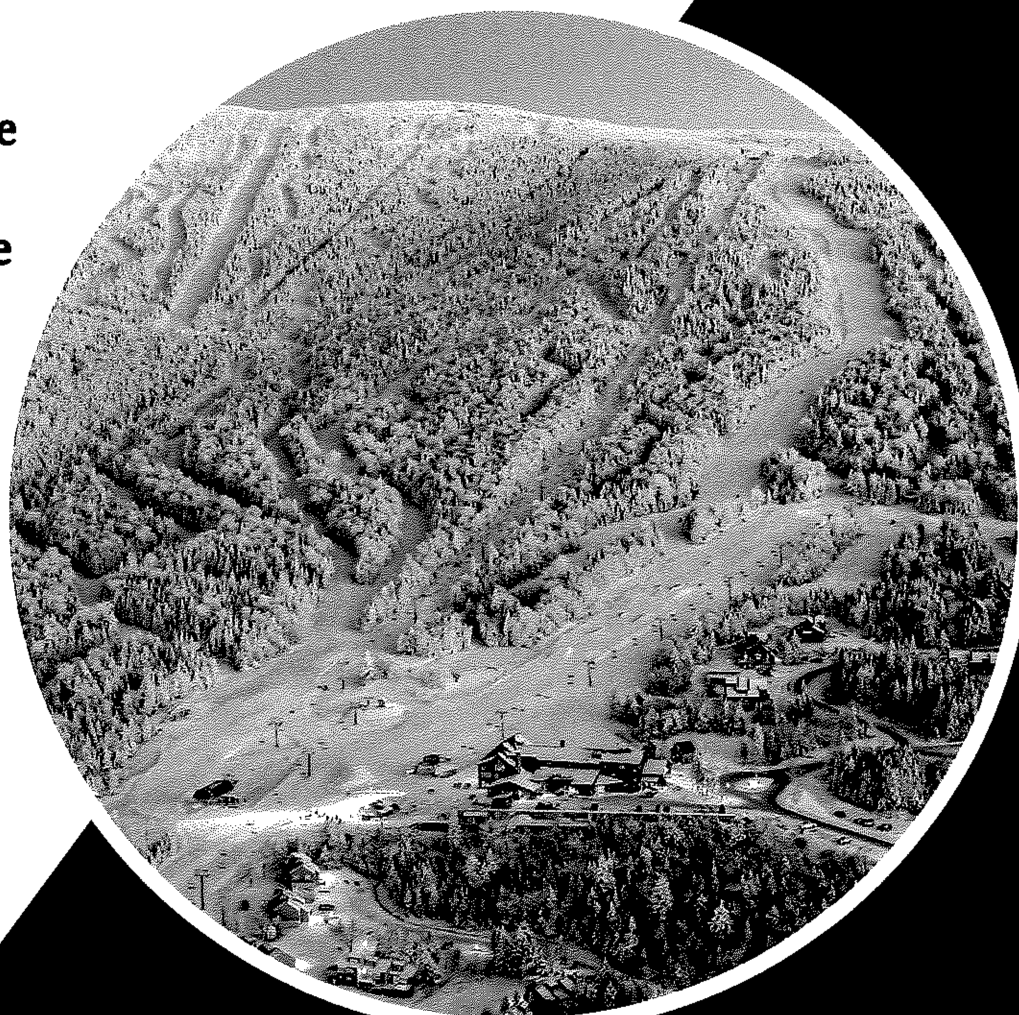
FINANCE AUTHORITY OF MAINE

Maine New Markets Capital Investment Program

January 31, 2025

Report to Joint Standing Committee on Taxation pursuant to Resolve 2023 ch. 151



Saddleback Mountain

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II. Scope of Report

This report covers the final seven projects supported by the remaining Program funding. This represents approximately 22% of the overall program funding. We contacted benefitting businesses and participating investors to update information regarding jobs created, payroll, project results, and community benefits. With limited resources and time, we were unable to benefit from the economic modeling utilized in the OPEGA Report. Our results thus are not completely comparable to those of the OPEGA report, but they are still largely favorable. Our findings overall are largely consistent with the prior OPEGA findings. We would be happy to assist in further and more detailed program review should the Committee wish, provided additional resources are provided to us.

III. Introduction

FAME has administered the Maine New Markets Capital Investment Program (hereinafter referred to as "the Program") since the Legislature created it in 2011. We do so in cooperation with Maine Revenue Services. Our statutory responsibilities for the program are to ensure compliance with program requirements rather than to evaluate program performance. The Program is modeled after the federal program and is designed to attract investment in economically distressed areas of the state. The Program allows eligible investors to claim tax credits against state taxes in amounts up to 39% of qualified investments in low-income community businesses through qualified Community Development Entities (CDEs). The maximum aggregate amount of tax credit investment authority is set forth at $250 million of qualifying investments, resulting in a total of $97.5 million in tax credits. The total amount of tax credits permitted to be claimed per fiscal year by the program is limited to $20 million. Credits are to be taken over a seven-year period.

Since its inception, **the Program has resulted in approximately $97.5 million in tax credits being awarded for approximately $250 million in investments in seventeen businesses in the state. These investments resulted in the creation and retention of 1,306 direct jobs and another 1,430 indirect jobs in Maine.** In FAME's view, the program overall has largely been successful at growing Maine's economy. The program is designed to attract investment in Maine's low-income areas and has attracted millions of dollars in out-of-state and in-state investments.

eligibility for an allocation of tax credits under the program. The amount of impact QEIs would be limited to $30 million, which could be made in exchange for tax credits, to be invested in historically disadvantaged groups located anywhere in this state. 50% of impact qualified equity investments would have been reserved for diverse Maine funds, which were defined as community development financial institutions (CDFIs) that have their principal place of business in this state and are more than 50% owned and controlled by individuals who are racial or ethnic minorities or members of a federally recognized Indian nation, tribe or band in this state or are governed by a board of directors more than 50% of which are individuals who are racial or ethnic minorities or members of a federally recognized Indian nation, tribe or band in this state. The maximum amount of an investment made with a QEI by a qualified CDE in a qualified active low-income community business was to be limited to $5 million.

L.D. 1974 was carried over by the Taxation Committee to the Second Regular Session of the 131st Legislature, when it received a public hearing and was subject to three subsequent work sessions. After extensive testimony and discussions, the committee ultimately decided to amend the bill into a resolve directing FAME to examine and evaluate the program, with input by the Department of Economic and Community Development (DECD) and Maine Revenue Services (MRS), and submit a report of its findings and any recommended legislation to the Taxation Committee by January 31, 2025.

After reviewing the OPEGA report findings on the first ten businesses assisted through the program, which essentially covered 78% of the overall program funding, this report summarizes and evaluates credit activity with respect to the remaining seven businesses assisted since that time, which comprises the final 22% of program funding. With program funding now essentially depleted, this report offers an informal and limited evaluation of the program and some recommendations for future program modifications, including recommended draft legislation. Finally, although FAME benefitted from conversations and insight from our valued partners at DECD and MRS, this report and the recommendations contained herein are FAME's opinions alone.

IV. Overview of March 2017 OPEGA report

The Maine New Markets Capital Investment Program was the subject of some media attention and controversy back in 2015 regarding "one-day loans," particularly in the context of a

Government Oversight Committee as part of the evaluation. These measures reflect impressive statistics supporting the program's effectiveness, including $15.8 million net positive impact on General Fund revenues and approximately $183 million in total qualified investments received by Maine businesses. OPEGA noted that some investments seem to have encouraged other development in the surrounding communities that is real and meaningful, but not easily quantified. Some projects involved improvements to physical properties that resulted in an increase in property taxes for the local communities, as well. OPEGA found that the Program design elements—transferable credits, refundable credits, and the opportunity to double credits due to the similar federal program—seemed to be working and that the program appears to have made the state more competitive in the attraction of investment capital. All $250 million of the Program's authorized allocation for the first round was originally awarded to six CDEs, five of which had never done a NMTC deal in Maine before the state-level program was enacted.

OPEGA interviewed the CDEs that had up to that time closed NMTC deals in Maine and asked whether they would have invested in Maine businesses using their federal NMTC allocations if there had been no state-level program. One of them was a Maine-based company with a long history of using federal allocation in Maine (Coastal Enterprises, Inc.), but the others said they would not have been drawn here if not for the state-level credits. OPEGA reported that the out-of-state investors with whom these CDEs worked also were not likely to have otherwise made these investments in Maine. (p. 42).

OPEGA estimated the ten projects **created or retained a total of 764 jobs still existing in 2016 and expected to persist. Those jobs spurred the creation or retention of another 1,034 indirect permanent jobs**. They also estimated 781 jobs were temporarily supported by business spending of invested funds. (p. 44). Despite the lack of direct support for this outcome in the program design, economic impact modeling estimated that the ten projects profiled would generate a total of $1.64 billion in additional gross state product over the period 2013 - 2021. (p. 40). Cost-effectiveness measures calculated by OPEGA included:

- $21.67 – Dollars of GSP generated per dollar of tax credit
- $1.67 – Dollars available for business spending per dollar of tax credit
- $1.19 - Dollars of business in-state spending per dollar of tax credit

businesses. OPEGA found that the benefits economically distressed communities are intended to receive are not clear in statute, and may not be realized, as there are no program elements to ensure communities receive benefits. They noted that there is some benefit just from having a viable business operating within a community, and several businesses described specific community projects CDEs required them to undertake as part of the Maine NMTC investment. Beyond this, however, the report noted that the degree to which the investment impacts the economically distressed community is dependent on how the invested funds are used. OPEGA also noted that the uses of the NMTC investments are not restricted, limited or directed by statute and varied widely from project to project. Though they are not intended beneficiaries, the Maine Program is designed in a way that requires the participation of investors and CDEs and allows them to derive financial benefits. A number of professional service providers, such as legal and accounting firms, are also typically involved and are compensated for their roles. OPEGA found that all of these participants are receiving some financial benefits that are not dependent on the degree of benefit the intended beneficiaries are getting, or how successful the businesses or projects become. As of summer 2016, equity investors had received $75.8 million in state tax credits payable over seven years. Leveraged lenders, the other investing parties whose funds are part of the QEI, receive no share of the tax credits and profit instead by charging interest on the loans they make. OPEGA estimated that CDEs received at least $16 million in retained investments and fees. This represented about 8% of the total QEI in the 10 projects, and most of this amount was retained by one CDE whose operating model is different than the others. According to a representative for this CDE, the retained amounts are used for other low-income community investments.

3. **Whether the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and is consistent with best practices:**

OPEGA found that the design elements in the Program statute and rule directly supported achievement of some, but not all, of the Program's desired outcomes. OPEGA found that the program's design does strongly support the desired outcomes of making the state more competitive in attracting investment capital and encouraging investment. The report noted, however, that the program's design does not directly support achievement of two other desired outcomes: preserving jobs and promoting economic development.

assumptions used to model future impact, an additional $189.9 million in average annual GSP is estimated for each of the years from 2017 – 2021.

5. **Likelihood that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states:**

OPEGA found that Maine was, as of 2017, one of fifteen states with state-level New Markets programs and was the only state in the northeast with such a program (note: our updated research appears to indicate there now are twelve states with such programs, with Maine remaining the only state in the northeast to have one). They also learned through interviews with CDEs that **state tax credits were what drove five of them with no prior presence in Maine to invest in the state, bringing their equity investors with them**. Absent the tax credits, they would have been looking for investment opportunities that did offer credits in other states. Consequently, it appears the **investment behavior would not have occurred without the Maine NMTC Program, or another program, that offered tax credits in return for investment.** In terms of whether the funded projects would have gone forward without investments from the Maine NMTC Program, OPEGA noted that there is no language in statute that requires businesses to have a certain level of need to qualify for the Program. 10 businesses receiving NMTC investments as of August 2016 had varying degrees of financial need based on whether they had access to other reasonable financing options to make their projects viable. Some had no other financing options available while a few may have had access to other financing. In OPEGA's assessment, the majority of projects would not have gone forward in their current form without the state NMTC Program investment.

6. **Whether the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals:**

OPEGA analyzed cost-effectiveness for the Maine NMTC Program from the perspective of overall impact to Maine's GSP and three key factors that drove the impact. Their analysis included calculating several cost-effectiveness measures on a per dollar of tax credit basis using data for the current portfolio of 10 projects. The state has committed $75.8 million in tax credits to those projects. Economic impact modeling employed by OPEGA indicated that Maine NMTC investments will generate roughly $1.64 billion in additional GSP over the period 2013 – 2021. This is the period covering deployment of the investments in the businesses through when the

7. **Other state or federal tax expenditures, direct expenditures, or other programs that have similar purposes, intent or goals as the Maine New Markets Capital Investment Program and whether they are coordinated, complementary, or duplicative:**

OPEGA noted that the structural similarities between the federal and state tax programs make the state program accessible for CDEs already involved in the federal program, and potentially make it more attractive for them to use their federal allocations on Maine projects, as well. The state and federal programs never interact and are not coordinated from an administrative standpoint, however. Equity investors can get both federal and state tax credits for portions of the same invested dollars and OPEGA observed this occurring in seven of the ten Maine NMTC projects we reviewed. The report also noted that it is common for state programs focused on improving the economy to have the same broadly stated intents and purposes as the Maine program, i.e. to encourage investment, preserve jobs, and encourage economic development, particularly in economically distressed areas of the state. OPEGA noted, however, that the Maine Program is not actively coordinated with any other state programs and that its unique approach is not duplicative of any other state programs. Businesses participating in the Maine NMTC Program also benefit from some other state programs, in some cases for the same projects.

8. **State's administration and implementation of the program:**

OPEGA noted that FAME's and MRS's administrative roles for the program are primarily focused on ensuring compliance with program requirements. They found the processes and procedures in both agencies to be effective for fulfilling their respective responsibilities, and to be relatively efficient based on the estimated administrative costs.

OPEGA concluded its report by making some recommendations regarding the Program as a result of its review:

#1: Opportunities to improve program design and cost-effectiveness should be considered if Legislature authorizes additional allocations. (p. 49)

#2: The Legislature should consider incorporating recent FAME rule change into statute. (p. 52)

#3: Guidance should be established for potential situations where annual aggregate claims exceed $20 million. (p. 53) consulted and asked to develop a protocol should the program be confronted with such a situation.

#4: FAME should develop process for collecting and maintaining specific data needed to meaningfully evaluate program (e.g., exact amount of QLICI that goes into each project; how much of the QLICI each business had available for use; how much CDSs receive in fees and interest paid by businesses, as well as retained QEI). FAME should collaborate with OPEGA on this and add data reporting requirements to program rules: FAME suggests requiring some or all of the following additional information to CDE's annual reports (which are already required): current ME jobs; current ME payroll; current in-state expenditures; current property taxes paid; additional public and private investments received. We have incorporated these additional reporting requirements in the draft legislation attached in Appendix D for your consideration. FAME is in a position to capture more data needed for evaluation purposes. We have developed and implemented an improved process for efficiently collecting and maintaining data needed on each project to facilitate subsequent evaluation.

V. Summary of second round of funding, including profiles of the seven businesses that participated in the program since March 2017 OPEGA report

A. Baxter Academy for Technology and Science, 185 Lancaster St, Portland, ME 04101

[May 2017] [$4,642,546 Qualified Equity Investment (QEI); $1,810,593 Tax Credits Issued]

Background: Baxter Academy for Technology and Science is a public charter science, technology, engineering, and mathematics (STEM) high school serving grades 9-12 in downtown Portland. Established in 2013, it is tuition free for Maine students and serves individuals from over sixty communities. Students study complex, real-world problems, using and building technological tools in a collaborative environment with scientists, engineers and other professionals. The school offers "Flex Fridays," whereby twenty percent of the week is dedicated to student-managed, long-term projects that are relevant to each student's interests and goals. Student teams identify a real-world problem, define how they might solve it, pitch their solution to a faculty review board, network with outside experts, and then get to work. Some students may choose to work in a large group to develop an experimental model for a fish hatchery, others may want to work individually on writing a database program with a local company. Baxter absenteeism. Additionally, they are consistent class participants and disciplined students. They are all receiving grades of an average of 3.3 with a 100% success rate. This past summer Baxter Academy collaborated with 100 Drones for 1,000 Girls as a part of its commitment to engaging young women in STEM fields. The school also has hosted the Maine Outdoor Learning Initiative by offering the school as a base of operations.

B. DEI Real Estate, Inc. (affiliate of Downeast Institute for Applied Marine Research and Education, Inc.) 39 Wildflower Lane, Beals, ME 04611

[Nov. 2017] [$4,642,546 QEI; $1,810,593 Credits Issued]

Background: The Institute is a nonprofit 501(c)(3) organization located in Washington County. Its mission is to improve the quality of life for the people of Downeast and coastal Maine through applied marine research, technology transfer, and public marine resource education. The Institute serves as the Marine Science Field Station for the University of Maine at Machias and makes its facilities available for researchers, college students, fishermen, and aquaculturists.

Project: New markets financing enabled expansion of the Institute's research and education facilities located at 39 Wildflower Lane in Beals. $4.6 million in investments were made. New markets financing, along with funds from other sources, helped to pay for the approximately $6 million in capital improvements needed to expand the facilities, specifically:

1) Two dry labs and one clean lab for sample processing, data collection, and other tasks;
2) One quarantine lab for work with invasive/exotic species or work with marine pathogens;
3) One running seawater ecology lab for behavioral and pre-field-related studies and experimentation by entrepreneurs;
4) Three climate-control rooms to replicate various growing and thermal conditions;
5) Expanded access to two existing research mesocosms (tidal impoundments);
6) One visitor center and conference facility for up to fifty people;
7) Office spaces for businesses, University of Maine at Machias faculty and visiting scientists and educators;
8) Increased space for algae production needed to support shellfish species;

Institute also has attracted other researchers to their facility growing the human capital ultimately necessary for progress in this field. It has been able to expand its revenue-producing enterprises in a way that is also helping local farmers start oyster farms. Further, the Institute has been able to join a consortium of researchers working to develop hatchery methods for sea scallops, which will help this fledgling industry achieve scale and maximum economic impact.

C. Direct Vet Marketing (d/b/a Vets First Choice and now Covetrus), 12 Mountfort St., Portland, ME 04101

[Feb. 2018] [$4,642,546 QEI; $1,818,593 Credits Issued]

Background: Covetrus® is a global animal-health company dedicated to keeping veterinarians and their practices thriving. They offer a comprehensive portfolio of software, supplies and services that connect care in and out of the clinic, helping practices focus on the health and wellbeing of animals. Founded in 2009 as Direct Vet Marketing d/b/a Vets First Choice, the company subsequently was sold and now operates as Covetrus. Covetrus is headquartered in Portland, Maine with more than 5,700 employees serving over 100,000 veterinary customers around the globe. As of September 2023, 277 of those employees were based in Maine, where Covetrus opened a new corporate headquarters on Portland's East End in December 2022. (Note: CDE Advantage Capital reports that they lost access to company data when Vets First Choice was acquired by Covetrus in early 2019. They last released segmented financials on 9/30/2018 and thereafter financials were published in consolidated public filings with the acquirer).

Project: Approximately $4.65 million in investments enabled the construction of a state-of-art facility to increase the company's manufacturing and distribution of products. The project included a specialty pharmaceutical manufacturing and distribution center in downtown Portland. The lab and manufacturing facility in Portland now complements the company's existing out-of-state operations in Houston, Texas, and Omaha, Nebraska.

Community benefits: 155 well-paying STEM jobs created in the first twelve months, with over 200 jobs projected when fully staffed. Unique type of business within Maine's business ecosystem, as well.

primarily through community-based donations. In addition to donating $10,000 to the City of Old Town for two town festivals, the company also contributed $2,400 to local little league baseball teams, $500 to OHI Maine, $250 to Youth Fisheries and Wildlife, $1000 to the Old Town Project Graduation, and $500 each to the Penobscot Area Special Olympics, National Elks Foundation, and Maine Children's Cancer Program, as well as $5,000 to sponsor local sports teams. ND OTM LLC was in close proximity to the University of Maine, as well, allowing students to serve local internship opportunities to learn about the pulp and paper industry. Despite the unfortunate closure of the mill, there were some impressive statistics associated with the project: over seven years, $12.4 million in tax credits leveraged $471.8 million in investments at the mill, a total of $413.8 million of spending in Maine, including $71.9 million in payroll. This supported the creation of an average of 113 direct jobs and an additional 281 indirect jobs over that period. Currently, due to the de facto closure, jobs currently at the mill have been reduced to just two employees.

E. <u>MedRhythms, Inc., 183 Middle St., Portland, ME 04101</u>
[Nov. 2023] [$3,546,814 QEI; $1,390,277 Credits Issued]

<u>Background:</u> FAME approved state new markets tax credit financing for MedRhythms, Inc., a digital therapeutics company located in Portland. The company uses sensors, music, and software to build evidence-based, neurologic interventions to measure and improve walking. The company's mission is to positively impact the lives of those living with neurologic injury and disease by building next generation neurotherapeutics that leverage the power of music and technology to redefine what's possible in brain health for patients around the world. Digital therapeutics are a cutting-edge field that can help to improve the everyday lives of Mainers and other patients who will benefit from the company's technology. In November of 2022, FAME presented the company with its *Business at Work for Maine* award. FAME has worked with the company on various financing transactions, including several investments made through our Maine Seed Tax Credit Program and the Maine Capital Investment Program. The company exemplifies the purpose of FAME's focus on the nexus between higher education and economic development, and the connection between FAME's higher education and business finance programs. The two founders, Brian Harris, and Owen McCarthy, are both Alfond Scholars (an difficult decision to defund its library in 2015. Dedicated volunteers came together to keep the library operating and re-established it as a nonprofit in 2017, however. In order to reinvent itself and meet the current needs of the community, the library's building needed to change; the existing building had limited usable space for community meetings and events, inefficient heating systems, and its main entrance was not ADA accessible.

<u>Project:</u> In 2019, the library began to leverage grants, donations, as well as support from the town, as it planned to transform the building into not only a library but a vibrant community hub and state-of-the-art learning center. The renovation:

--provided more space to facilitate programs (both library-led and external)

--created a new children's room, with books, music, and learning through play

--created a new space for teens

--created several conference rooms for use by for educators, businesses, and nonprofits

--created a new main entrance with universal access

<u>Community benefits</u>: The major renovations to the building focused on space, flexible furniture and accessible spaces, and public safety. 10 temporary construction jobs were created as a result of the renovations. The project had a substantial community impact, including the direct provision of services to residents, and served as a symbol of the revitalization and endurance of the community from difficult economic times. It also helped to create a critical mass to catalyze community and economic revitalization. With more attractive and efficient space, and with the combination of traditional library services with programming that takes advantage of the facility, the library last year served 3,011 individuals who participated directly in a program at the library, whether directly through the library or in partnership with another organization. Additionally, 23,844 individuals visited the library in 2023 (note: this figure includes repeat visitors). The library is a community hub providing space for other organizations to use. Such services include career counseling, computer learning, health and wellness workshops, nutrition and cooking workshops, domestic violence outreach and counseling, and community engagement meetings. In addition, the library's Katahdin Gear Library program, which circulates mountain bikes, skis, snowshoes, kayaks, and canoes to community members, will be located nearby.

with various financing approved to enable the mountain resort's re-opening, including loan insurance, a direct loan and New Markets tax credits. Since then, Arctaris and its partners have invested over $42 million in state-of-the-art equipment and updated hospitality services for guests, including new chairlifts, high-efficiency snowmaking equipment, and a new high-elevation restaurant. Additionally, workforce housing has been built to offer affordable, short-term rentals for employees and a community solar farm have been built to reduce energy costs and emissions. Saddleback Mountain, which originally opened for skiing in 1960, had had its ups and downs over the years. It changed ownership several times and closed in 2015, which had a detrimental effect on the Rangeley Lakes region. Among these negative effects were wide-scale unemployment, sharp declines in real estate values, and loss of tax revenues, all exacerbated by a significant out-migration of area residents in search of employment opportunities elsewhere. Arctaris Saddleback Company, LLC, eventually acquired the resort and re-started it for the 2020-2021 winter ski season (as the pandemic began), re-hiring 200 team members for the first time since it was shuttered in 2015. The resort attracted 72,000 skier visits the first year it was open. Last season's skier visits totaled approximately 90,000. The company has invested more than $12 million to leverage the region's existing resources and capabilities in combination with new strategic investments to build a four-season business. Today the resort offers downhill skiing, ski school, ski rentals and repairs, outdoor programming, events, and weddings, food and beverage, retail, and mountain biking.

Project: In March and November of 2020, FAME approved New Markets tax credit financing to help with financing the costs of capital improvements, construction, equipment procurement, and other related improvements at the ski resort. Including a prior Maine Rural Development Authority $1 million loan, as well as the above New Markets financing, the total state commitment to the Saddleback project now totals approximately $6.5 million. The financing helped meet additional project costs for the resort, including workforce housing; additional ski lifts; a new mid-mountain lodge; and additional snowmaking equipment. In addition to helping Arctaris purchase the mountain and resume operations at the ski resort, FAME's financing has helped to benefit area business, stimulate the local economy, and increase tax revenues. Saddleback has made a number of improvements at the resort since its reopening, including renovations to the base lodge; the purchase and installation of a high-speed detachable quad lift;

affordable skiing to locals and to provide outdoor opportunities during the winter. The Ski Tuesday Program provides free skiing and riding along with free rentals and instruction for any interested students in the Rangeley Lakes Regional School (grades 3-12). Additionally, Saddleback supports a discounted season pass program ($50 per season) for any enrolled students.

Affordable high-quality childcare: The Rangeley Childcare Center is expected to open during the summer of 2025 and will serve the local area. There is a dire need for childcare to support local families and economic growth in the region. Saddleback has partnered with other organizations to secure funding from various entities to help make the project a reality.

Employment has ranged over the seven years from 134 to 175 jobs. The project created an additional 200 permanent, indirect full-time equivalent jobs in the area, as well. The project has provided a major boost to Franklin County's tourism and recreation economy. In terms of economic development, Saddleback continues to anchor the Rangeley region in the winter season. The resort's resumed operations have benefitted area business and helped to stimulate the local economy and increase tax revenues. Arctaris successfully reopened the mountain in 2020, attained over 72,000 skier visits in the first year of operations, and provided economic support for the greater Rangeley community. Arctaris has successfully leveraged the local community, and state support of the project to attain secured financing from third parties, as well. Additional real estate has been developed, including completion of workforce housing for all months of the year. The project team continues to work with community leaders to develop childcare options, workforce housing, job training, other development areas. A groundbreaking ceremony recently held for a childcare facility in Rangeley, where Saddleback provided leadership, grant writing support, and advocacy. Additional real estate development is planned for 2025 and beyond that will foster additional growth in skier visits improving economic conditions for Saddleback and regional businesses and towns. Over the seven-year tax credit period, $1.4 million in tax credits leveraged $86.4 of investments at the resort, which resulted in $212.5 million in past and projected spending (largely in-state), including $40 million of past and future Maine payroll, and the creation of the equivalent of 92 full-time direct jobs and 41 additional indirect jobs.

They estimated the Net State Budget Impact as being a $24.7 million increase in state revenues from 2012 through 2016, and an $8.9 million revenue loss in the following five years, for an overall positive fiscal impact of $15.8 million for the period 2013 - 2021. Please note that such calculations did not take into account the seven additional businesses outlined in this report. They account for the final 22% of program funding.

Based on tax return data from Maine Revenue Services, the total revenue loss from the New Markets Capital Investment Credit in the most recent four fiscal years is:

FY '21: $9,375,644

FY '22: $4,439,786

FY '23: $3,858,291

FY '24: $3,886,478

In FY 22, FAME issued a total of two credits totaling $1,099,886.23 through the Program. In FY 23, FAME issued no credits under the Program. As of December 17, 2024, $746,123 of investments ($290,987 in tax credits) remain available to be awarded under the Program.

From FAME's perspective, it is important to understand that the total fiscal impact of the program over its lifetime is the same as the total revenue loss from the program and is equal to the aggregate amount of the awarded tax credits: $97.5 million. This cost is spread out over seven years for each individual credit awarded, and for the program is spread out over time from the date of the first qualifying investment and tax credit award to seven years following that last qualifying investment/tax credit award. That period has run from roughly 2012 through 2024 and will continue (but at a declining rate as many fewer credits have been awarded in the later years) for approximately another seven years. The FAME evaluation in this report is based on the full fiscal cost, regardless of year(s) allocated, and regardless of whether credits yet claimed.

--Goals of Program: As stated in statute set forth at 10 M.R.S..A §1100-Z(1), the intent of the Maine NMTC Program is to promote economic development in Maine by encouraging major investments in qualified businesses and developments located in economically distressed areas of the state; to preserve jobs; and to make the state more competitive in the attraction of investment capital. Interestingly, the statute also states: *"The Legislature further finds that the foregoing* and projected payroll costs were supported over seven years. As noted above, this represents 11.8 times the amount of the credits awarded. Thus, $1 in tax credits resulted in $11.80 in spending on payroll alone over the seven years. Also, an average of 600 direct jobs were created and retained over the seven-year periods, as well as an average of 448 net new jobs were created over seven years.

--Does the Program contribute to economic development goals of the state?

We believe the NMTC Program benefits the state with respect to jobs created and retained; gross state product (GSP); and net excess revenue to the state's budget. As the OPEGA report found when analyzing the initial ten program transactions (which account for nearly 80% of the program funds allocated), the Program had created and retained over 1,800 direct and indirect jobs. Additionally, when looking at GSP, the state received a 22x return on investment ($21.67 in GSP produced for every $1 of tax credit). In dollar terms, the state realized between $173 million in average additional GSP annually for the years 2013-2016 and was projected to realize an average additional nearly $190 million annually in GSP projected for the years 2017-2021. The Program at that time had an overall positive net fiscal impact of $15.8 million in revenue for the state, as well, after taking into account revenue loss. The OPEGA report noted that "the program design does . . . strongly support the desired outcomes of: (1) making the state more competitive in attracting investment capital; and (2) encouraging investment." Finally, the OPEGA report also found from interviews with CDEs that "the investment behavior would not have occurred without the Maine NMTC program, or another or another program, that offered tax credits in return for investment." Our research on the remaining tax credit projects supports this view as well. **The tax credits resulted in significant employment creation and retention (660 direct jobs and 330 additional indirect jobs); Maine payroll spending of nearly 12 times the amount of the tax credits over the seven-year period; and significant (at least $600 million)** additional spending in Maine on other goods and services.

VII. Recommended changes and legislation

During the 131st Maine Legislature, the Taxation Committee considered Senator Stewart's bill, LD 1974, which sought to reauthorize the Program and make some changes. One of the proposed changes, which we then supported, would have shortened the period, from requirements would be unworkable by devaluing the credits to potential investors who would have to bear the risk of recapture if the company invested in did not achieve targeted goals.

VIII. Appendices

Appendix A: Copy of Resolve 2022, chapter 151

Appendix B: March 2017 OPEGA Report on NMTC

Appendix C: Investment diagrams

Appendix D: FAME suggested draft legislation

- Appendix A -

APPROVED	CHAPTER
MARCH 25, 2024	151
BY GOVERNOR	RESOLVES

STATE OF MAINE

IN THE YEAR OF OUR LORD

TWO THOUSAND TWENTY-FOUR

S.P. 808 - L.D. 1974

Resolve, Directing an Analysis of and Report on the Maine New Markets Capital Investment Program

Sec. 1. Finance Authority of Maine to examine and report findings on Maine New Markets Capital Investment Program. Resolved: That the Finance Authority of Maine, in conjunction with the Department of Economic and Community Development, shall examine and evaluate the Maine New Markets Capital Investment Program under the Maine Revised Statutes, Title 10, section 1100-Z and submit a report of its findings and any recommended legislation to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 31, 2025. The report must include discussion of recommendations offered by the Office of Program Evaluation and Government Accountability in its March 2017 report on the program. The Finance Authority of Maine may consult with the Department of Administrative and Financial Services, Maine Revenue Services and with other public and private entities with roles in economic development in the State as necessary. The joint standing committee may submit legislation relating to the report to the 132nd Legislature in 2025.

FAME
FINANCE AUTHORITY OF MAINE

March 2, 2017

Beth L. Ashcroft, Director
Office of Program Evaluation and Government Accountability
Maine State Legislature
82 State House Station
Augusta, Maine 04333-0082

Dear Ms. Ashcroft:

Pursuant to 3 M.R.S.A. § 997(1), the Finance Authority of Maine (FAME) wishes to offer this brief response regarding your office's final report on the New Markets Capital Investment Program.

First, FAME has enjoyed working with your staff over the past sixteen months and has appreciated their professionalism and thoroughness in approaching this complex topic. We are pleased to have fully cooperated with all requests in a prompt and thorough manner.

Second, FAME largely agrees with the findings and recommendations contained in the report. As you know, we take our role as co-administrator (along with Maine Revenue Services) of the program very seriously, and strive to administer our portion of the program with fairness, transparency, and accountability. We have consistently sought and obtained improvements to this complex program along the way, and, while it remains an imperfect program worthy of further refinements, we continue to believe that it is overall a successful and worthwhile program whose benefits to the state's economy far outweigh its shortcomings.

Third, we look forward to further discussion of some of the report details, including the recommended actions for improvement of the program. If FAME is to be required to assume further responsibilities regarding capturing data needed for efficient and effective program evaluation and ensuring further reporting by program recipients, we will require additional resources. We would not be able to continue to absorb such responsibilities as we have previously.

We look forward to meeting with the Government Oversight Committee in the near future to discuss this matter further.

Sincerely,

B.E. Wagner

Bruce E. Wagner
Chief Executive Officer

- Appendix B -

TAX EXPENDITURE REVIEW

FINAL REPORT

New Markets Capital Investment Program – Current Portfolio of Projects Produced Positive Outcomes; Cost-Effectiveness Could be Improved

Report No. TE-NMTC-16

Recommendations OPEGA offers as a result of this review:

- Opportunities to improve program design and cost-effectiveness should be considered if Legislature authorizes additional allocations. (pg. 49)
- Legislature should consider incorporating recent FAME rule change into statute. (pg. 52)
- Guidance should be established for potential situations where annual aggregate claims exceed $20 million. (pg. 53)
- Data needed for efficient and effective program evaluation should be captured and maintained. (pg. 54)

March

2017

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

Table of Contents

Acronyms Used in This Report

CBA – Community Benefits Agreement
CDE – Community Development Entity
DAFS – Department of Administrative and Financial Services
DECD – Department of Economic and Community Development
FAME – Finance Authority of Maine Legislature
GSP – Gross State Product
MRS – Maine Revenue Services
NMTC – New Markets Capital Investment Program
QALICB – Qualified Active Low-income Community Business
QEI – Qualified Equity Investment
QLICI – Qualified Low-Income Community Investment
RAR – Revenue Agent Report

Terms Used in this Report

Community Development Entities (CDEs). Domestic corporations or partnerships whose primary missions are to serve, or provide investment capital for, low-income communities or low-income persons. CDEs are intermediaries who receive the Maine NMTC credit allocations from FAME and put together the investment deals between the investors and the qualified active low-income community businesses. CDEs participating in Maine's NMTC Program must be active participants in good standing with the federal NMTC Program.

Equity Investors. Typically national financial firms that trade in tax credits and specifically seek out NMTC deals. They often have established working relationships, and may be affiliated, with one or more CDEs.

Leverage Lenders. Financial institutions or private parties that make loans to investment funds controlled by equity investors which, in turn, make equity investments in the CDEs.

NMTC Deal. The package of transactions and agreements CDEs put together to fund a Qualifying Low-income Community Investment into a Qualifying Active Low-income Community Business.

Qualified Active Low-income Community Businesses (QALICBs). Businesses, located in qualified low-income communities, who receive the investments under the Maine NMTC Program.

Qualified Equity Investment (QEI). The funds a CDE gathers together to invest in a business. It is typically made up of two parts: an equity investment from an equity investor and a loan from a leverage lender. The 39% State tax credit is based on the amount of the QEI.

Qualified Low-Income Community Investment (QLICI). The investment a CDE makes in a QALICB, the funds for which come from the QEI.

Maine New Markets Capital Investment Program – Current Portfolio of Projects Produced Positive Outcomes; Cost-Effectiveness Could be Improved

Introduction

FAME administers Maine's NMTC Program which was established in 2011 and is modeled after the federal NMTC Program. Maine's program provides a 39% tax credit over seven years for investors who make qualified investments in qualified low-income community businesses via qualified CDEs.

The Maine Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a review of the Maine New Markets Capital Investment Program. OPEGA performed this review as directed by the 127th Legislature's Government Oversight Committee (GOC) in compliance with 3 MRSA §§ 998-999.

Maine's New Markets Capital Investment Program (NMTC) is a State program modeled after the Federal New Markets Tax Credit Program. It was enacted in 2011 and is administered by the Finance Authority of Maine (FAME). The program provides a 39% tax credit over seven years for investors who make qualified investments in low-income community businesses via a qualified Community Development Entity (CDE). As of August 2016, 10 businesses have received investments.

The Maine NMTC Program became the focus of public concern in April 2015 when media reported that the State was committed to paying $16 million in tax credits for investments in Great Northern Paper, which shut down 14 months after the investments were made. News articles described how the transactions for that project, and other projects, involved immediately returning portions of the invested funds back to institutions that lent money in what is referred to as "one day loans". Essentially this means the State is paying tax credits on investments that the businesses did not get to keep and questions were raised about the legitimacy and motivations for those transactions.

OPEGA's review focused on nine objectives detailed in Appendix D. OPEGA obtained the program data used in this review primarily from public FAME documents and CDEs and businesses participating in the program. No confidential taxpayer data was obtained for this review.

The GOC approved the objectives for this evaluation in February 2016, along with the performance measures OPEGA would seek to use in addressing those objectives. At that time, the GOC also agreed on statements of the program purpose and intended beneficiaries as interpreted from review of statute. These approved evaluation parameters were the basis of OPEGA's review and are detailed in Appendix D.[1]

The complete scope and methods for the comprehensive work OPEGA performed to address these objectives are detailed in Appendix A. OPEGA obtained program data used in this review primarily from public FAME documents and the CDEs and businesses participating in the program. No confidential taxpayer data was obtained for this review. OPEGA contracted with Economic Development Research Group, Inc. for assistance with economic impact modeling and consultation on the broader economic impacts of the program. Reported results are based on program activity as of August 2016.

[1] The GOC approved the evaluation parameters in accordance with 3 MRSA § 999.1 with input from the Maine State Legislature's Committees on Taxation and Labor, Commerce, Research and Economic Development.

Secondary intended beneficiaries of the program are economically distressed communities. OPEGA found that the benefits economically distressed communities are intended to receive are not clear in statute, and may not be realized, as there are no program elements to ensure communities receive benefits. Clearly there is some benefit just from having a viable business operating within a community, and several businesses also described specific community projects CDEs required them to undertake as part of the Maine NMTC investment. Beyond this, however, the degree to which the investment impacts the economically distressed community is dependent on how the invested funds are used. OPEGA noted that the uses of the NMTC investments are not restricted, limited or directed by statute and varied widely from project to project.

Though they are not intended beneficiaries, the Maine NMTC Program is designed in a way that requires the participation of investors and CDEs and allows them to derive financial benefits. A number of professional service providers, such as legal and accounting firms, are also typically involved and are compensated for their roles. OPEGA found that all of these participants are receiving some financial benefits that are not dependent on the degree of benefit the intended beneficiaries are getting, or how successful the businesses or projects become.

As of summer 2016, equity investors had received $75.8 million[4] in State tax credits payable over seven years. Typically, equity investors receive all of the State tax credits associated with the project even though they contribute only a portion of the total Qualified Equity Investment (QEI). Leveraged lenders, the other investing parties whose funds are part of the QEI, receive no share of the tax credits and profit instead by charging interest on the loans they make.

Based on what we were able to discern from documents submitted to FAME, OPEGA estimates that CDEs received at least $16 million in retained investments and fees. This represents about 8% of the total QEI in the 10 projects, and most of this amount was retained by one CDE whose operating model is different than the others. According to a representative for this CDE, the retained amounts are used for other low-income community investments.

3. To what extent is the design of the tax expenditure effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices?

See pages 35 - 40 for more on this point

The Maine NMTC Program statute and rules contain definitions and requirements that constitute the program design elements. Program design elements serve to focus the program and target its benefits. OPEGA found that the current program design elements directly support achievement of some, but not all, of the program's desired outcomes.

The program's design does not directly support achievement of two desired outcomes:

- preserving jobs; and
- promoting economic development.

While it may be assumed that investment in business will naturally result in job preservation and economic development, there is no guarantee. There is risk that a

[4] The tax credits are based on a total of $194.2 million in State NMTC Qualifying Equity Investments (QEI) provided by equity investors and leverage lenders.

- Economic modeling of direct and indirect impacts associated with the 10 projects shows additional Gross State Product (GSP) generated from investments as averaging roughly 0.31%, or approximately $173 million, for each of the years 2013 – 2016. GSP was higher in the span of those years that saw substantial investment or employment activity. In each of the years 2014 – 2016, additional GSP averaged about $196 million or 0.35%. Under the assumptions used to model future impact, an additional $189.9 million in average annual GSP is estimated for each of the years from 2017 – 2021.

Since there are no established measures or targets for the desired outcomes, OPEGA is unable to say to what extent these results match expected results for the program. We note that these results, however, particularly with regard to jobs and impact to GSP, are specific to this portfolio of 10 projects. Future portfolios could have very different results, for positive or negative, depending on the types of businesses and uses of invested funds.

5. To what extent is it likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states?

See pages 40 - 42 for more on this point

OPEGA found that Maine is one of 15 states with state level New Markets programs and is the only state in the northeast with such a program. We also learned through interviews with CDEs that State tax credits were what drove five of them with no prior presence in Maine to invest in the State, bringing their equity investors with them. Absent the tax credits, they would have been looking for investment opportunities that did offer credits in other states. Consequently, it appears the investment behavior would not have occurred without the Maine NMTC program, or another program, that offered tax credits in return for investment.

In terms of whether the funded projects would have gone forward without investments from the Maine NMTC Program, OPEGA notes there is no stipulation in statute that requires businesses to have a certain level of need to qualify for the program. We observed that the 10 businesses receiving NMTC investments as of August 2016 had varying degrees of financial need based on whether they had access to other reasonable financing options to make their projects viable. Some had no other financing options available while a few may have had access to other financing. In our assessment, the majority of projects would not have gone forward in their current form without the State NMTC program investment.

6. To what extent is the tax expenditure a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals?

See pages 43 - 45 for more on this point

OPEGA analyzed cost-effectiveness for the Maine NMTC Program from the perspective of overall impact to Maine's GSP and three key factors that drove the impact. Our analysis included calculating several cost-effectiveness measures on a per dollar of tax credit basis using data for the current portfolio of 10 projects. The State has committed $75.8 million in tax credits to those projects. A portfolio that stems from additional allocation by the Legislature could look entirely different and thereby have different results.

7. To what extent are there other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the Maine New Markets Capital Investment Program and to what degree are any similar initiatives coordinated, complementary or duplicative?

See pages 46 - 48 for more on this point

Maine's NMTC Program clearly has the same intent and goals as the federal NMTC program it is modeled after. The structural similarities between the two programs make the State program quite accessible for CDEs already involved in the federal program, and potentially make it more attractive for them to use their federal allocations on Maine projects as well. However, other than CDEs potentially using both programs to construct the same State NMTC deals, the State and federal programs never interact and are not coordinated from an administrative standpoint. Equity investors can get both federal and State tax credits for portions of the same invested dollars and OPEGA observed this occurring in seven of the ten Maine NMTC projects we reviewed.

OPEGA observes it is common for State programs focused on improving the economy to have the same broadly stated intents and purposes as the Maine NMTC, i.e. to encourage investment, preserve jobs and encourage economic development, particularly in economically distressed areas of the State. However, the Maine NMTC Program is not actively coordinated with any other State programs and, based on OPEGA's limited research, its unique approach is not duplicative of any other State programs.

Although the program is not designed to be specifically complementary to other State programs, we observed businesses participating in the Maine NMTC Program also benefitting from some other State programs – in some cases for the same projects. We also noted from FAME documents that one Maine NMTC deal also involved Historic Preservation Tax Credits and another involved funds from the Major Business Expansion Program and from pledges from the Business Equipment Tax Reimbursement and Employment Tax Increment Financing programs.

We were unable, however, to more broadly assess the degree to which businesses participating in the NMTC program are receiving benefits from other programs, and whether these benefits constitute a package necessary to make the project viable or result in a level of support that exceeds what is necessary to incent the desired behavior. This issue is not unique to the Maine NMTC Program as the State's current data collection and management practices for business incentive programs as a whole are not designed to allow such an assessment.

8. To what extent is the State's administration and implementation effective and efficient?

See pages 20 - 26 for more on this point

FAME's and MRS' administrative roles for the Maine NMTC Program are primarily focused on ensuring compliance with program requirements. OPEGA found the processes and procedures in both agencies to be effective for fulfilling their respective responsibilities, and to be relatively efficient based on the estimated administrative costs.

Performance Measures Calculated by OPEGA

Table 1 includes the performance measures OPEGA calculated for the Maine NMTC Program that were approved by the GOC as part of the Evaluation Parameters for use in this evaluation. Table 2 provides additional measures OPEGA calculated as indicators of cost-effectiveness. All measures were calculated by OPEGA based on data collected from FAME program documents and through interviews with the management of CDEs and businesses on 10 projects that had received investments as of August 2016. The bases on which the measures were calculated are described in further sections of this report. We used economic impact modeling to produce measures F and L below.

Table 1. Maine NMTC Performance Measures		**For Years 2013 through 2021**
A	# Total businesses receiving qualified investments under the program	10 businesses
B	# Economically distressed communities where businesses received qualified investment under the program	8 towns in 7 counties
C	$ Value of tax credits to investors ($ value paid in past years and expected in coming years)	$75.8 million
D	$ Value of credits available compared to credits taken	OPEGA estimates all Maine NMTC credits are taken as soon as available
E	Total direct program cost (credits plus administrative costs)	Approx. $76 million (admin costs are less than 1%)
F	Net impact on State budget (using economic modeling, as possible and appropriate, to include capture of indirect benefits and costs)	$15.8 million net positive impact on General Fund revenues
G	Total qualified investment received by businesses	$182.9 million in QLICIs
H	$ Value of average qualified investment received per business (also min and max)	$18.3 million per business average, ranging from $575 thousand to $40 million
I	Average value of tax credits per investor (also min and max)	$25.3 million average, minimum is $8.1 million and maximum is $59.5 million
J	$ Value of tax credits received by equity investors per $ of qualified investment made by those investors	Insufficient data available to calculate this measure
K	Leveraging Ratio	This measure not meaningful for this program
L	Indicators of State economic growth associated with investments[6] (using economic modeling, as possible and appropriate, to include capture of indirect benefits and costs)	0.3% average annual GSP impact, 2013-2016 764 direct permanent jobs created or retained and still existing as of 2016 1,034 indirect jobs created or retained in business supply chains as of 2016 781 jobs temporarily supported by spending through 2016
M	Participation Rate (% of federally-eligible census tracts in Maine with businesses that received investments[7])	7.1% of census tracts that meet federal eligibility requirements
Note: Data above reflects only Maine NMTC-related investments made as of summer 2016.		

[6] OPEGA had intended to calculate economic growth indicators for the economically distressed areas where businesses receiving the investments were located. However, we found it difficult to calculate impact at the community level.

[7] OPEGA had intended to calculate this measure as the percent of economically distressed communities in the State that have benefitted from the program. OPEGA had insufficient time to perform the additional analysis necessary to calculate this measure at the community level.

- Output – representing a firm's gross sales or receipts, and consists of value added and the value of intermediate inputs.
- Associated Tax Revenue – from payroll taxes; taxes on firm production, imports, sales, and profits; and personal income tax, property tax, and other taxes.

Model Inputs and Results

Input data for the model was obtained from documents CDEs have submitted to FAME, as well as from interviews with the businesses that have received Maine NMTC investments.

QALICB – Qualified Active Low-Income Community Business

Estimating the total economic impact of the Maine NMTC Program required determining program inputs for the Maine model to analyze. These inputs included "incremental permanent jobs" within the QALICB and "industry-specific sales" associated with in-state spending on a funded project. OPEGA collected the inputs using a combination of in-person interviews and administrative records, including certification applications and annual reports submitted by CDEs.

"Incremental jobs" are the in-state jobs created or retained at QALICBs because of the Maine NMTC Program. Annual job counts were collected for years 2013-2016 and then modeled cumulatively to reflect those positions that persisted through the analysis period. This means that if a company created 10 jobs in the first analysis year and five jobs in the second year, and did not eliminate any jobs in the intervening period, the direct employment impact is 10 jobs in the first year and 15 jobs in the second year.

"Industry specific sales" include the amount of investments associated with the Maine NMTC Program that QALICBs spent in-state. Spending was modeled year-by-year instead of cumulatively because spending is generally a one-time event and does not repeat year after year.

Primary inputs were direct permanent jobs and investment amounts spent on in-state goods and services that OPEGA attributed directly to the Maine NMTC Program.

While OPEGA was gathering the base employment and spending data needed as inputs for IMPLAN, we were also interviewing CDEs and QALICBs to better understand the degree to which the investments, jobs and spending may have been dependent on, or directly "attributable to" the Maine NMTC Program. Using this information, we adjusted the inputs for QALICB employment to remove any jobs we determined would likely have been created or retained even without the Maine NMTC Program. Likewise, we adjusted the inputs for QALICB spending to remove any spending that (a) would likely have occurred even without the Maine NMTC Program and (b) did not occur in the state of Maine. Spending amounts were also increased to reflect leveraged investments that were determined to be attributable to the program.

Other factors relevant to the model inputs, and the resulting outputs, are:

- Inputs were based on amounts actually invested in QALICBs as of August 2016. There was $55.7 million of Maine NMTC Program allocation that had not yet been invested in QALICBs by summer 2016. These investments could drive impacts up or down depending on the nature of the businesses and projects.

About the Maine New Markets Capital Investment Program

Program Description

Maine's NMTC Program grants CDEs tax credit authority via an allocation process administered by FAME. The process essentially reserves credits for specific CDEs. Statute authorizes FAME to allocate up to $250 million in credit authority with no more than 25% allocated to any individual CDE.

Maine's New Markets Capital Investment Program (NMTC) is a State program enacted by the Maine State Legislature in 2011.[9] It is applicable to tax years beginning on or after January 1, 2012 and was modeled after the Federal New Markets Tax Credit Program. It provides a 39% credit over seven years for investors who make qualified equity investments (QEIs) in qualified active low-income community businesses (QALICBs) via qualified community development entities (CDEs). The credit is payable at a rate of 0% for the first two years, 7% in year three and 8% in each of the remaining years. It can be carried forward for up to 20 years and is also fully refundable, meaning the State must write a check for the amount of the credit due to investors with no Maine income tax liability.

Maine's NMTC Program grants CDEs tax credit authority via an allocation process administered by the Finance Authority of Maine (FAME). This process essentially reserves credits for specific CDEs if they are able to put together an investment deal that meets all of the Maine NMTC requirements within the required time. FAME was authorized by statute to allocate up to $250 million in aggregate qualified equity investments with no more than 25% allocated to any individual CDE. Each $1 of investment authority equates to $0.39 of tax credits, so in total FAME could allocate up to $97.5 million in total tax credits with no more than $24.38 million allocated to a single CDE. Statute appears to limit the amount of tax credits that can be taken or refunded in any one year to a maximum of $20 million. OPEGA observed that the carryover provisions of the credit, or delays in taxpayer filings, could result in more than $20 million being claimed in any one year and there are currently no provisions for how this situation would be handled if it arose. This issue is further discussed in Recommendation 3.

Program Purpose and Intended Beneficiaries

Maine's program intends to encourage investments that will primarily benefit businesses in economically distressed areas of the State, thereby promoting economic development in those areas.

The intent of the Maine NMTC Program is to promote economic development in Maine by encouraging major investments in qualified businesses and developments located in economically distressed areas of the State; to preserve jobs and make the State more competitive in the attraction of investment capital. The more specific program goal is to encourage new investments in qualified businesses and developments located in economically distressed areas of the State.

Although the tax credits under the program are paid to NMTC investors, the qualified investments for which the credits are paid are primarily intended to benefit qualified businesses in economically distressed areas of the State. The economically distressed communities themselves are also intended to benefit.

[9] Maine statutory sections establishing the New Markets Capital Investment Program and related tax credits are 10 MRSA § 1100-Z and 36 MRSA § 5219-HH respectively.

The third program change was an amendment to program rules rather than statute. FAME rules for the Maine NMTC Program originally included language specifying that "substantially all of [the investment] is expended by the qualified active low-income community business within a low-income community in the state." However, CDE lawyers argued that this rule was an over-reach of statute and FAME board members agreed. In August 2013, the Board adopted Amendment 2 to the Maine NMTC rules removing the requirement. Board members felt this better aligned the Maine NMTC rules with the federal program.

OPEGA notes that this rule change may have had a major effect on the program in that "substantially all" funds invested under the program are no longer required to actually be spent in the low-income community where the business is located. Low-income communities derive more economic benefits from money spent to hire community residents or expand or acquire assets in the community. This change allowed more of the invested funds to be spent outside of the low-income community potentially reducing benefits the low-income community would reap from the investment. We also note, however, that a requirement for "substantially all" to be invested in the community may have been too restrictive as most of the resources needed for a project may not exist within the community.

The fourth change to the program came via a statutory amendment enacted in the fall of 2013. The amendment expanded the definition of QALICB beyond the definition in federal code to include businesses located in Maine municipalities with unemployment rates higher than the State average. This change potentially increases the number of Maine communities that could benefit from investments in qualifying businesses and could be perceived as diluting the program's focus on the lowest income communities. Alternatively, it could be desirable to include Maine communities considered to be low-income, but which do not meet federal requirements. In reality, any projects using allocations from both the federal and State NMTC programs would need to comply with the federal code definition. We note that all of the projects currently certified in Maine have qualified under federal rules.

From 36 MRSA § 5219-HH sub-§ 1

G. "Qualified active low-income community business" has the same meaning as in the Code, Section 45D *and includes any entity making an investment under this section if, for the most recent calendar year ending prior to the date of the investment:*

(1) At least 50% of the total gross income of the entity was derived from the active conduct of business activity of the entity within any municipality where the average annual unemployment rate for that year was higher than the state average unemployment rate;

(2) A substantial portion of the use of the tangible property of the entity was within any location of the State where the average annual unemployment rate for that year was higher than the state average unemployment rate; or

(3) A substantial portion of the services performed by the entity by its employees was performed in a municipality where the average annual unemployment rate for that year was higher than the state average unemployment rate.

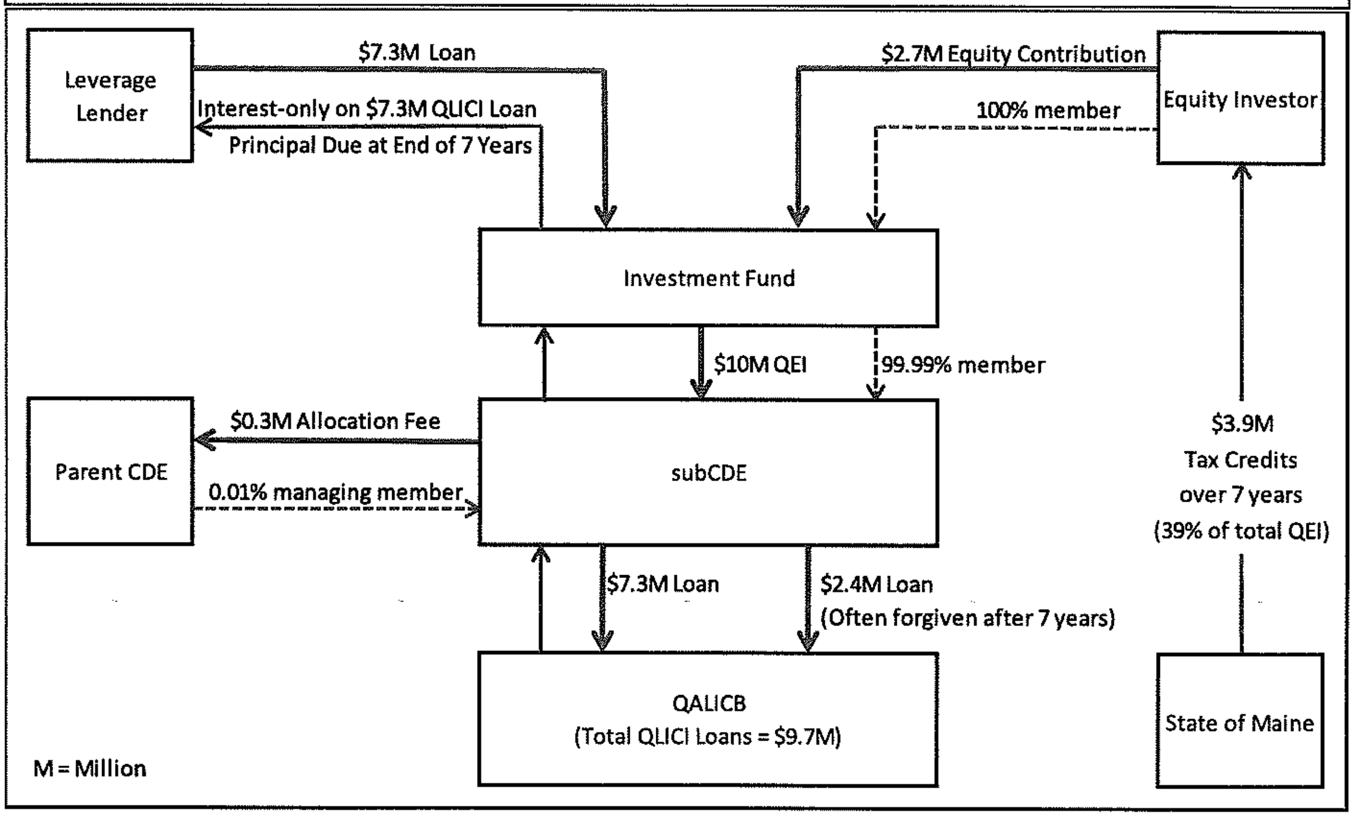
The final, and most recent, change to the program came in September 2015 via a change to FAME rules. The change specified that no more than 5% of the proceeds invested in the business (the QLICI) may be used to:

- **Equity Investors.** Typically national financial firms that trade in tax credits and specifically seek out NMTC deals. They often have established working relationships, and may be affiliated, with one or more CDEs.

- **Leverage Lenders.** Financial institutions or private parties that make loans to investment funds controlled by equity investors which, in turn, make equity investments in the CDEs. The private lenders may be unrelated to the QALICB but have often been the QALICB's affiliates, owners or related parties.

Program design requires participation of CDEs, QALICBs and equity investors but deals are often structured in ways that include a leverage lender as well. Figure 1 is a simplified example of how these entities typically come together in a deal.

Figure 1. Simplified Example of How a Maine NMTC Deal is Structured



Obtaining a Qualified Equity Investment

> The funds the CDE gathers to invest in a business are known as the QEI. The QEI is typically made up of an investment from an equity investor and a loan from a leverage lender.

A QEI is essentially the funds the CDE gathers together to invest in a business. It is typically made up of two parts: an equity investment from an equity investor and a loan from a leverage lender. The QEI is the basis for calculating the 39% in State tax credits associated with a particular deal. Hence, a Maine NMTC deal with a $10 million QEI will trigger $3.9 million in state tax credits.

Regardless of when in the sequence of events it happens, a CDE can identify a QALICB in a variety of ways. They may learn about potential businesses to invest in:

- through local economic development entities;
- from contacts at the Department of Economic and Community Development (DECD);
- via networking with other CDEs or the accounting and legal firms that specialize in NMTC deals; or
- from being contacted directly by a business seeking investment.

Some CDEs also find potential QALICBs independently by using data analytics to assess all of the businesses in a state based on unique parameters that help them identify businesses that are attractive for investment. CDEs may also use brokers to identify potential QALICBs. While this has not been a common practice in Maine, CDEs reported to OPEGA that this is common for federal NMTC deals on a national level.

Five of the six CDEs that received Maine NMTC allocations in 2012 had not previously done any federal NMTC deals in Maine and were initially unfamiliar with the business community and what investment opportunities might exist here. These CDEs described identifying QALICBs that fit their investment goals as the most challenging part of the process for them. Most of the 10 QALICBs with certified Maine NMTC deals were identified by a CDE via networking of some sort. One business sought investment by contacting a CDE directly, and one was identified for a CDE by a broker.

Structuring a Qualified Low-Income Community Investment

The investment the CDE makes in a business is known as a QLICI. The amount of the QLICI must be at least 85% of the QEI the CDE obtained.

CDEs use the QEI funds invested in them to make their investments in the qualified businesses they have selected. These investments in the businesses are known as QLICIs, or qualified low-income community investments. Under statute, QLICIs are limited to $10 million per project or $40 million for a project at a manufacturing or value-added production facility that expects to create or retain more than 200 jobs.

CDEs do not typically invest the entire amount of the QEIs they obtain in the QALICBs. The State NMTC statute, like its federal counterpart, requires that at least 85% of a QEI be invested in a business, which means that a CDE is allowed to retain up to 15% of the QEI.

From 36 MRSA § 5219-HH

J. "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business made after September 28, 2011. ......[W]ith respect to any one qualified active low-income community business, the maximum amount of qualified low-income community investments that may be made with the proceeds of qualified equity investments ...... is $10,000,000 per project constructed, maintained or operated by the qualified active low-income community business whether made by one or several qualified community development entities. With respect to investments in a qualified active low-income community business that is a manufacturing or value-added production enterprise, the limit on the qualified low-income community investment is $40,000,000 per project constructed, maintained or operated by the qualified active low-income community business.

FAME has 60 days to review applications and respond to the applicant CDEs with either award letters defining the amount of the allocation being awarded or denial letters. For the January 2012 applications, FAME staff completed their review shortly after applications were received and notified awardees on February 22, 2012. Statute allows CDEs 15 days after receipt of a denial letter to resubmit their application if desired. The resubmission process has never been used because the only denials have been because there were no funds left to allocate.

CDE Obtains and Certifies a Qualified Investment

CDEs have two years to obtain a QEI and another two years after that to identify a project to invest in and get the QLICI certified.

After being approved for an allocation, a CDE has two years to obtain a QEI and must provide proof of the QEI to FAME within 10 days after it has been received. In Maine's program, the QEI is certified for tax credits in conjunction with FAME's certification of the QLICI, which is the investment actually made into a business. The CDE is allowed another two years after providing proof of a QEI to identify a project to invest in and get a QLICI certified. This additional two years on top of the two years allowed for obtaining a QEI gives the CDE a maximum of four total years from the date they receive their allocation to complete their Maine NMTC deal (often referred to as the 2+2 model). If the CDE has not obtained a QEI within two years of receiving its allocation, or has not used a QEI for a certified QLICI within four years, then its allocation lapses back to FAME and may be reallocated to a fresh round of applicants.

Allocations lapse back to FAME if a CDE fails to obtain QEI or get a QLICI certified within the established time frames.

In February 2016, $55.7 million of the initial $250 million in allocations lapsed back to FAME. This amount was reallocated in May 2016 via a second allocation application process and was divided evenly among 12 CDEs that applied on the first day. OPEGA observes that allocating such a small amount to each CDE could result in scenarios that reduce the economic impact the State achieves from the associated tax credits. See Recommendation 1 for further discussion.

According to FAME, most QEIs are obtained very close to the time when the actual investment in the business is made and these QEIs are reported to FAME along with the documentation for certifying the QLICI. The CDE may, however, notify FAME of its QEI by letter if the end of the two year limit for obtaining a QEI is nearing but the CDE has not yet identified a QALICB, or finished putting the QLICI deal together.

The investment deals CDEs put together for the QLICI often have a complex structure with transactions flowing through new entities created just to facilitate the deal.

Once a CDE has identified a potential QALICB, it must prepare for submitting a certification application to FAME. This includes working out the design of the NMTC deal associated with the qualifying investment (QLICI) that will be made in the business. The CDE, the QALICB, the equity investor, the leverage lender and the lawyers for all entities are typically involved in structuring the deal, which often includes planning for the creation of a variety of new legal entities through which transactions will flow. QALICBs reported to OPEGA that this part of the process can be complex, time consuming and costly for them. One QALICB described participating in conference calls with 17 people on the line and signing 150 documents. FAME requests a financial diagram of the deal as part of the certification application because the text descriptions required are often not enough to convey a complete understanding of the complicated transactions.

Some of the CDEs OPEGA interviewed expressed concern that FAME can deny a NMTC certification based on judgment about the deal's value to the State, as this poses a substantial risk for CDEs that have spent significant time and energy lining up the details of the deal. However, statute seems to indicate that FAME must certify a QLICI as long as the following statutory requirements are met:

- the CDE remains in good standing with the federal program;
- the definitions of QEI, QALICB, QLICI in 36 MRSA § 5219-HH are met; and
- the QLICI is at least 85% of the QEI and is made within two years of obtaining the QEI.

FAME Reviews Deal Closing and Issues Tax Credit Certificate

After FAME Board certifies an investment, FAME staff monitor the deal's closing.

Following the FAME Board's certification, a number of steps occur to finalize the deal. FAME and the CDE enter into a written agreement that is a concise restatement of the CDE's statutory obligations and the CDE initiates the legal transfer of whatever funds, secure notes, and deeds are applicable in the deal. FAME staff ensures that:

- all agreements are signed;
- financial transactions occur as dictated in the transaction plan proposed in the certification application; and
- tax opinions are provided documenting that the business conforms to the definition of a QALICB and that the funds are legally considered an equity investment or long term security.

Via a written agreement with FAME, the CDE agrees to:

- use at least 85% of the QEI as a QLICI within two years;
- keep that 85% minimum in the QLICI through the seven year compliance period;
- notify FAME of any federal recapture efforts within 30 days; and
- notify FAME within 30 days of any principal prepayment by the QALICB.

The agreement allows recapture of the tax credits for violation of rule or statute. It also allows FAME to share any information obtained from applications and annual reports with MRS and the Commissioner of the Department of Administrative and Financial Services (DAFS) if any event or circumstances occur that may warrant recapture.

FAME finalizes the tax certificate and sends it to MRS after ensuring all aspects of the deal are in compliance with statute, rules and the certification application.

After a final review of all aspects of the deal to ensure compliance with statute, rules and certification application documents, FAME finalizes the official tax certificate. A copy of the certificate is sent to MRS and the DAFS Commissioner notifying those agencies that a specific claimant is entitled to the Maine New Markets Tax Credit. The certificate includes the name and tax ID of the claimant, as well as the total amount of credit authorized, and the name and address of the CDE and QALICB associated with the credits. The amount and dates of the QEI(s) associated with the credits are also included so that MRS has the information needed to calculate the credit available for a given tax year.

FAME is required to notify MRS of any recapture conditions reported by a CDE. According to FAME, as of summer 2016, no CDEs have reported potential recapture conditions on any of the Maine NMTC investments. MRS may also identify recapture conditions while conducting an MRS audit, or may learn about a federal recapture event via Revenue Agent Reports (RARs) from the IRS.

Recapture events or conditions include:

1. the CDE is subject to recapture of federal credits involved in the same transaction that was associated with Maine credits;
2. less than 85% of the QEI is invested in a QALICB; or
3. the investment is repaid or redeemed by the QALICB prior to the end of the compliance period and was not reinvested by the CDE within 12 months.

Statute allows the CDE 90 days to resolve any deficiencies identified before MRS will issue a final order of recapture. MRS notifies the claimant of the State recapture and of the right to appeal. Unless the recapture is successfully appealed, MRS proceeds to collect the amount that must be returned to the State.

CDE and QALICB Wind-Down the Deal After Seven Years

At the end of the seven year period, the Maine NMTC deal "winds down". None of the current deals will "wind-down" until 2019.

The NMTC QLICI investments are expected to remain in the QALICB for the seven year investment period after which the deals go through what is known as a "wind-down." This is the time when any loans made to the QALICB will mature and any principal amounts will be repaid or refinanced unless they are forgiven. As described previously in this report, it is anticipated that put/call options will be exercised on any QLICI loans associated with the equity investors' QEIs such that the QALICBs will not need to repay those particular loans. There is not yet any actual experience with this phase of the investment cycle as none of the current Maine NMTC investments will wind down until 2019.

There has been recent experience, however, with a QALICB repaying the principal amount of the QLICI before the seven year minimum investment period was up due to the sale of the business to a new owner. If repayment does occur, the CDE has 12 months to reinvest the funds and to verify to FAME that the funds have been redeployed.

FAME Monitors CDE's Continued Compliance with Program Requirements

CDEs submit annual reports to FAME throughout the seven year period. FAME uses these to monitor CDE compliance with program requirements and progress made on the business projects.

Throughout the seven year period, FAME monitors compliance with program requirements and progress on Maine NMTC investments through reporting by the CDE. Each CDE submits an annual report, along with a $250 annual reporting fee, to FAME as required by 10 MRSA § 1100-Z.5. Annual reports are due on or before April 30 of each calendar year with information reported as of the end of the prior calendar year. The reports are shared with MRS and with the Commissioner of DAFS.

Statute does not specify what the CDE must report, but FAME's interpretation is that the reports are intended to provide updates about the CDE's efforts to obtain its QEI and of the effects of the QLICI on the QALICB and the associated low-income community. To this end, FAME has established rules specifying what should be included in the annual reports.

subsequent to the tax year because investors would file claims to receive their payments as soon as possible. While OPEGA finds this method generally reasonable, we note that MRS estimated the claimable credits based on the closing date for the QLICI deal rather than the QEI date. As shown in Table 5, this has resulted in underestimating lost revenue by about 20% in 2014, 7% in 2015 and 5% in 2016.

Table 5. Comparison of Estimated Revenue Loss in MRS' 2016 - 2017 Tax Expenditure Report to OPEGA Estimate of Tax Credits Claimed by Year				
Tax Year	Fiscal year	MRS Estimated General Fund Revenue Loss	Estimated Credits Claimed Based on QEI Date	% MRS Estimate is Understated
2013	2014	$0	$0	0%
2014	2015	$2,715,000	$3,380,000	20%
2015	2016	$9,205.000	$9,855,000	7%
2016	2017	$13,509,000	$14,259,000	5%
Sources: MRS revenue loss estimate taken from "Maine State Tax Expenditure Reports" for fiscal year 2016-2017. Other figures from OPEGA Analysis.				

For most of the Maine NMTC deals as of August 2016, the closing date of the deal and the QEI date have been relatively close. This will not always be the case, however, and dates that are further apart could result in a more significant underestimate. In the future, MRS plans to use the QEI date in generating the lost revenue estimates.

Actual Direct Costs as of August 2016 and Estimated Future Direct Costs

OPEGA estimates total direct cost for the Program to be about $76 million in the period 2013 - 2021 for the ten projects funded as of August 2016.

The State's direct costs of the Maine NMTC program include the value of the credits plus the administrative costs the State incurs to manage the program. OPEGA estimates that the program has had a direct cost of approximately $14 million from 2012 through 2016, and will cost approximately another $62 million in the following five calendar years. Our estimates assume that credits will be claimed as soon as they are available and will not be carried over since they are fully refundable.

As shown in Table 6, the direct cost has been significantly lower in the past five years than it will be in the future. This is partly because the first program investments were not made until the fall of 2012, with the bulk of the program investments following in 2013. However, the primary cause of the delayed cost to the State is the schedule of credit allowance dates which intentionally postpones the cost by allowing none of the total 39% credit to be claimed in the first two years. As a result of this schedule, tax credits could not be claimed on the first QEIs until 2015 – three years after those QEIs were made.

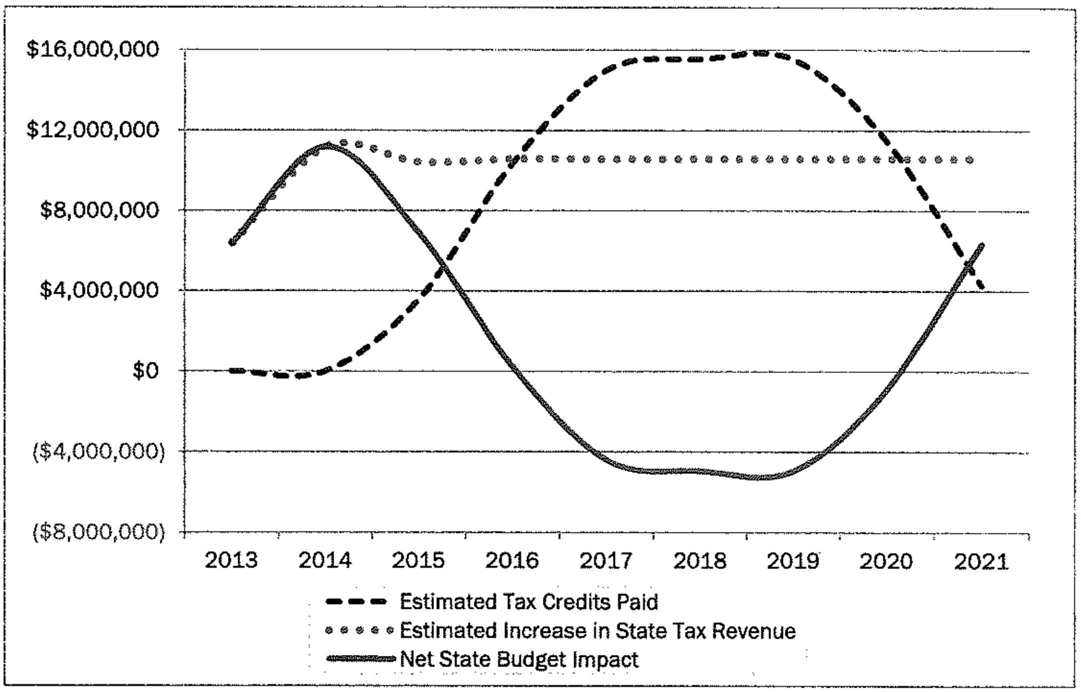
Actual Net Impacts as of August 2016 and Estimated Future Net Impacts

We estimate the Net Impact to State Budget is an overall positive impact of $15 million for the period 2013 - 2021.

OPEGA estimated the net impact on the State budget from the 10 projects funded as of August 2016 as the amount of increased State tax revenue minus the direct costs of the program. Overall, we estimate the net State budget impact from Maine NMTC investments as being a $24.7 million increase in State revenues from 2013 through 2016, and an $8.9 million revenue loss in the following five years, for an overall positive fiscal impact of $15.8 million in the period 2013 - 2021.

The increase in State tax revenue attributable to the program was estimated using an economic impact model as described on page 10.[11] The total direct costs are primarily the estimated tax credits as described on page 27. Figure 2 illustrates the trends in these components, as well as the Net Budget Impact, through 2021 when the last of the tax credits on the ten projects are expected to be claimed. Detailed figures are provided in Table 7.

Figure 2. Estimated Net State Budget Impact from Maine NMTC Program 2013 - 2021



Source: OPEGA tax credit data analysis and economic impact modeling.

Table 7. Estimated Net State Budget Impact from Maine NMTC Program 2013 – 2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Estimated Tax Credits Paid	$0	$0	$3,558,380	$10,373,911	$15,009,625	$15,543,152	$15,543,152	$11,476,432	$4,268,213
Increase in State Tax Revenue	$6,388,898	$11,191,575	$10,431,276	$10,590,025	$10,590,025	$10,590,025	$10,590,025	$10,590,025	$10,590,025
Net State Budget Impact	$6,388,898	$11,191,575	$6,872,896	$216,114	($4,419,600)	($4,953,127)	($4,953,127)	($886,407)	$6,321,812

Additional State tax revenues were higher in years 2014 and 2015 when businesses were spending the invested funds. The additional tax revenues for the remainder of the period are driven by the job impacts associated with the investments which OPEGA held at a steady state from 2016 on. Direct costs begin to rise in 2015 as

[11] The increased State tax revenue used in OPEGA's calculation does not include any municipal or county level taxes generated by the model.

some QALICBs also reported benefitting from having the national business expertise of CDE representatives involved with their boards, or otherwise providing support for their management.

The businesses, their locations and the QLICI amounts are detailed in Table 8 and illustrated in Figure 3. More detailed descriptions of their projects and the Maine NMTC investments in them can be found in Appendix B. OPEGA observed the following about the characteristics of this group:

- Three of the 10 businesses are in the forest products industry and they received about 59% of the total QLICIs. Another three businesses are manufacturing enterprises in other industries and they received another 19% of the total QLICIs.

- One of the 10 businesses, Great Northern Paper, ceased operations in 2014 and filed for bankruptcy. Appendix C includes a case study of this situation as an example of the risk inherent in some of the Maine NMTC investments.

- Seven of the eight communities were located in federal census tracts qualified as economically distressed areas under the federal NMTC program based on income and/or poverty rate. The community that was not in a qualified federal census tract, Baileyville, was still eligible under federal requirements for a "targeted low-income work force." To meet these requirements, St. Croix Tissue committed to 60% of its workforce being drawn from a low-income population. Baileyville would also have qualified for the Maine NMTC Program under the additional State criteria for a municipality with average unemployment rates higher than the State average. However, the project involved both federal and State NMTC allocations which required meeting federal, as well as State, criteria.

- The eight municipalities with qualifying businesses are located in seven different counties. Two municipalities in Cumberland County both host two of the qualifying businesses but only about 22% of the total QLICIs went to these businesses. The majority of the investments, 73% of total QLICIs, went to four businesses in municipalities located north of Bangor.

Table 8. Maine NMTC Investments by Municipality and County

MUNICIPALITY	COUNTY	BUSINESSES	Total QLICI
East Millinocket	Penobscot	Great Northern Paper	$40 million
Milo	Piscataquis	JSI Store Fixtures	$24.9 million
Baileyville	Washington	St. Croix Tissue	$39.1 million
Athens	Somerset	Athens Energy	$29 million
Rockland	Knox	Farnsworth Museum	$9.7 million
Lewiston	Androscoggin	Quoddy Shoes	$0.575million
Brunswick	Cumberland	(1) Molnlycke	$9.7 million
		(2) Brunswick Landing	$10 million
Portland	Cumberland	(1) The Press Hotel	$10 million
		(2) Putney, Inc	$10 million

Source: FAME program documents.

OPEGA was unable to assess well, or quantify, the extent to which economically distressed communities benefitted from the Maine NMTC investments other than having a potentially stronger business in their midst. We noted that for some projects the QALICBs spent most of the invested funds on goods and services obtained from outside the community, and even outside the State, while others had spending that could be expected to have more local benefit. This is discussed further on page 44 of this report. Similarly, we did not assess to what extent jobs created or retained were held by residents from the local community, as opposed to other communities, though we certainly expect that some portion of them are locally sourced.

OPEGA did note several other ways in which local communities were benefitting from the Maine NMTC investments. Examples include:

- Some projects included Community Benefit Agreements (CBAs) in which the QALICB agreed to provide certain services to their community as part of their investment deal. For example, the Farnsworth deal included a CBA requiring the museum to provide art education for local schools.
- Some investments seem to have encouraged other development in the surrounding community that is real and meaningful, but not easily quantified. For example, Quoddy is an anchor tenant in the old mill building in Lewiston they operate from. Since Quoddy received the NMTC investment the business has become more secure, and has taken over more space. As a result, the landlord began to make improvements to the building and is now attracting new tenants.
- Some projects involved improvements to physical properties that resulted in an increase in property taxes for the local communities. For example, the Press Hotel was a vacant building prior to the NMTC investment but has since been completely remodeled as an upscale hotel. According to developers, property taxes the business pays have increased by well over $150,000 a year.

OPEGA observes that some of the legislative and rule changes made to the program since its inception, described on page 14, likely have impacts on what businesses and communities benefit from the Maine NMTC Program. The Legislature may want to consider these impacts if additional allocations are authorized for this program. See Recommendations 1 and 2 for further discussion.

Other entities deriving financial benefit from the Program include the equity investors and CDEs that are required participants, as well as leverage lenders and professional services firms.

Other Entities That Benefit from the Program

Though they are not intended beneficiaries, the NMTC program is designed in a way that requires the participation of investors and CDEs in NMTC transactions and allows them to derive financial benefits. NMTC deals also typically involve a number of professional service providers, such a legal and accounting firms, which are compensated for their roles. OPEGA found that these participants are receiving some financial benefits that are not dependent on the degree of benefit the intended beneficiaries are getting, or how successful the businesses or projects become.

QEI and contributes it to a fund the CDE then uses to make investments in other low-income community projects.

Additional parties receiving financial gain associated with the Maine NMTC Program are professional service providers including attorneys, accountants and brokers. A relatively small group of accounting and legal firms serving New England with expertise in this complex program typically provide assistance in structuring Maine NMTC deals. Businesses are often connected with and independently hire these professionals via referrals from CDEs. One CDE indicated that avoiding conflicts of interest among attorneys representing various parties in a deal can be a challenge when many parties are involved. A limited number of economists obtain referrals for generating impact analyses required to be submitted to FAME on the larger deals.

These professionals receive compensation for services provided throughout the life cycle of a NMTC deal. The costs for some of these services are captured as closing costs typically paid from investment funds at the time the deal closes. Other costs are paid directly by the party engaging the professional. OPEGA noted that the professional fees associated with NMTC deals varied with the complexity of the deals.

Assessing Program Outcomes

OPEGA assessed whether program design effectively supports achievement of the four program outcomes and the extent to which each of those outcomes have been met.

Program Intent - To promote economic development by encouraging major investments in qualified businesses and developments located in economically distressed areas of the State; to preserve jobs and make the State more competitive in the attraction of investment capital.

Program Goal - To encourage new investments in qualified businesses and developments located in economically distressed areas of the State.

Four desired outcomes are expressed within the intent and goal of the Maine NMTC Program:

- making the State more competitive in the attraction of investment capital;
- encouraging investment – major and new;
- preserving jobs; and
- promoting economic development.

OPEGA assessed whether the program design, as reflected in statute and rule, effectively supports achievement of each outcome. We also used program data and information gathered from CDEs and businesses to assess the extent to which each outcome has been met. Recommendations 1 and 2 discuss observations the Legislature may want to consider if additional allocations are made to this program in the future.

businesses that can be served as the total allocation for the program is limited to $250 million. We also note that the term "major" could mean having greater importance or effect and there are no provisions in statute that seem to prefer types of investments that might be associated with this meaning.

There are also program design elements, discussed previously in this report, which support attracting "new" investment that would not otherwise have occurred to the State or to economically distressed areas. But if "new" is intended to mean investments that fund new business projects or efforts, then there was nothing in the program design to encourage "new" investment prior to FAME's rule change in 2015. The rule limits the amount of investment proceeds that can be used for acquiring an existing Maine business or covering business costs incurred or paid for prior to the date of the investment. OPEGA observes this rule is a critical design element driving invested dollars into new business uses in future projects.

As regards to actual program results, $194.2 million of QEI has been invested under Maine's NMTC Program since 2012 resulting in 10 Maine businesses receiving a total of $182.9 million in qualifying investments. OPEGA found that most of this "major" investment was likely new to the State in that it would not have occurred without the program. However, we also found that only about $126 million of the investment, or 65% of the $194.2 million in QEI, was used for new business spending.

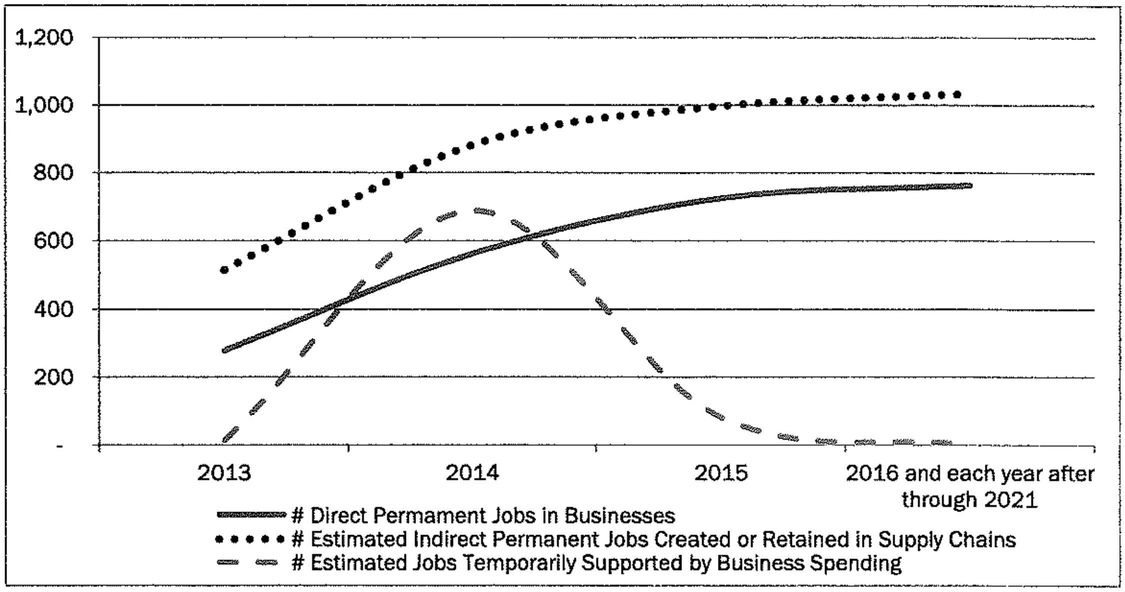
Preserving Jobs

The desired outcome of preserving jobs is not directly supported in the design of the Maine NMTC Program. CDEs, however, are well aware of the importance of job creation or retention in Maine NMTC projects.

The desired outcome of preserving jobs is not directly supported in the design of the Maine NMTC Program. The only provision for creating or retaining jobs is for projects seeking the maximum $40 million investment. Those projects are required by rule to include an independent study, as part of their certification application, showing that at least 200 jobs will be created or retained as direct employment within the business, or employment within the direct supply chain of the business. There does not appear to be any formal monitoring at the State level of whether these jobs are actually created or retained, or any established penalties if they are not.

There are also very few program restrictions on what a business may do with the dollars invested in it. Projects, like increased automation, intended to gain efficiencies and reduce costs by reducing the number of workers needed in the short-term are just as eligible for Maine NMTC investments as those that create jobs. Although the design of the Maine NMTC Program does not require job preservation from most investments made under the program, the CDEs OPEGA spoke with seem very aware that jobs are at the forefront of legislators' minds when they consider the value of particular investments on the State economy.

Figure 4. Estimated Jobs from Maine NMTC Program 2013 - 2021



Source: OPEGA tax credit data analysis and economic impact modeling.

Table 9. Estimated Jobs from Maine NMTC Program 2013 - 2021

	2013	2014	2015	2016 and each year after
# of Direct Permanent Jobs in Businesses	277	562	726	764
# Indirect Permanent Jobs in Supply Chains	515	881	997	1,034
# Jobs Temporarily Supported	12	688	81	

Promoting Economic Development

The program design does not directly support the outcome of promoting economic development. Nothing in the design requires, prefers or rewards the types of businesses, projects, or uses of invested funds that would generate additional economic activity directly beneficial to the State of Maine.

Investment in a low-income community business, in and of itself, represents an economic development effort. However, there is nothing in the program design that necessarily requires or rewards additional economic activity that will directly benefit the State of Maine.

OPEGA's research indicates that different types of businesses, projects and uses of the invested funds can be expected to produce different economic impacts based on a number of factors, including the degree to which:

- the investments resulted in new or retained direct employment;
- the businesses receiving the investments have local supply chains;
- the businesses receiving the investments export their products;
- the projects financed with the investments required construction or other temporary staff that was sourced locally;
- the projects financed with the investments required new equipment or other assets that were sourced locally; and
- the investments were used to pay off existing debt.

These factors also determine the degree to which a NMTC investment in one business may have more, or less, of an adverse impact on competitors.

The equity investors in all of Maine's NMTC deals were large, national firms that specialize in tax credits, including NMTC programs. They had no preexisting relationships with the QALICBs and, absent the Maine program, it seems unlikely they would have pursued investments in any of the individual Maine QALICBs as:

- they are unlikely to have been aware of those Maine businesses as possible investments; and
- investments directly in the individual businesses would have carried a high degree of risk if not for the guarantee of a return in the form of tax credits.

Desired Behavior: Businesses Undertaking Major Projects

While it is difficult to say with certainty, in OPEGA's professional judgement, the majority of the 10 projects funded would not have gone forward in their current form without the Maine NMTC investments.

The federal NMTC program encourages CDEs to invest in projects that would not occur "but for" the program and many CDEs now use "but for" letters when using their federal allocations for investments in businesses. Nonetheless, the federal Government Accountability Office noted in a 2010 report that it could not determine whether the incentivized investments would have occurred absent the federal NMTC program.

We note that there is no "but for" requirement, or other stipulation, in statute that requires a business to show a certain level of need to qualify for the Maine NMTC Program. While a "but for" letter provides questionable assurance that a project would not have gone forward without the incentivized investment, the Legislature could consider adding some stipulation or criteria if additional allocations are made to this program in the future. This is discussed further in Recommendation 1.

While it is difficult to say with certainty, in OPEGA's professional judgement, the majority of the 10 Maine projects funded would likely not have gone forward in their current form without the Maine NMTC investment. Even in most cases where the leverage lender was a more local financial institution or a party related to the QALICB, the equity investor's contributions were a key factor in reducing the leverage lender's risk and improving the loan terms for the business to make the project viable.

OPEGA's assessment of whether the funded projects were dependent on NMTC investment is largely based on how readily the QALICB could access other investment. From interviews with CDEs and QALICBs, and independent research, OPEGA is fairly confident that most QALICBs would have been unable to secure investment at a reasonable cost and the projects would not have gone forward if it were not for the Maine NMTC investment. In a few cases, it appears the business had other reasonable financing options such that some variation of the project would likely have gone forward at some point, although perhaps not with terms that were quite as favorable for the QALICB.

Similar Tax Credits Offered by Other States

Some CDEs have said they would likely continue to use their federal allocations in Maine in the future even if additional allocations are not available from the State program because they have already invested the resources in getting established and

Assessing Cost-Effectiveness

> OPEGA analyzed cost-effectiveness from the perspective of overall impact to Maine GSP and three key factors that drive that impact.

The level of investments made in businesses and how those funds are used generally drive the outcomes achieved. These are, therefore, key factors in assessing the cost-effectiveness of the Maine NMTC Program. Investments associated with both the State and federal NMTC programs are often made through complex financing structures that can reduce transparency, increase the business's cost and effort to participate, and decrease the amount of investment that a business actually has available for use. Figure 5 illustrates how this complexity has affected the amount of total QEI in Maine's 10 projects that was spent in ways that impacted the Maine economy. Consequently, although the Maine NMTC Program has generated positive outcomes, it may not be accomplishing those ends cost-effectively.

OPEGA analyzed cost-effectiveness for the Maine NMTC Program from the perspective of overall impact to Maine's GSP and three key factors that drove the impact:

- the amount of Maine NMTC-related investment available for businesses to spend on their projects;
- the amount of investment spent in ways that would most directly impact the Maine economy; and
- the number of direct permanent jobs created or retained as a result of the projects.

We calculated several cost-effectiveness measures on a per dollar of tax credit basis. Our results reflect the portfolio of 10 projects for which the State had committed $75.8 million in State tax credits as of August 2016. A portfolio of projects stemming from additonal State allocations to this program could have very different results.

> **Cost-Effectiveness Measures Calculated by OPEGA**
>
> **$21.67 – Dollars of GSP generated per dollar of tax credit**
>
> **$1.67 – Dollars available for business spending per dollar of tax credit**
>
> **$1.19 - Dollars of business in-state spending per dollar of tax credit**
>
> **$99,179 – One-time cost per direct permanent job still existing in 2016 and expected to persist**

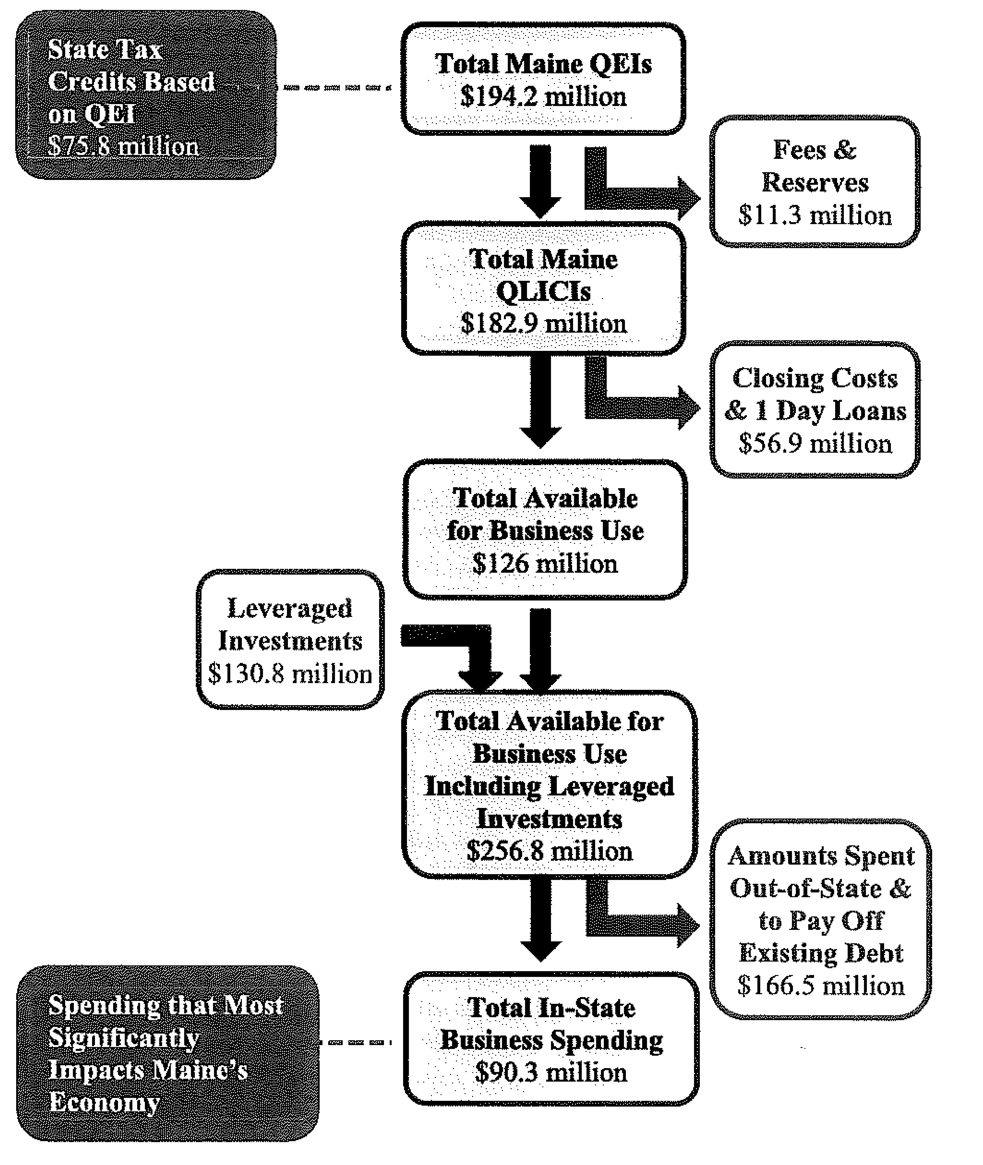
> Our analysis suggests opportunities exist to improve the cost-effectiveness of this program by further targeting investments in ways that are likely to have greater impact on the Maine economy.

Our analysis suggests opportunities may exist to improve the cost-effectiveness of this program by further targeting investments in ways that are likely to have greater economic impact. These considerations are discussed in Recommendation 1.

Impact to Maine's Gross State Product

As described on page 40, economic impact modeling indicates Maine NMTC investments generated average annual additional Gross State Product of $173 million between 2013 and 2016. Under the assumptions used to model future impact, an average additional $189.9 million in GSP is estimated for each of the years 2017 – 2021. Overall, the estimated total additional GSP over the period 2012 – 2021 is $1.64 billion which equates to $21.67 in GSP generated per dollar of tax credit. Assumptions and limitations relevant to the modeling and OPEGA's estimate of GSP generated are discussed on page 10.

Figure 5. Flow of Funds from QEI to Spending on In-State Goods & Services



Note: Amounts are from OPEGA analysis of the 10 Maine NMTC projects funded as of 2016.

Jobs Created or Retained

The number of direct permanent jobs created and retained by the 10 projects receiving investments also generated economic activity that impacted the GSP. Direct permanent jobs drive creation and retention of indirect permanent jobs, as well as temporarily support other jobs like construction and professional services.

A customary measure of cost-effectiveness for business incentive programs is cost per direct permanent job. As discussed on page 37, OPEGA estimates that, as of August 2016, Maine NMTC investments have been responsible for creating or retaining 764 direct permanent jobs existing in 2016 that are expected to persist. The **one-time cost** per job is $99,179.

services specified in regulations to any business located in, or residents of, low-income communities; or any equity investment in, or loan to, any other CDE.

6. Definition of Low-Income Community – Maine's statutory definition of a low-income community references and aligns with the federal definition. However, it also includes language that allows one further way that a community can qualify in Maine even if it does not meet the federal definition. Under Maine's definition, a municipality can also be considered low-income if it has an average unemployment rate higher than the State average based on Maine Department of Labor statistics for the year prior to the initial investment.

7. Restrictions on "One-Day Loans" – Federal and State rules have recently been updated to disallow certain uses of invested funds historically associated with controversial "one-day loans." Maine specifies that no more than 5% of the QLICI be used to pay transaction fees or other prohibited uses. Maine's new rule is currently more restrictive than the federal rule. The federal rule allows a 24-month "look-back" period such that the limit on some of the specified uses does not apply if those costs were incurred in the two years prior to the investment date. Maine's rule has no look back period but rather limits investments to any costs from the investment date forward.

The structural similarities between the State and federal programs have the effect of keeping the cost to administer Maine's NMTC Program very low and making the program very readily accessible for CDEs already involved in the federal NMTC program. To be eligible for Maine's program, CDEs need only certify that they are registered as a CDE with the administrator of the federal program and that they are not subject to any federal recapture efforts. Another effect of the similarity between the two programs is that projects qualifying for State NMTC investments are likely to qualify for federal NMTC investments as well.

Maine's program overall seems intended to be complementary rather than duplicative of the federal program. However, other than CDEs using both programs to construct NMTC deals, the State and federal programs essentially run parallel to each other and are not coordinated from an administrative standpoint. FAME has no direct contact with the federal government with respect to the NMTC program and MRS has little to none.

Other State Programs

OPEGA did not perform a comprehensive assessment to identify other specific Maine programs with purposes and goals similar to the Maine NMTC Program. We observe that State programs we are aware of, that are focused on improving the economy, tend to have the same broadly stated intents and purposes as the Maine NMTC, i.e. to encourage investment, preserve jobs and encourage economic development, particularly in economically distressed areas of the State. Consequently, there are likely quite a few State programs that would be considered to have similar intents.

Recommendations

1

Opportunities to Improve Program Design and Cost-Effectiveness Should be Considered if Legislature Authorizes Additional Allocations

The outcomes achieved by Maine's NMTC Program are directly related to the level of investments made and how those dollars are used. OPEGA observed several areas that could be addressed to help ensure incentivized investments are used in ways that most directly drive toward desired outcomes or that might reduce the State's cost for the program.

Allocations to CDEs. Under current FAME rules, FAME awards allocations on a first-come, first-served basis with all applications received on the same day being treated as having been received simultaneously. As a result, twelve CDEs each received about $4.6 million of the $55.7 million FAME re-allocated in February 2016. OPEGA noted that, while this approach is administratively efficient, allocating small amounts to a large number of CDEs can be problematic because each CDE's allocation ends up being too small to be effectively used on its own. CDEs will likely have to work together and/or combine State allocations with their federal allocations. More participants in a deal typically increase the cost such that less of the investment is actually available for business use on the project. OPEGA also observes that this approach does not take into consideration past CDE performance or types of projects a CDE typically invests in, such that FAME might allocate more to CDEs that are likely to produce greater benefits for the State of Maine. The federal allocation process does consider these factors when awarding federal allocations and may have scoring or ranking results that could be shared with FAME if something other than a first-come, first-served approach is desired.

Desired Investments. The terms "major" and "new" are both used in different sections of statute[13] to describe the desired investments, but neither term is defined in statute. As a result, there is a lack of clarity about the types of investments the State seeks to encourage, making it difficult to assess whether the program is meeting its intent in this regard. Several program design elements allow investments to be "major" in the sense of investing high dollar amounts. However, "major" could also mean of greater importance or effect and there are no provisions in statute that seem to prefer types of investments that might be associated with this meaning. Similarly, "new" could be defined as investments that are new to the State, or new to economically distressed areas, in which case any design elements supporting investments that would not otherwise have occurred encourages "new" investment. On the other hand, if "new" is defined as a new investment or project within the business, there was nothing in the program design to encourage "new" investment prior to FAME's recent rule change that is further discussed in Recommendation 2.

[13] "Major" is used to describe the desired investments in 10 MRSA § 1100-Z.1 and "new" is used in 10 MRSA § 1100-Z.2.

Since the program's total legislative allocation of $250 million did not change, these amendments potentially reduced the number of businesses that could receive certified investments in the lifetime of the program. It also shifted the program toward benefitting larger businesses more likely to be undertaking projects warranting the larger investments. OPEGA noted that none of the businesses with current certified Maine NMTC investments have had more than one project funded via the program.

"But for". Although legislators often express interest in ensuring that public funds are not used to support business initiatives that would have occurred anyway, there is no stipulation in statute that only projects with a certain level of need can qualify for the Maine NMTC program. OPEGA observed that all 10 businesses receiving investments as of August 2016 were appropriate beneficiaries under the current program parameters, but they did have varying degrees of financial need in terms of whether they had access to other reasonable financing options for their projects. In some cases, the business had no other financing options available. In other cases, the business primarily benefitted from the lower cost of capital available through the program which may have allowed them to expedite or expand their projects. Adding a "but for" requirement to this program could limit the pool of potential eligible projects and some CDEs expressed that they had already had difficulties finding good projects to invest in. Nonetheless, one CDE described considering the business's level of need in choosing projects and may have an internal criteria the State could apply if a "but for" stipulation is desired.

Level of State Support. OPEGA observed that there may be opportunity to reduce the State's cost of the program, or the timing of the program's fiscal impact, by adjusting the level and structure of tax credit offered. We noted the following :

- Maine is one of 15 states with an active state level NMTC program. We noted that the tax credit percentages offered varied among the states, as did the schedule on which the credits could be claimed. One state offered something less than a 39% credit but allowed all credits to be claimed within three years. Table 11 on page 42 has specifics on the state comparisons.

- Maine is the only state offering a refundable credit. The refundable credit is likely of more value to investors who have little or no Maine tax liability. OPEGA has been told that investors are willing to invest more per dollar of Maine tax credits than for credits in other states. However, because they are refundable, claimed credits are more likely to be a direct payout of State General Fund than an offset against State tax revenue that would otherwise have been received.

- CDEs who had previously not invested in Maine indicated that they now have good networks established for identifying potential Maine projects to invest in. This increases the likelihood they would use their federal NMTC allocations here even if there were no State tax credits involved. In our research of other states, we found that Missouri had discontinued its program in 2013. Alaska offers an alternative program that seeks to incent leverage lenders to participate in federal NMTC deals by lowering their financial risk.

to artificially inflate the Qualifying Equity Investments on which the tax credits are based. However, we agree that it can take quite a period of time for Maine NMTC deals to get put together and there will likely be situations where businesses need to get projects started, and incur expenses, before the deals are actually closed.

Recommended Management Action:

We recommend that the FAME Board consider amending its rule to mirror the federal program guidance that allows investment proceeds to be used for reimbursements of legitimate project expenses incurred within a set timeframe prior to the NMTC investment.

Recommended Legislative Action:

If the Legislature considers FAME's new rule, as existing or amended, to be beneficial for the program, then OPEGA recommends that it be incorporated into statute. Establishing it in statute would serve to guard against claims that the rule is over-reaching statute and legislative intent. Such claims have been made in the past on other FAME rules and resulted in subsequent rule changes.

3

Guidance Should be Established for Potential Situations Where Annual Aggregate Claims Exceed $20 Million

> **5 MRSA § 1100-Z(4) provides:**
>
> **4. Limit on amount of tax credits authorized.** The maximum aggregate amount of qualified equity investments for which the authority may issue tax credit authority under this section is $250,000,000; a tax credit claim may not exceed $20,000,000 in any one state fiscal year over the 7 years of the tax credit allowance dates as described in Title 36, section 5219-HH, subsection 1, paragraph A.

OPEGA interprets statute as limiting the aggregate tax credits that can be claimed in any one year to $20 million. However, carry forward provisions in statute, or delays in taxpayer filings, could technically result in more than $20 million in credits being claimed in any one year. There is no guidance in statute or rule as to what actions MRS should take in the event that more than $20 million in credits is claimed in one fiscal year.

FAME notes that the maximum credit investors could collectively claim in any year is 8% of the total $250 million in allocations authorized for the program. This would equate to a maximum credit of $20 million, but it does not take into consideration the possibility of carryovers, or extensions or delays in taxpayer filings. MRS notes that depending on context, the term "claimed" could mean the filing of a claim, the allowance of a claim, or the payment of a claim.

The probability of exceeding $20 million in credits in any fiscal year seems low since the credits are refundable and are not likely to be carried over. Nonetheless, if the $20 million is intended to be a cap on the total credits claimed each year, OPEGA believes it would be prudent to have a formalized plan for such an eventuality so there is sufficient authority and transparency for any adjustments to taxpayer claims that would need to be made.

Recommended Legislative Action:

The Legislature should consider amending statute to require CDEs and/or businesses to report the data needed for program evaluation to FAME via whatever means FAME prescribes.

Acknowledgements

OPEGA would like to thank the staff of FAME, DECD and MRS for their cooperation throughout this review. We also appreciate the information provided by the CDEs and QALICBs involved in Maine New Markets investments.

We would like to thank the Attorney General's Office for their research and guidance regarding access to confidential taxpayer information.

Lastly, we appreciate the expertise of the consultants at Economic Development Research Group who supported OPEGA in the economic modeling work for this review.

Agency Response

In accordance with 3 MRSA § 996, OPEGA provided FAME and MRS an opportunity to submit additional comments after reviewing the report draft. FAME provided a response letter that can be found at the end of this report.

Appendix B. Summaries of Projects Funded with Maine NMTC Investments as of August 2016

The following one-page summaries are intended to provide a brief overview of the projects funded with Maine NMTC investments as of August 2016. They are based on information OPEGA gathered from NMTC program documents, and interviews with CDEs and businesses that have participated in the program. The census tract data shown was obtained from the Community Development Financial Institutions Fund, the administrator for the federal NMTC program.

The job counts shown in these summaries include only the direct permanent jobs created or retained within the businesses that received the NMTC investments. Each project could also be expected to generate indirect permanent jobs, as well temporarily support other jobs. However, OPEGA modeled those jobs, and other economic impacts, at the portfolio level rather than the individual project level.

OPEGA provided the CDEs and businesses the opportunity to review and offer comments on these summaries which are presented, in alphabetical order, on the following pages:

Brunswick Landing

Brunswick, Maine

PROJECT AT A GLANCE

CDE	US Bank CDE (US BANCORP)	Qualified Low-Income Community Investment	$10.0M
Qualified Equity Investment	$10.2M	Investment Date	Mar 2014
State Tax Credit to Investors	$3.98M over 7 years	1-Day Loan / 1-Day Equity	$1.65M

Note: State tax credits are based on the "Qualified Equity Investment." However the business doesn't receive this amount. The business receives the QEI less allocation fees. This is shown above as the "Qualified Low-Income Community Investment". If there are 1-day loans involved in the NMTC deal these, and closing costs would further reduce the amount of the investment available for the business to use.

The Low Income Community: Census Tract #23005011100 – Brunswick

7.1% ⇨ poverty rate

6.3% ⇨ unemployment rate

73.6% ⇨ average family income as a percent of state median family income

Project Timeline	
Feb 2012	Allocation received by CDEs
Feb 2014	QEI made & tax credits authorized
Mar 2014	Investment received by Brunswick Landing
Sep 2014	Facilities in service

The Project – Redevelopment of Property on Former Brunswick Naval Air Station

- Investment supported the second phase of an ongoing redevelopment project on a portion of the former Brunswick Naval Air Station. The development project was completed in September 2014.
- The new facilities were intended to house Providence Service Corporation which provides services to autistic children, to provide space for the all-volunteer Midcoast Veterans Resource Center, and to add facilities for Coastal Orthopedics & Sports Medicine.
- The one-day loan was used to pay expenses incurred by the developer before the NMTC investment, leaving approximately $5.9M to pay off the property mortgage and $1.9M to pay for renovations.

Economic & Community Benefits

- Providence Services was able to consolidate 5 locations into one facility at half the market rate. The developer states that this cost savings helped the company to create 45 new jobs and may have allowed some of the original 160 jobs be retained.
- The developer reports that Coastal Orthopedics & Sports Medicine has added 36 people since the NMTC investment.
- Brunswick Landing is leasing space to the Midcoast Veterans Resource Center for $1/year. The Center has assisted over 1000 veterans as of summer 2016.
- P3 Park, on the property, is used by the veterans' group for events and the old chapel is now a naval museum.

Schedule of Maine NMTC Credits Expected to be Paid FY2014 – FY2021

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021
Credits Expected to be Paid	$0	$0	$0	$714K	$816K	$816K	$816K	$816K

Sources: NMTC program documents, CDFI Fund census tract data, and interviews with management of the CDE and of the business.

Great Northern Paper — East Millinocket, Maine

PROJECT AT A GLANCE

CDEs	(1) Stonehenge Community Development and (2) Enhanced Community Development	Qualified Low-Income Community Investment	$40M*
Qualified Equity Investment	$40.8M	Investment Date	Dec 2012
State Tax Credit to Investors	$15.9M over 7 years	1-Day Loan / 1-Day Equity	$27.9M

Note: State tax credits are based on the "Qualified Equity Investment." However the business doesn't receive this amount. The business receives the QEI less allocation fees. This is shown above as the "Qualified Low-Income Community Investment". If there are 1-day loans involved in the NMTC deal these, and closing costs would further reduce the amount of the investment available for the business to use.

The Low Income Community:
Census Tract #23019031000 – East Millinocket

13.0% ⇨ poverty rate

3.8% ⇨ unemployment rate

77.8% ⇨ average family income as a percent of state median family income

Project Timeline	
Feb 2012	Allocation received by CDEs
Oct & Dec 2012	QEI made & tax credits authorized
Dec 2012	Investment received by GNP
Jan 2014	Mill shutdown
Sep 2014	Filed for bankruptcy

The Project – Refinancing Debt to Keep the Mill Running

- The project was intended to repay high interest debt to provide working capital for operations and to allow the mill to avoid foreclosure.
- After one-day loans, fees, and transaction costs, approximately $10.5M was available to pay off high-interest debt.
- The mill continued operations for 14 months after the investment, but management states that extremely high energy costs in the winter of 2013/2014 could not be overcome despite the New Markets investment. The mill was shut down in early 2014 and filed for bankruptcy in September of that year.
- For more detailed information on this project, see the case study in Appendix C.

Economic & Community Benefits

- The mill was able to continue operations, locally purchasing many raw materials and services for 14 months after investment.
- For 14 months after the investment, GNP continued to employ 257 individuals at the facility.
- According to management, the 14 month period provided a bridge to retirement for many mill employees. The average age of the workforce was over 60 years.

Schedule of Maine NMTC Credits Expected to be Paid FY2014 – FY2021

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021
Credits Expected to be Paid	$0	$2.858M	$3.267M	$3.267M	$3.267M	$3.267M	$0	$0

Sources: NMTC program documents, CDFI Fund census tract data, and interviews with management of the CDE and of the business.

***Under statute, projects may receive more than $10M if they are expected to create or retain more than 200 direct and indirect jobs. While OPEGA modeled indirect jobs on a portfolio basis and includes those aggregate figures elsewhere in this report, we did not model impacts for individual projects. As a result, this summary accounts only for direct employment reported by the CDEs and/or businesses.**

Molnlycke — Brunswick, Maine

PROJECT AT A GLANCE

CDE	CEI Capital Management LLC (CCML)	Qualified Low-Income Community Investment	$9.7M
Qualified Equity Investment	$10.0M	Investment Date	Nov 2013
State Tax Credit to Investors	$3.9M over 7 years	1-Day Loan / 1-Day Equity	$0

Note: State tax credits are based on the "Qualified Equity Investment." However the business doesn't receive this amount. The business receives the QEI less allocation fees. This is shown above as the "Qualified Low-Income Community Investment". If there are 1-day loans involved in the NMTC deal these, and closing costs would further reduce the amount of the investment available for the business to use.

The Low Income Community:
Census Tract #23005011100 – Brunswick

7.1% ⇨ poverty rate

6.3% ⇨ unemployment rate

73.6% ⇨ average family income as a percent of state median family income

Project Timeline	
Feb 2012	Allocation received by CDEs
Nov 2013	QEI made & tax credits authorized
Nov 2013	Investment received by Molnlycke
2013 – early 2014	Hiring, training & start-up

The Project – Develop a Wound Care Products Manufacturing Facility

- The project involved development of a wound care products manufacturing facility in Brunswick, similar to the plant Molnlycke has in Finland.
- The new facility provides a local, stable market for much of the output of Molnlycke's sister-plant in Wiscasset.
- The New Markets investment allowed the business to install equipment in the new plant that was more automated and state of the art and should both improve quality and reduce operating costs long-term.
- The Brunswick plant was completed in 2013 and began operations in early 2014.

Economic & Community Benefits

- By the end of 2015, Molnlycke – Brunswick employed 66 full-time employees with average annual wages and benefits of almost $65,000 per employee.
- Due to integration between the new, Brunswick plant and the pre-existing Wiscasset facility owned by Molnlycke, management suggests the 79 jobs at the Wiscasset plant are likely more secure.
- Molnlycke is delivering wound-care seminars to local hospitals and clinics.
- Molnlycke has partnered with Southern Maine Community College for workforce training.

Schedule of Maine NMTC Credits Expected to be Paid FY2014 – FY2021

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021
Credits Expected to be Paid	$0	$0	$700K	$800K	$800K	$800K	$800K	$0

Sources: NMTC program documents, CDFI Fund census tract data, and interviews with management of the CDE and of the business.

Putney, Inc. — Portland, Maine

PROJECT AT A GLANCE

CDE	Advantage Capital Partners	Qualified Low-Income Community Investment	$10.00M
Qualified Equity Investment	$11.76M	Investment Date	Jul 2013 & Jun 2014
State Tax Credit to Investors	$4.59M over 7 years	1-Day Loan / 1-Day Equity	$0

Note: State tax credits are based on the "Qualified Equity Investment." However the business doesn't receive this amount. The business receives the QEI less allocation fees. This is shown above as the "Qualified Low-Income Community Investment". If there are 1-day loans involved in the Maine NMTC deal these, and closing costs would further reduce the amount of the investment available for the business to use.

The Project – Developing Generic Pet Medications

The Low Income Community: Census Tract #23005000300 - Portland

- 30.4% ⇨ poverty rate
- 10.2% ⇨ unemployment rate
- 49.8% ⇨ average family income as a percent of state median family income

- The Maine NMTC investment was used to fund R&D and pay salaries of scientists who managed the contracted development and manufacturing processes at laboratories and plants primarily outside of Maine.
- The business was sold in April of 2016, and the new owner was reported to have laid-off 15 of 62 employees. Since the investment was paid off prior to the 7 year New Markets compliance period, the original QEI has been redeployed by the CDE to investment in another qualified Maine business.

Economic & Community Benefits

Project Timeline	
Feb 2012	Allocation received by CDEs
Sep 2012, Jul 2013 & Dec 2013	QEI made & tax credits authorized
Jul 2013	First investment received by Putney
Jun 2014	Second investment
April 2016	Company sold to Dechra

- The CDE associated with this investment stated in their annual report to FAME that 15 jobs were created following the initial Maine NMTC investment.
- The jobs created by Putney were reported by the former management to be highly compensated professional and scientific jobs with an average annual salary of $90,000 per employee.

Schedule of Maine NMTC Credits Expected to be Paid FY2014 – FY2021

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021
Credits Expected to be Paid	$0	$700K	$924K	$941K	$941K	$941K	$141K	$0

Sources: Maine NMTC program documents, CDFI Fund census tract data, and interviews with management of the CDE and of the business.

St. Croix Tissue — Baileyville, Maine

PROJECT AT A GLANCE

CDEs	(3) CEI Capital Management LLC (CCML) (4) Enhanced Community Development (5) US Bank CDE (US BANCORP)	Qualified Low-Income Community Investment	$39.1M*
Qualified Equity Investment	$41.0M	Investment Date	Dec 2013
State Tax Credit to Investors	$16.0M over 7 years	1-Day Loan / 1-Day Equity	$0

Note: State tax credits are based on the "Qualified Equity Investment." However the business doesn't receive this amount. The business receives the QEI less allocation fees. This is shown above as the "Qualified Low-Income Community Investment". If there are 1-day loans involved in the NMTC deal these, and closing costs would further reduce the amount of the investment available for the business to use.

The Low Income Community: Census Tract #23029955400 – Baileyville

9.2% ⇨ poverty rate

12.2% ⇨ unemployment rate

98.8% ⇨ average family income as a percent of state median family income

Project Timeline	
Feb 2012	Allocation received by CDEs
Dec 2013	QEI made & tax credits authorized
Dec 2013	Investment received by St. Croix
Mid-year 2016	Both machines operating

The Project – Installation of Tissue Production Machines

- The project involved installation of two new tissue production machines co-located with the Woodland Pulp pulpmill, diversifying the product mix of the combined facility.
- While the particular location is not normally a qualified census tract for federal New Markets projects, Maine statute also qualifies municipalities with an unemployment rate greater than the state average for use of state allocation. Baileyville meets this criterion. Further, the site becomes eligible for using federal New Markets allocation due to serving a "targeted population". This part of federal code requires that more than 40% of new hires will be low-income persons. St. Croix and the CDEs agreed to a stricter requirement of 60% low-income hires.
- Both new machines began operating by the summer of 2016.

Economic & Community Benefits

- Along with 78 jobs associated with the tissue machines, management states that the product diversification allowed by the new machinery also supported the retention of over 300 jobs at Woodland Pulp.
- St. Croix / Woodland contributed $500,000 to a workforce development program in the local community.
- According to management and the CDE, at least 60% of new hires have qualified as low-income at the time they were hired.

Schedule of Maine NMTC Credits Expected to be Paid FY2014 – FY2021

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021
Credits Expected to be Paid	$0	$0	$2.870M	$3.280M	$3.280M	$3.280M	$3.280M	$0

Sources: NMTC program documents, CDFI Fund census tract data, and interviews with management of the CDEs and of the business.

***Under statute, projects may receive more than $10M if they are expected to create or retain more than 200 direct and indirect jobs. While OPEGA modeled indirect jobs on a portfolio basis and includes those aggregate figures elsewhere in this report, we did not model impacts for individual projects. As a result, this summary accounts only for direct employment reported by the CDEs and/or businesses.**

GNP had a strategy to make the mill a breakeven proposition and perhaps earn a small profit, though they never expected it to be much more than that. The strategy involved moving the mill away from making paper for telephone books and toward producing high quality newsprint, expanding into foreign markets, and reducing energy and operational costs. At the time, there was a capacity shortage for newsprint in the European Market. GNP worked with another company with expertise in sourcing and marketing forest products worldwide who had the idea, resources and, GNP thought, the reach to tap into the European market.

On the cost side, however; fuel oil was unexpectedly reaching prices in excess of $100 a barrel, so GNP made investments to convert one of the power boilers to compressed natural gas (CNG). This CNG investment was financed by a separate $1.4 million loan from Xpress Natural Gas. Lastly, GNP intended to start up both paper machines at the mill since, with fixed costs about as low as they could make them, profitability was thought to be through more volume.

By the end of 2011, GNP knew there was a problem. Exchanges rates became less favorable and GNP's marketing company was unable to deliver on penetrating the European market. GNP switched to what they called a Northeastern sales strategy, promoting its quality newsprint which includes groundwood that has good four color reproduction.

The officials OPEGA interviewed said that GNP had a difficult startup of the paper machines that had been shut down. The previous owner had deferred much maintenance and spare parts had not been replenished so the facility had a working capital deficit which cost more time and money to overcome. GNP also found that it could not run both paper machines in the winter because it could not produce enough steam without running high-cost oil boilers. CSC representatives explained they also started with an empty wood yard and many of the former GNP employees had already found new jobs, so bringing back a quality workforce was more difficult and more expensive than originally expected.

By the end of 2012, GNP was not meeting its debt covenants on the White Oaks loan, and White Oaks was ready to foreclose. GNP felt their strategy would work if they had enough time. They looked to the State of Maine's newly established NMTC program to unlock the value in the GNP assets and pay off the White Oaks debt. Because this was a distressed industry in an economically distressed community, other financing options were very limited. NMTC financing would, in effect, refinance the facility by converting the short-term high interest White Oaks debt to a larger amount of longer-term, low-interest debt with a "put option" at the end of seven years.

The NMTC transaction closed in December 2012 and White Oaks was paid off. GNP, with CSC, also hired a new president who had successfully aided three previous turnarounds in the paper industry. According to a Certified Public Accountant's report commissioned by CSC (CPA Report), several key employees of GNP were also employees of CSC.

Although individual salaries of CSC employees totaling $325,000 per year were paid by GNP, CSC did not fully collect management fees from GNP. Under White Oaks covenants, half of the management fees due to CSC from GNP were deferred while the White Oaks debt was outstanding. Only some of the monthly payments, totaling $666,667, had been made since 2011. According to the CPA report, after the NMTC transaction closed, CSC continued to defer all management fees which ultimately reached a total of $2.3 million.

GNP received $40 million in low-interest loans from the $40.834 million QEI with each of the two Community Development Entities (CDE) providing $20 million. The owners of GNP (CSC Group Holdings, LLC and the 27 other members in Great Northern Ventures, LLC) contributed another $879,000 of equity. However, a portion of the funds invested in GNP was immediately repaid, with interest, to the "one-day loan" providers. This $28.1 million in "one-day loans" effectively served to achieve the rate of return the equity investors required to make the investment and be paid back over seven years. According to CSC, the "one-day loan" mechanism was an essential feature to allow an asset-rich, cash-poor business like GNP to access necessary capital. The breakdown of how GNP used the $40.8 million it received is shown in Table 12.

Table 12. Great Northern Paper Use of NMTC Investments	**Amount**
Pay back one-day equity investment from US BANCORP with interest	$12.2 million
Pay back one- day loan from ODFC, LLC with interest	$15.9 million
Pay state and federal allocation fees charged by CDEs	$1.0 million
Pay closing costs to various parties for legal, accounting & other services	$1.2 million
Pay off White Oaks high interest debt	$10.5 million
TOTAL	**$40.8 million**
Sources: OPEGA interpretation of Pierce Atwood's 12/27/2012 memo titled: "Great Northern Paper Project – Opinion on Certain Tax Issues" and Dawson Smith Purvis & Bassett – Certified Public Accountants and Business Advisors – memo dated 02/08/2016. Provided to OPEGA by Cate Street Capital, Inc. 08/25/2016	

Although the deal reduced interest payments for GNP, which improved cash flow and potentially freed up funds for other uses, it provided no immediate funds for further investment in the mill. This aspect, along with the "one-day loan" transactions, concerned FAME staff. FAME staff's opinion was that refinancing previously expended funds is not the same as expending the proceeds for new purposes. There was concern that the State's investment would not be used to promote new investment in the low-income community. FAME asked for, and received, data from GNP demonstrating that GNP and its principals had actually expended approximately $32.9 million, including $10.5 million to be refinanced, on the mill. FAME also ultimately included an indemnity agreement with its certification of the QEI to ensure that, at least, the company's 2013 capital budget of approximately $9 million would actually be invested in the mill over the subsequent nine months. According to FAME, GNP satisfied this additional requirement.

Figure 6 illustrates, in simplified terms, the general flow of funds in the GNP NMTC deal. Equity investors provided almost $13 million in 2012 and will receive almost $16 million from the State to be paid over the subsequent seven years. The one-day loan / one-day equity providers invested $27.9 million and received almost $28.1 million in immediate repayment of principal and interest. The CDEs received $1.8 million in fees for the use of their New Market Tax Credit allocation as well as to act as a broker between the investors and GNP. Lawyers, accountants and other providers of services associated with closing a transaction of this size and complexity were paid $1.2 million. The remaining $10.5 million was primarily used to pay off GNP's debt to White Oaks.

The QLICI

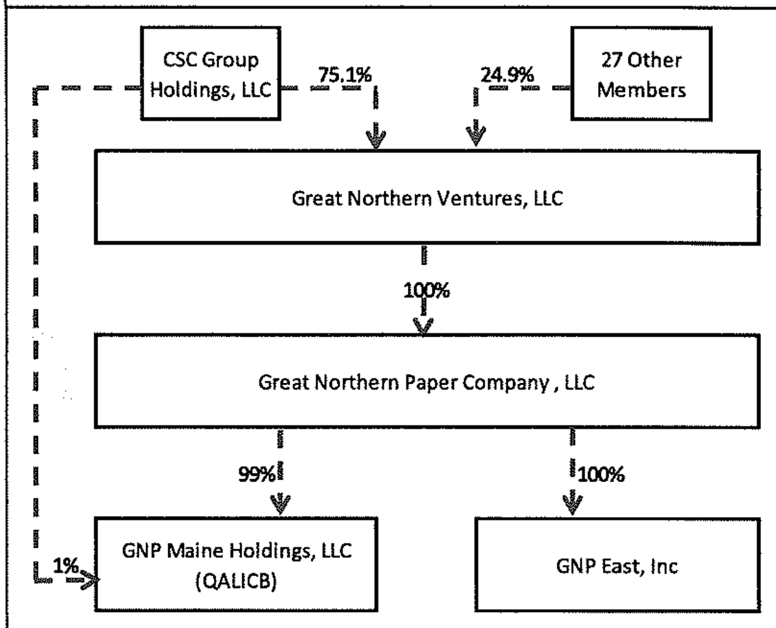
One of the CDEs retained its allocation fee of $0.834 million prior to investing in the GNP QALICB while the other CDE received its allocation fees subsequent to the investment. Combined, the CDEs invested the maximum allowed QLICI of $40 million into the QALICB. Another $0.879 million in owner equity was added to this investment which provided GNP $40.879 million in funds.

NMTC transactions require particular arrangements of legal entities in order to comply with federal tax code. In some cases, these arrangements are necessary to allow the return of "one-day loans" while ensuring that 85% of the value of the QEI remains in the QALICB as required by federal code and State statute. The ownership diagram of GNP is shown in Figure 7. The applicable portion of this diagram is the legal separation of GNP East, Inc. from the newly created QALICB, GNP Maine Holdings, LLC.

The $40 million QLICI, supplemented by $879,000 in owner equity, was invested in the QALICB, GNP Maine Holdings, LLC. The QALICB spent those funds as follows:

- purchase of paper machines and ancillary machinery owned by GNP East, Inc for $28.5 million; the purchase price was based on an appraisal;
- payment of a $0.6 million State NMTC allocation fee to the CDE which had not already collected its allocation fee;
- payment of $1.240 million in closing costs to various parties for transaction closing services;
- payment of approximately $43,000 in accrued interest back through the CDEs to the investors; and
- payment of $10.475 million in high interest debt to White Oaks.

Figure 7. GNP Ownership Diagram



Source: OPEGA interpretation of Pierce Atwood's 12/27/2012 memo titled: "Great Northern Paper Project - Opinion on Certain Tax Issues"

Given that GNP Maine Holdings, LLC now owned GNP East's assets, the value of those assets remained in the QALICB satisfying the requirement for 85% of the QEI to remain in the QALICB. GNP East then used its $28.5 million proceeds as follows:

- payment of a $0.4 million federal allocation fee to one of the CDEs;
- payment of $12.183 million in one-day loans and bridge fees to one of the lenders; and
- payment of $15.883 million in one-day loans and bridge fees to the other lender.

The ultimate business use of these investments was to refinance the White Oaks debt which was due for repayment in 2014. The investment allowed GNP to trade $10.5 million of high interest, short term debt for $40 million of low interest, longer term debt. This deal freed up $0.74 million of working capital, but declining paper markets, combined with high energy costs, led GNP to file for bankruptcy in October 2014.

Appendix D. GOC-Approved Evaluation Parameters

Parameters for OPEGA's Full Evaluation of the New Markets Capital Investment Program as approved by the Government Oversight Committee 1-22-16

Enacted	Statute(s)	Type	Category	Est. Revenue Loss
2011	36 MRSA §5219-HH 10 MRSA §1100-Z	Income Credit	Business Incentive, Financial Investment	FY16 $9,205,000 FY17 $13,509,000

Source for Estimated Revenue Loss: Maine State Tax Expenditure Report 2016 – 2017

Program Description

Maine's New Markets Capital Investment Program is a state program modeled after the federal New Markets Tax Credit program. It provides a 39% credit for investors with qualified equity investments in low-income community businesses made via a qualified community development entity (CDE). To be considered qualified, a CDE must meet a number of requirements including:

- being certified by the US Treasury, and
- having an existing allocation agreement under the federal New Markets program.

The credit may be taken over seven years, with 0% allowed in the first two years, 7% in year three and 8% in each of the remaining years. The credit is fully refundable or may be carried forward for up to 20 years. This means credits may be paid out in full if the investor owes no taxes in the state. Credits may also be subject to recapture by the State Tax Assessor pursuant to 36 MRSA §5219-HH.7. Total authorized credits under this program may not exceed $20,000,000 per year. As of the writing of this document, all funds available under this program had been allocated.

There is a two step application process for the New Markets program. First the Finance Authority of Maine (FAME) reviews each CDE's application for an allocation. If approved, an allocation reserves tax credits to be claimed against future qualified investments and is valid for to up to two years.

The second step occurs once the CDE has a pool of funding (from private investors or issuance of long term debt) ready to invest in a qualified low-income community business. At that point the CDE must file a certification application with FAME providing details of the proposed investment such as:

- a description of the qualified low-income community business proposed to receive the investment proceeds; and
- how the qualified business intends to use the investment proceeds.

FAME reviews the proposed investment to determine whether it can be approved as a qualified equity investment under program rules. Upon approval, FAME notifies Maine Revenue Service of the investors (individuals or businesses) deemed eligible for the credit and how much each is entitled to. The investors later claim their credit by filing with Maine Revenue Services.

The New Markets program requires all CDEs that have been approved for allocations and all those that have received certifications to file annual reports with FAME. Statute also required FAME to report to the Taxation Committee and Appropriations Committee on the New Markets program, including the amount of private investment received and number of jobs created or retained, by January 31, 2015. No further reports from FAME are required under statute.

OPEGA will perform additional work as necessary, and as possible within existing resources, to provide context for OPEGA's assessment of this program in Maine, including review of literature or reports concerning these programs nationally or in other states.

(4) Performance Measures

Measures will be calculated to the degree possible based on the level of resources required and the availability of necessary data.

A	# Total businesses receiving qualified investments under the program
B	# Economically distressed communities where businesses received qualified investment under the program
C	$ Value of tax credits to investors ($ value paid in past years and expected in coming years)
D	$ Value of credits available compared to credits taken
E	Total direct program cost (credits plus administrative costs)
F	Net impact on State budget (using economic modeling, as possible and appropriate, to include capture of indirect benefits and costs)
G	Total qualified investment received by businesses
H	$ Value of average qualified investment received per business (also min and max)
I	Average value of tax credits per investor (also min and max)
J	$ Value of tax credits received by investors per $ of qualified investment
K	Leveraging Ratio, for example [$ of qualified investment]\[Net impact on State budget]
L	Indicators of economic growth in economically distressed areas with businesses that received qualified investments under the program (such as change in # qualifying businesses, # jobs, per capita income, or unemployment rate – using economic modeling, as possible and appropriate, to include capture of indirect benefits and costs)
M	Participation Rate (% of economically distressed communities in the State that have benefitted from the program)

Performance measures would typically be calculated by year to allow for analysis of percentage changes year over year, trends, etc. Further calculations and breakouts would be considered as appropriate. For example:

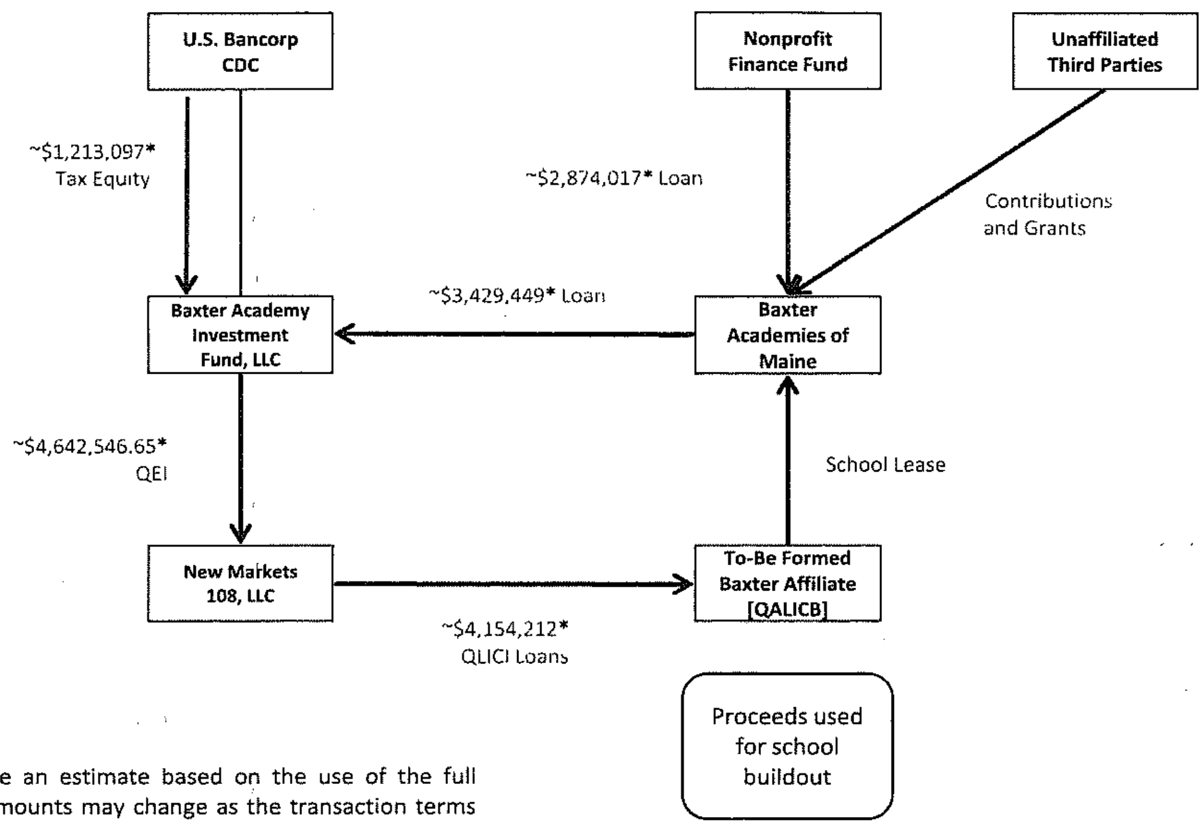
- per beneficiary,
- per geographic region,
- comparison to industry or geographic trends,
- comparison to time period preceding program implementation or receipt of program benefits,
- by new vs. continuing beneficiary,
- by taxpayers' state of residence,
- by reduction of tax liability vs refunded credit,
- by type of qualifying business,
- by taxpayer type, or
- by relevant indicator of community economic distress level, i.e. per capita income, unemployment rate, etc.

Appendix C

PIERCE ATWOOD LLP

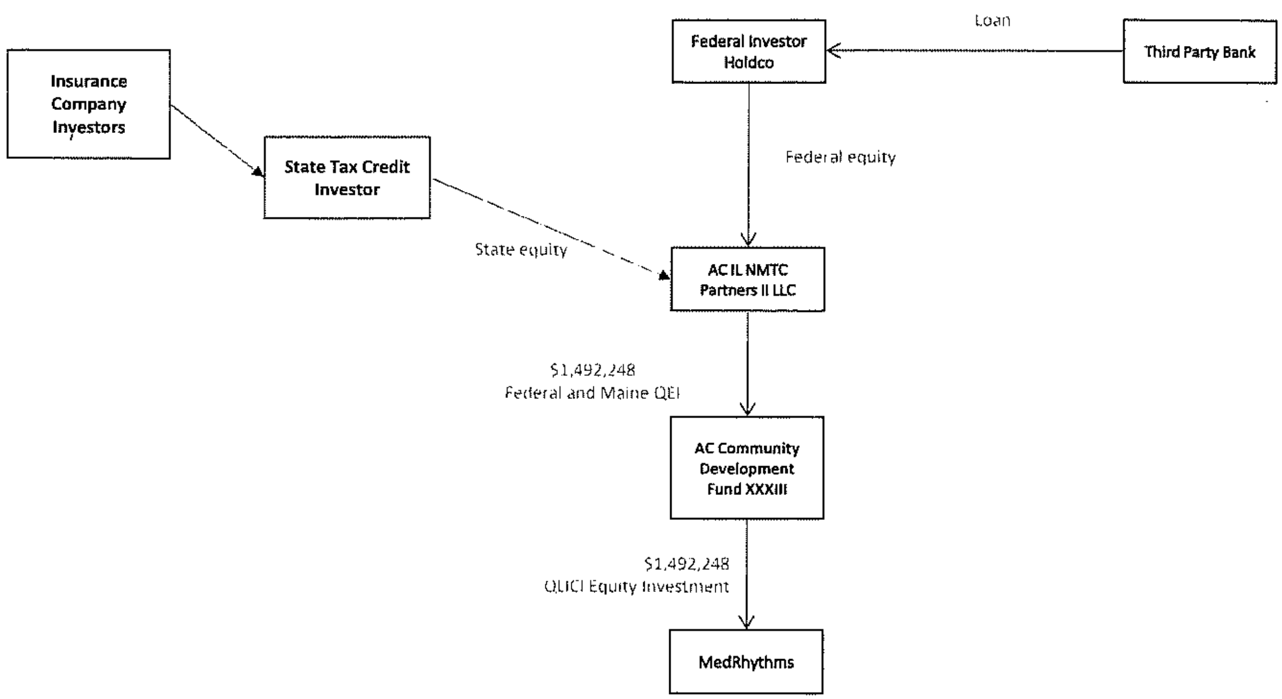
March 23, 2017

Baxter Academy
New Markets Tax Credit Structure

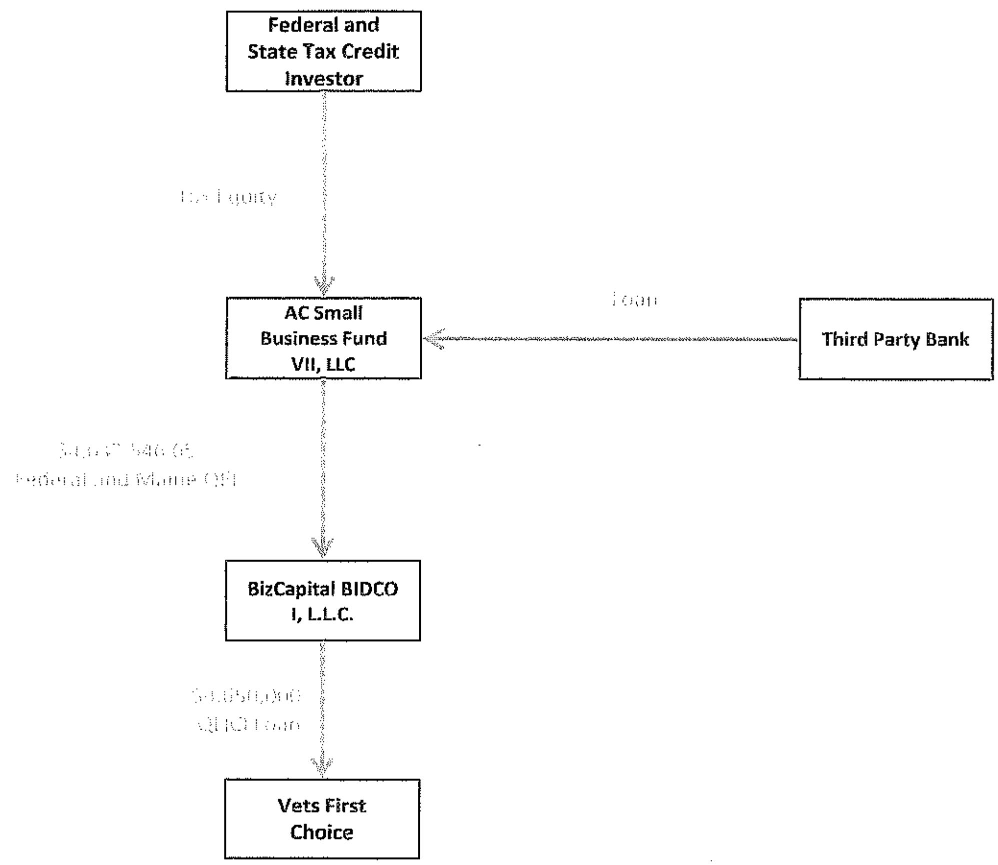


* Amounts in this diagram are an estimate based on the use of the full $4,642,546.65 of QEI. These amounts may change as the transaction terms are finalized, although they represent our good faith estimate based on currently available information.

Advantage Capital Community Development Fund XXXIII
MedRhythms Investment Diagram

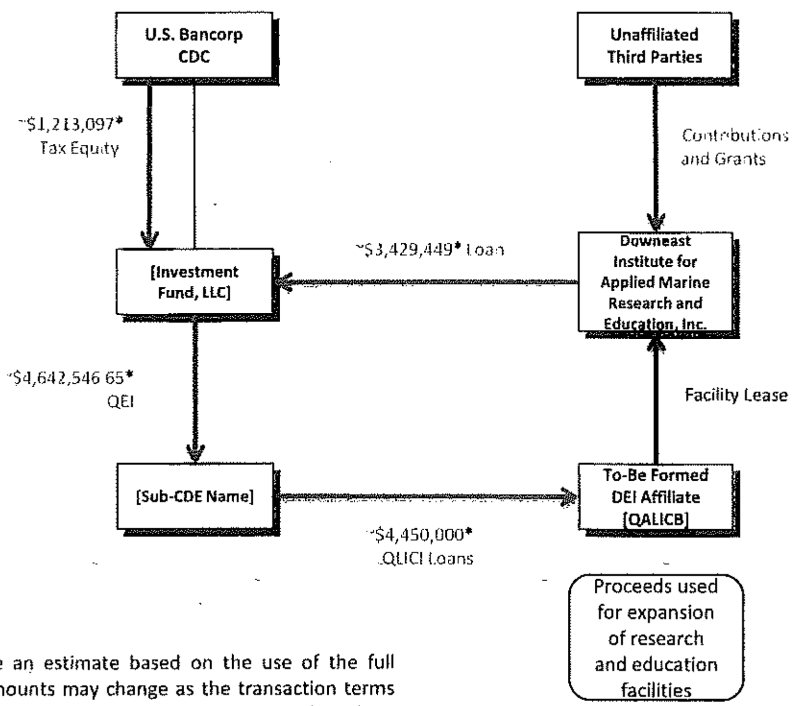


BizCapital BIDCO I
Vet's First Choice Investment Diagram



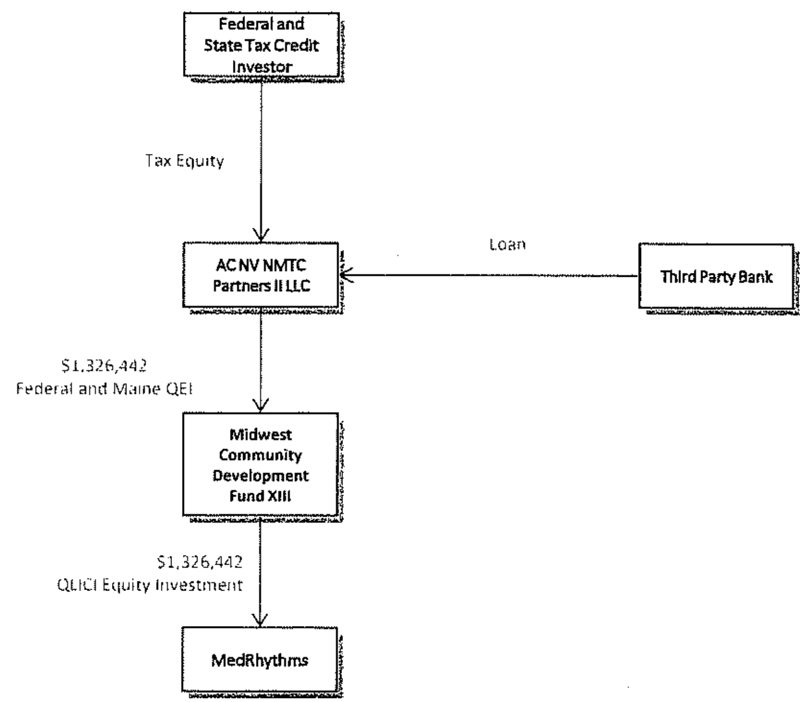
Downeast Institute for Applied Marine Research and Education, Inc.
New Markets Tax Credit Structure

September 7, 2017

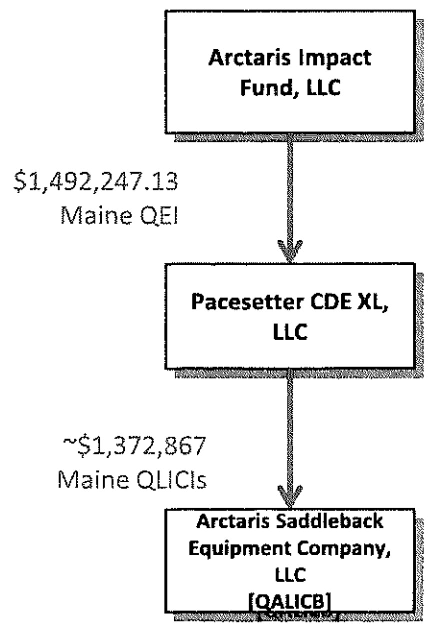


* Amounts in this diagram are an estimate based on the use of the full $4,642,546.65 of QEI. These amounts may change as the transaction terms are finalized, although they represent our good faith estimate based on currently available information.

Midwest Community Development Fund XIII
MedRhythms Investment Diagram

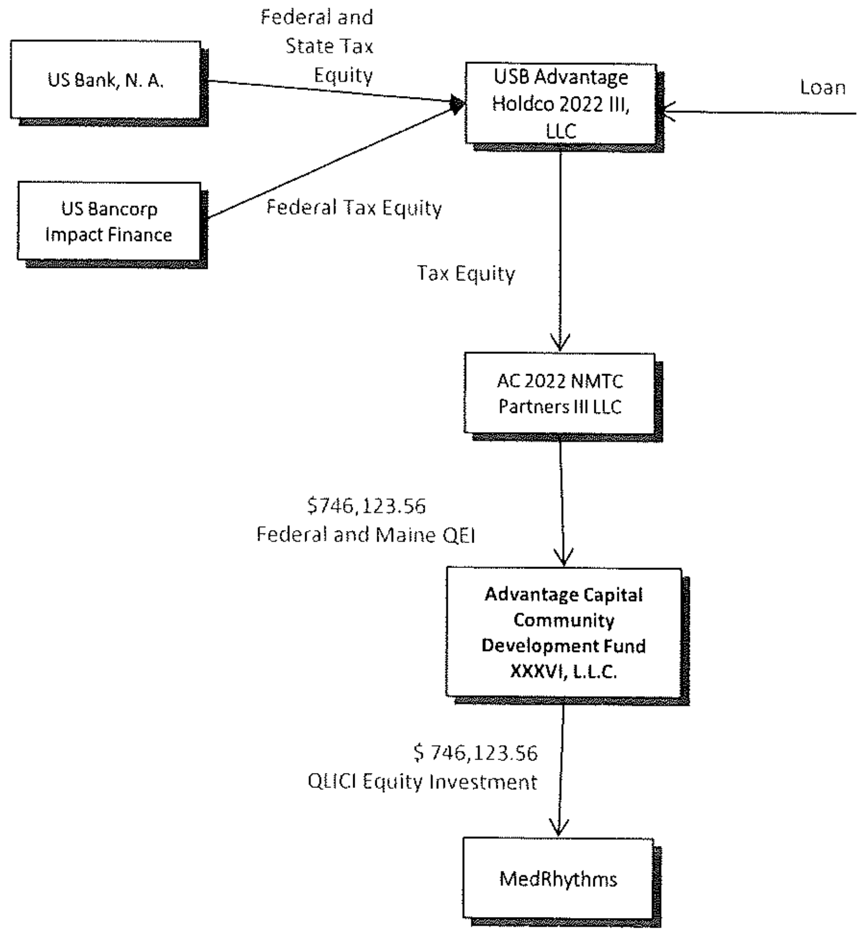


Arctaris Saddleback
New Markets Capital Investment Credit Structure



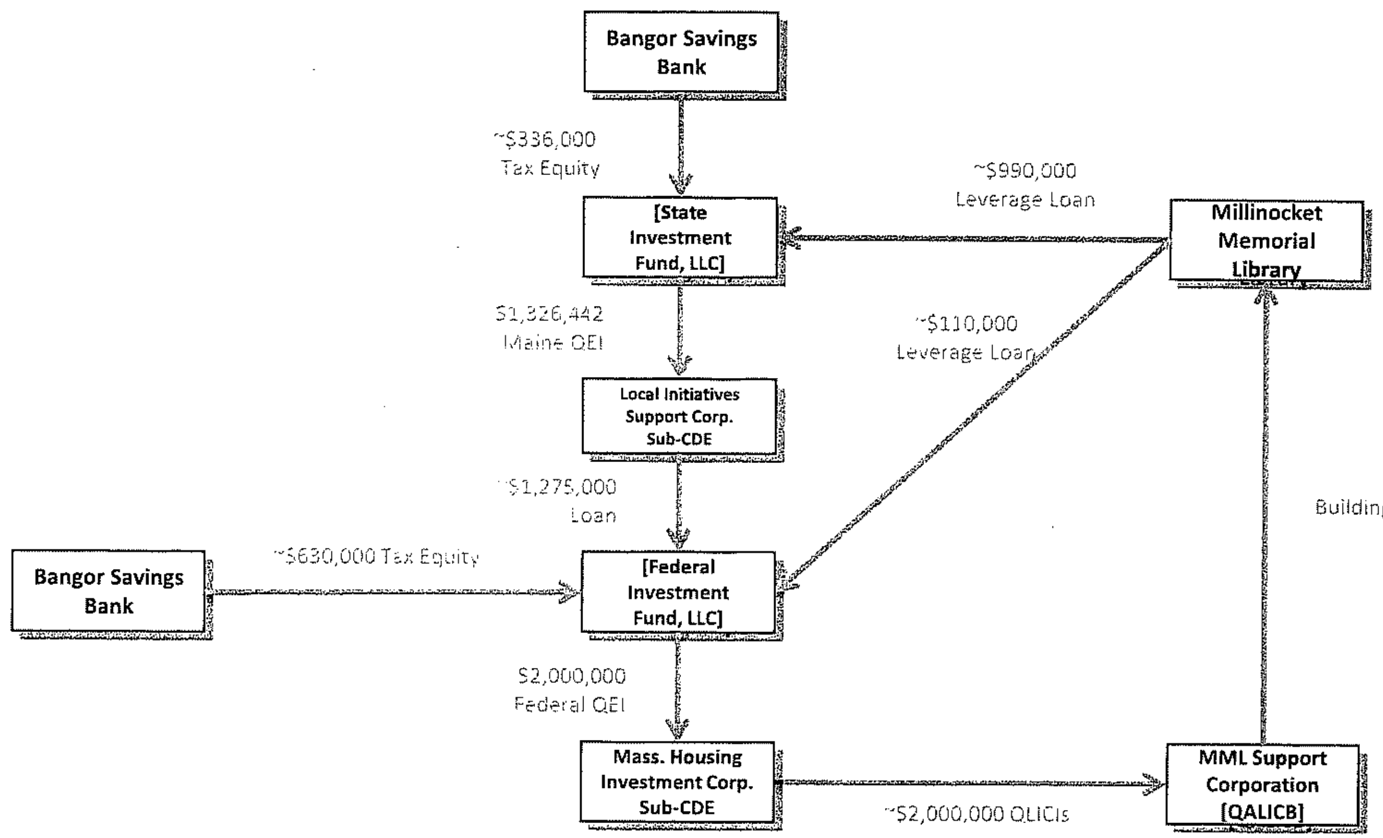
*Amounts in this diagram are an estimate based on currently available information, and are used for illustrative purposes only. Amounts are subject to change depending on various factors, including whether fees are paid by the Sub-CDE, the QALICB, or another party (but not the amount of those fees which are described in the attached application), as well as the exact amount of tax equity contributed, and to which Investment Fund that equity is contributed.

Advantage Capital Community Development Fu
MedRhythms Investment Diagra



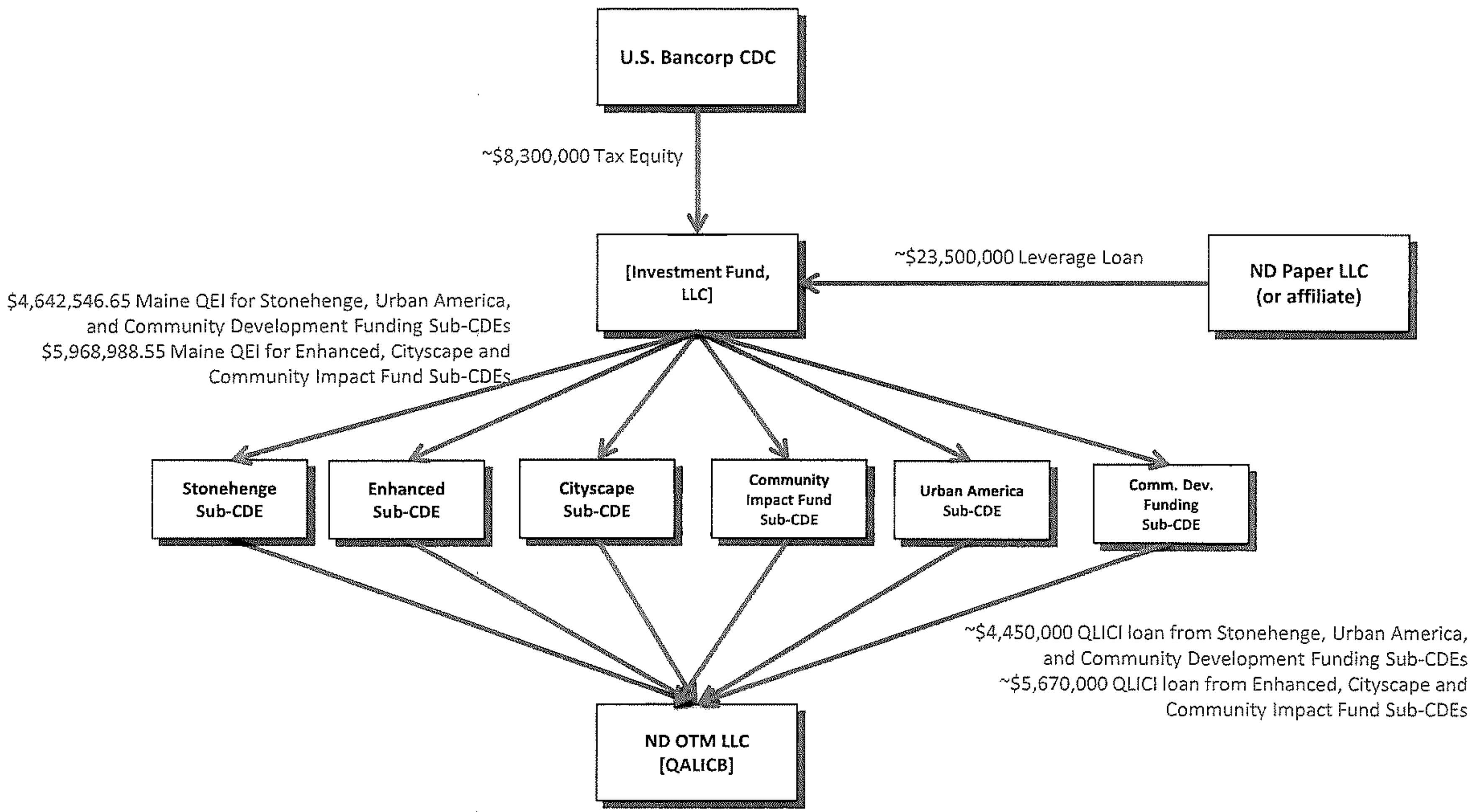
PIERCE ATWOOD LLP

Millinocket Memorial Library
New Markets Tax Credit Stacked Structure



*Amounts in this diagram are an estimate based on currently available information, and are used for illustrative purposes only. Amounts are subject to change depending on various factors, including whether fees are paid by the Sub-CDE, the QALICB, or another party (but not the amount of those fees which are described in the attached application), as well as the exact amount of tax equity contributed, and to which Investment Fund that equity is contributed.

Old Town Mill
New Markets Tax Credit Structure



*Amounts in this diagram are an estimate based on currently available information, and are used for illustrative purposes only. Amounts are subject to change depending on various factors, including whether fees are paid by the Sub-CDE, the QALICB, or another party (but not the amount of those fees which are described in the attached applications) , as well as the exact amount of tax equity contributed.

- Appendix D

132nd Maine Legislature
An Act to Reauthorize Maine's New Markets Tax Credit Program
L.D.

An Act to Reauthorize Maine's New Markets Tax Credit Program

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

Sec. 1. 10 MRSA §1100-Z, sub-§3, ¶F is amended to read:

Within 1224 months after receipt of the notice of the allocation of tax credit authority, the qualified community development entity shall issue the qualified equity investments or long-term debt securities and receive cash in the amount of the total amount of tax credit authority that the qualified community development entity was allocated. The qualified community development entity shall provide the authority with evidence of the entity's receipt of the cash investment within 10 business days after receipt. If the qualified community development entity does not issue the qualified equity investment or long-term debt security and receive the cash purchase price within 1224 months following receipt of the tax credit authority notice for any portion of its allocation, such unused allocation of tax credit authority lapses and the qualified community development entity may not issue the qualified equity investments or long-term debt securities without reapplying to the authority for additional tax credit authority. Any tax credit authority that lapses reverts back to the authority and may be reissued only in accordance with the application process outlined in this section.

Sec. 2. 10 MRSA §1100-Z, sub-§3, ¶H is amended to read:

On the date designated by the authority, the authority shall begin accepting applications for the remaining amount of the~~full~~ $3~~2~~50,000,000 of qualified equity investments under subsection 4. An applicant may not be awarded more than 25% of the total tax credit authority available.

Sec. 3. 10 MRSA §1100-Z, sub-§4 is amended to read:

Limit on amount of tax credits authorized. The maximum aggregate amount of qualified equity investments for which the authority may issue tax credit authority under this section is $3~~2~~50,000,000; a tax credit claim may not exceed $20,000,000 in any one state fiscal year over the 7 years of the tax credit allowance dates as described in Title 36, section 5219-HH, subsection 1, paragraph A.

Sec. 4. 10 MRSA §1100-Z, sub-§5 is amended to read:

Reporting and disclosure of information. The authority shall require annual reports of a qualified community development entity granted tax credit allocation authority pursuant to subsection 3. Reports must include current Maine employment, current annual Maine payroll, and current annual spending on goods and services in Maine, for each ultimate recipient of the qualified equity investment (QLICB). Reports must be shared with the Department of Administrative and Financial Services, Bureau of Revenue Services and the Commissioner of Administrative and Financial Services. Notwithstanding section 975-A, the authority may disclose any information to the Department of Administrative and Financial Services, Bureau of Revenue Services and the Commissioner of Administrative and Financial Services that it considers necessary for the administration of the program pursuant to this section, Title 36, section 2533 or Title 36, section 5219-HH.

Sec. 5. 10 MRSA §1100-Z, sub-§6 is amended to read:

The authority shall report no later than January 1, 2015 and again no later than January 1, 2030 to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over taxation matters on the activities of the program, including, but not limited to, the amount of private investment received and the total number of jobs created or retained.