



SEN. NATHAN LIBBY, SENATE CHAIR  
REP. GENEVIEVE MCDONALD, HOUSE CHAIR

MEMBERS:

SEN. LISA KEIM  
SEN. DONNA BAILEY  
SEN. RICHARD BENNETT  
SEN. JEFFREY TIMBERLAKE  
SEN. ELOISE VITELLI  
REP. KATHLEEN R.J. DILLINGHAM  
REP. AMY ARATA  
REP. H. SAWIN MILLETT, JR.  
REP. MARGARET O'NEIL  
REP. HOLLY STOVER

MAINE STATE LEGISLATURE  
GOVERNMENT OVERSIGHT COMMITTEE

**MEETING SUMMARY**  
**February 26, 2021**  
**Accepted March 12, 2021**

**Call to Order**

The Chair, Sen. Libby, called the electronically conducted Government Oversight Committee meeting to order at 9:04 a.m.

**ATTENDANCE**

Senators: Sen. Libby, Sen. Keim, Sen. Bailey, Sen. Bennett and Sen. Vitelli  
Absent: Sen. Timberlake

Representatives: Rep. McDonald, Rep. Arata, Rep. Millett, Rep. O'Neil and Rep. Stover  
Absent: Rep. Dillingham

Legislative Officers and Staff: Lucia Nixon, Director, OPEGA  
Matthew Kruk, Principal Analyst, OPEGA  
Amy Gagne, Senior Analyst, OPEGA  
Jennifer Henderson, Senior Analyst, OPEGA  
Kari Hojara, Analyst, OPEGA  
Ariel Ricci, Analyst, OPEGA  
Etta Connors, Adm. Secretary, OPEGA/Clerk, GOC

**Introduction of Committee Members**

The members of the Government Oversight Committee introduced themselves.

The Committee welcomed Lucia Nixon, the new OPEGA Director.

Sen. Libby summarized the process for the electronic meeting, including the public comment period on OPEGA's Pine Tree Development Zones (PTDZ) report.

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## Summary of the February 12, 2021 GOC Meeting

The Meeting Summary of February 12, 2021 was accepted as written.

### New Business

#### • Request for Review of Wild Blueberry Commission

The review for a request for the Wild Blueberry Commission is from six legislators and was received March 5, 2020. Because the request was received at the beginning of the pandemic and the Legislature ended its work early, the 129<sup>th</sup> GOC was not able to take up this request at the time it was submitted.

Sen. Libby referred members to the Summary Prepared for GOC Meeting prepared by OPEGA and the review request letter. (Both documents are attached to the Meeting Summary.)

The GOC requested that at least one of the legislators requesting the review be at today's meeting to present the review request. Sen. Libby said Sen. Marianne Moore has joined the meeting to present that request.

Sen. Libby noted the GOC has also received a letter from the Wild Blueberry Commission of Maine in response to the request for review. (A copy of that letter is attached to the Meeting Summary.)

Sen. Moore referred to the three questions in the Washington County Delegation's letter that they would request the GOC to review. They have been concerned with the transparency between the Wild Blueberry Commission (WBC) and its stewardship of the blueberry tax earmarked for marketing and its relationship to the industry. Their major concern is that the WBC, which is established by statute and the stewardship of the State blueberry taxes that are earmarked for marketing, as well as, its relationship to an industry marketing group, the Wild Blueberries of North America (WBANA). Their concern is that the WBC is sending a lot of money to the WBANA and there is not enough marketing being generating for Maine wild blueberries. There is also not a lot of transparency between the two operations so there is concern about how WBANA is handling the state blueberry tax revenues.

To give a little background of the WBC, Sen. Moore said last session they increased the membership of the Commission and added two additional growers so now there are five producers and five growers. They want to make sure that the State blueberry taxes are being used for marketing Maine wild blueberries. Maine faces quite a bit of competition with the Canadian blueberry providers and there was a recent inquiry that was going on called the 201 inquiry where they were looking at if there was some injury being caused by the Canadian importing of blueberries to the Maine blueberry growers and producers and they found no fault, which the delegation thought strange.

The Washington County Delegation is asking that there be a review of where the Maine blueberry tax money is going. The three items are listed in their letter. Yesterday they did meet with the WBC and they still feel it is important to have a review to make sure that the relationship between the WBC and WBANA is transparent in how they are conducting their business and who is providing the oversight on an ongoing basis to be sure that the State blueberry taxes are being spent on marketing Maine wild blueberries.

Sen. Bennett referred to question 1 in the Delegation's letter – "Where is the blueberry tax money going? Is the WBC using WBANA to steer it back to themselves and not for marketing?" and asked if Sen. Moore could elaborate on that sentence and what is driving that concern. Does the Delegation have anything to support the implications of that question?

Sen. Moore said growers, Greg Bridges and Courtney Hammond, had expressed concern that neither the WBC nor WBANA are being transparent about the manner they handle State blueberry tax revenues.

Rep. Arata asked if the State Auditor has a report regarding the WBC and Sen. Moore said to her knowledge there has not been a State audit done so there is not an audit report.

Rep. O'Neil, the House Chair of the Agriculture, Conservation and Forestry (ACF) Committee, asked if anything has changed since the two grower members were added to the Commission.

Sen. Moore said because of the pandemic the new members came in December 2020 or January 2021, but knows the concerns are still where the monies are being spent for marketing and the relationship with the WBANA organization.

Rep. O'Neil asked if Sen Moore is able to articulate the concerns as what could be done differently. Sen. Moore said her understanding is that right now the Commission is paying the WBANA \$900,000 a year for marketing. When asked to take a look at their marketing plan, they have been quiet about it and have never really given an account of how the money is being spent. They feel that a lot of the marketing effort is being spent on Canadian blueberries rather than Maine wild blueberries. The blueberry market right now is 25% for Maine and up to 75% for Canada and that is why the feeling is that Maine is not getting a fair shake at getting the marketing out there for Maine wild blueberries.

Rep. O'Neil would like to have a conversation about how it could be done better and offered that the ACF Committee could use its oversight function to have that conversation. Sen. Moore thought Rep. O'Neil's suggestion was a good one.

Rep. O'Neil asked what Sen. Moore would like to see for more transparency and what it would look like. Sen. Moore said this is not her field of expertise, but did know that the frustration she hears from the blueberry growers and producers is that they don't feel there is enough marketing done for Maine or that they are getting their monies worth. They are all paying their blueberry taxes and feel they should have either a say in the marketing plan, as it relates to the Maine blueberries and that they are not being provided any information.

Sen. Bennett asked if the contract between WBC and WBANA is accessible to the public? Sen. Moore said she has not seen the contract and not sure if it is a contract per se or whether it is an assumed relationship. She does not know how that agreement is in place.

Sen. Libby referred to the letter received February 26, 2021 from the WBC noting it is straightforward with not a lot of substance. However, the Executive Director, Eric Venturini, noted that in April, 2020 the WBC submitted a detailed program evaluation report to the Chairs of the ACF Committee and asked if Sen. Moore had a chance to see that report. Sen. Moore said she has not seen the report.

Sen. Libby said Rep. O'Neil suggested that the ACF Committee may be able to provide an oversight function in this matter and asked Sen. Moore if she has had conversations with the current Chairs of the ACF Committee regarding the issues and Sen. Moore said she has not. He said, as a general matter, when the GOC entertains requests for a review they understand that OPEGA has limited staff capacity and have to balance that fact with their other pending investigations and the items on the Work Plan. At this time, the "On Deck" list only has one item and it has been pushed down the priority list over subsequent GOCs. The current amount of work on the GOC/OPEGA's to do list is not as much as they are used to so there could be an argument that we have capacity to undertake this investigation. For that reason, he asked the GOC to consider if they should suggest that Sen. Moore have a conversation with the Chairs of the ACF Committee to ask them to consider inviting the principals of the WBC before them and ask for disclosure of some of the documents and information that the Washington County Delegation is seeking. He would ask the ACF Committee if that work could occur in the next month and

depending on the outcome of the ACF Committee's work, the GOC would revisit the request for review of the WBC. He offered that suggestion to the GOC and also for Sen. Moore's consideration.

Rep. McDonald agreed with Sen. Libby's suggestion. She does not want to dismiss the Washington County Delegation's request for a review, but would like to see if the ACF Committee would review the matter and report back on the outcome of that Committee's work.

Rep. O'Neil appreciated the suggestion and, as Chair of ACF Committee, was willing to do that. She has not had the opportunity to speak with Sen. Moore, but has spoken with Rep. Tuell, another member of the Washington County Delegation and made that offer to him. She is certain that she and Sen. Dill, the Senate Chair of the ACF Committee, will be happy to see what they can do in the next month regarding this matter. Sen. Moore agreed with that action plan. Other members of the GOC agreed with the plan for action on her review request.

Sen. Libby suggested that at the time the invitation is given to the Commission to come before the ACF Committee, a request that they provide various documents that may help provide information in support of the questions the Delegations are asking. That may include contracts with WBANA, any internal audits that have been conducted, and that is in addition to the report that WBC described having delivered to the ACF Committee in 2020.

Sen. Libby said the GOC was not closing the door on the potential for directing OPEGA to conduct an initial review, however, in the next month if this work can generate some information that is useful in answering questions, that could either support OPEGA doing an investigation or could get a conclusion without needing to engage the OPEGA staff resources. In either scenario, this interim step will be good for both the Washington County Delegation and the GOC.

Rep. Millett asked if the request for a review by the Washington County Delegation to meet with the ACF Committee should be put in writing from the GOC so the Committee is alerted to the GOC's objectives and reasoning and that would make the transition a little more formal. Sen. Libby agreed and said OPEGA will draft a letter from the GOC to the ACF Committee Chairs.

Sen. Bennett asked for clarification of the posture of the request for a review of the WBC.

Sen. Libby thought an appropriate action for the GOC to take, once the discussion has concluded, would be for a motion to table the matter so that it is carried forward into the "Unfinished Business" section of the Committee's agenda. When it comes to transmitting the letter from the GOC to the ACF Committee, he did not know that a motion was needed. He thinks the GOC Chairs have the ability to transmit letters and have the trust of the Committee members to represent the discussion accurately.

Sen. Bennett noted that there really is not anything currently in front of the Committee, so it is not just necessarily just a motion to table. Would the motion include more of an action by the GOC than just a tabling motion?

Sen. Libby referred members to the Checklist for Considering Topics for an OPEGA review in the back of their notebooks that lists what actions the GOC may take when considering a review request. The document has been used for several years by the GOC and helps direct the Committee's discussion towards a number of actions steps they have at their disposal. He is not certain they are making a formal request to the ACF Committee to conduct a full investigation, but for more information and are asking that Committee to invite the interesting parties to a meeting to discuss the matter. To Sen. Bennett's original question, he said the GOC could take no further action at this time, but he thinks it is a matter before the Committee and are able to table without taking any action and to add it to the agenda for discussion at a future GOC meeting for follow-up and further action.

Sen. Bennett clarified the request would not be added to the stand by list because it has not gotten to that point. Sen. Libby agreed.

Director Nixon added that the GOC also had the option of making a motion to direct that a letter be sent to the ACF Committee requesting they review the matter.

**Motion:** That the Government Oversight Committee table the February 28, 2020 review request from the Washington County Legislative Delegation of the Wild Blueberry Commission pending referral by letter by the GOC of the issues, to the Agriculture, Conservation and Forestry (ACF) Committee, and the matter will be placed on the GOC's agenda under "Unfinished Business" pending a response back from the ACF Committee. (Motion by Rep. Millett, second by Rep. Arata, motion passed by unanimous vote 11-0, 1 member absent. Rep. Dillingham voted on the motion in accordance with the GOC Rules.)

- **OPEGA Report on Pine Tree Development Zones**

Director Nixon summarized the GOC's procedure regarding the Public Comment Period, Committee Work Session and Vote on the PTDZ report. Following the Public Comment, OPEGA will give a summary of the report's questions and findings and the discussion at the November 20, 2020 GOC meeting.

- **Public Comment Period**

**Phoenix McLaughlin, Tax Incentive Policy Manager, Department of Economic and Community Development.** A copy of Mr. McLaughlin's testimony is attached to the Meeting Summary.

Sen. Vitelli asked whether Mr. McLaughlin could provide more insight on what the limitations are around the data collection. Having spent sometime in her previous life looking at data in evaluations in program accountability, knows that data can be an issue. She asked if he could be more specific about what those limitations might be.

Mr. McLaughlin said there are limitations on two levels. One is the way the law is set up for a sales tax exemption for businesses. The way that functions is once they have added the jobs, they can get a sales tax exemption certificate, which means that when they purchase items for their operation, they can present that certificate and they don't get charged sales tax. That does incur a cost in the form of foregone revenue to the State, but does not flow through the State's accounts. It just happens at the transaction level so they do not necessarily know what money was spent on the program in that case. That is one example, at the program level, of why the data that can be collected is somewhat limited. On the program administration side, the program that is used is especially targeted at processing the reports the businesses submit, but it is not necessarily very efficient at reporting and analyzing summaries of that data over years and is somewhat of a limitation of the program they use in itself. OPEGA referred to this in the report.

Sen. Libby said in the GOC's last full review of PTDZ the Committee spent quite a bit of time talking about the "but for" statement, which basically is that the business commits in writing that they will create jobs and undertake certain activity and it is only because they are able to access the PTDZ benefit that activity occurs. A few years ago, it was a simple form that was filled out and completed by the principal of the business and GOC members, at that time, felt that that was not necessarily an effective tool for ensuring that these tax benefits flow to businesses that really need them and would use the tax benefit to hire more folks. An amendment to that process was to require a notary to witness an individual signing that form, but he thinks even with notarization that is still not an adequate tool to ensure that businesses are only taking

advantage of this credit, or this program, to do certain activity. He asked if DECD has given thought to what additional accountability could be talked about to help address the concern that these tax benefits don't flow to businesses that would otherwise do that activity regardless of having the tax credit.

Mr. McLaughlin said he agreed with what OPEGA mentioned in the PTDZ report that it is an imperfective tool. One level that it is an issue on is that if the question guarantees that dollars only flow to business activities that literally would not happen at all if not for the program, is not quite an answerable question. One analogy is that incentives are not typically an all or nothing type of deal, so the "but for" question is arranged in such a way that it does not quite get at the way a business would actually make the decision to invest. There are a thousand different factors that would need to be incorporated into a business's decision to make a deal to expand, or invest, in Maine and if any one of those was not in place then a deal might not go forward. There are also limitations that this is a ten year program and businesses cannot perfectly project ten years out what their finances will be and if the enhanced ETIF payment in years 8 through 10 will be make or break their decision. That is to say that this activity would absolutely not happen if not for the program, he thinks it is difficult to say absolutely yes that is clearly what is happening here. Mr. McLaughlin again said he agreed with the statement in the OPEGA report that it is an imperfect tool to guaranteeing that funds are flowing only to where the GOC, or the State, thinks they absolutely need to flow. He thinks there are better tools for doing that, including by improving data collection and program management. He would agree that the "but for" letter is not the end all for all of program accountability, but he thinks there are probably other ways to improve that.

Sen. Libby is interested in further conversation with DECD and the committees of jurisdiction on what additional safeguards could be considered moving forward, but appreciated Mr. McLaughlin's answer to his questions.

Sen. Bennett asked what is the best guess, as a State, of how many jobs have legitimately been created by the PTDZ program.

Mr. McLaughlin did not have the total number of jobs over the years, but based on the self-reported numbers in 2019 from participating businesses, there were about 7,250 jobs that were eligible under the PTDZ program from the participating companies. Those were jobs for people who were working during the 2019 calendar years.

Sen. Bennett said those are jobs, not necessarily created, but they were maybe saved because of the "but for" the PTDZ program they may have gone away.

Mr. McLaughlin said typically they are new jobs created, but in some cases, they will be retained jobs.

In response to Sen. Bennett's question of what the PTDZ program cost per year to the State Mr. McLaughlin said there is two ways to answer that question. One is the self-reported number from the businesses. For the year 2019 the participating businesses self-reported that they had collected around \$25 million worth of benefits for that year. However, he needs to say that is quite a bit different than how MRS calculates the estimated costs of the program where if you tally up in their tax expenditures' report, the estimated costs of the PTDZ program in fiscal year 2021 was closer to \$10 to \$12 million. Some reasons why those numbers might not be clear is one used fiscal year versus calendar year. Some of the benefits are paid out in later fiscal years such as the ETIF benefit. Another one is the Sales Tax benefit he mentioned earlier. MRS has just estimate how much that costs and 2019 happened to be a year where businesses reported a lot of investment that would have accrued that sales tax benefit to them. It is also self-reported so the larger number is reliant on businesses self-reporting the correct number.

**Charlotte Mace, Director, Office of Business Development, Department of Economic and Community Development.** Ms. Mace was in attendance should the GOC have questions she may be able to answer and her testimony was included in Mr. McLaughlin's testimony for the Department.

Rep. Millett noted his question was either for Ms. Mace or Mr. McLaughlin. The last of the conclusions, both on the cover page of the report and the summary within, speaks to the notion that the report expected from the Maine's Economic Recovery Committee in December of last year might shed more light on the PTDZ's role in the economic recovery following the pandemic. He asked if DECD had analyzed that final report and had any comments to make regarding how it fits within the post pandemic error and may have in relation to the 10 year economic development strategy plan.

Ms. Mace said Mr. McLaughlin had mentioned that DECD is slightly delayed in their review of PTDZ and related incentives like ETIF because of the pandemic, and also DECD introduced a 10 year economic development plan in December 2019 and were just getting to point where they were implementing the work from that when the pandemic hit. DECD then switched to the Economic Recovery Committee (ERC) and so now are in the process of streamlining the recommendations from ERC with the 10 year economic development strategy plan. She would absolutely say that is going to impact what DECD is doing. She also noted that one thing they are finding from the pandemic is some of the incentives now, economic developments and incentives that you will see nationally, are really focused on the worker because we have seen such a shift in the way work is happening.

Rep. Millett asked if DECD had a timeline of when the analysis from the ERC report and DECD's review might be interfaced with conclusions that the GOC would hear from them.

Ms. Mace said DECD is working very actively on it now. They have established a working group that Commissioner Johnson has convened to think about incentives and make sure that this is all streamlined with what they want and what they want for economic recovery. She would say in the coming months, meaning now and in the next few months, are working on that and they certainly would welcome additional input.

Sen. Bennett said with the advent of remote working, how does the program adjust, or not, for jobs. The business may be in a Pine Tree Development Zone, but maybe the worker and job created, is not. Is there nuance there.

Ms. Mace said DECD knows there have been some shift. The program is obviously designed to focus on where the jobs are and where the workers are and as we know that has changed dramatically. Everyone has very different commutes so DECD is in the process of getting some better understanding from the Attorney General's (AG) Office to defining where the location of that worker is because it has shifted due to the pandemic. DECD is currently having active discussions about that issue because it is important.

Sen. Bennett asked the Chair if he could ask his previous question to Mr. McLaughlin as well.

Sen. Libby said in most cases the Chairs would try to respect the queue, but because the queue is pretty small at this meeting, would allow for one question to be asked.

Mr. McLaughlin said Ms. Mace covered the question. It is something DECD is actively discussing, but there is no clear conclusion DECD can give at this time.

Sen. Libby asked if DECD would consider working with the GOC and the policy committees on addressing the lack of a strong "but for" provision as part of accountability for the PTDZ program?

Ms. Mace asked Sen. Libby for clarification of what his question is asking for exactly.

Sen. Libby said the original “but for” requirement was contained in a form that was simply signed by a principal at a beneficiary of this program. The amendment to that in recognizing that really was not an effective tool for accountability so was changed to having a notary witness that signature, which he still feels is largely no different than the system they had before. It has been identified in both of OPEGA’s PTDZ reports that this is not a particularly strong enforcement tool so he is asking if DECD is willing to spend time to work on a proposal to address that lack of accountability on the “but for” statement with the policy committees, IDEA and TAX and the GOC on an amendment.

Ms. Mace thinks that would be a yes because, as Mr. McLaughlin pointed out, the value of the “but for” as indicated in the OPEGA report is nebulous at best and DECD is definitely working on that. She thinks there is some things DECD can do to make things easier on everyone.

**Daniel DAlessandro, Attorney, Office of Tax Policy, Maine Revenue Services.** A copy of Mr. DAlessandro’s testimony is attached to the Meeting Summary.

Rep. O’Neil referred to Mr. DAlessandro’s statement that MRS would be willing to work with GOC and the policy committees on potential improvements and wanted to know if he could speak to that bit more.

Mr. DAlessandro said MRS does not have any proposal for changes to the PTDZ program in that regard at this point and he does not think the OPEGA report went into specifics on the changes they would like to see, but MRS would be happy to participate in those discussions, as they happen.

Sen. Libby said he knows the OPEGA staff would welcome collaboration with his office in discussion of the items he mentioned and the GOC members are interested in having those discussions develop as well. He thanked him for his offer.

**Linda Caprara, Maine State Chamber of Commerce.** A copy of Mr. DAlessandro’s testimony is attached to the Meeting Summary.

Sen. Bennett said his question is about the kinds of businesses that use the PTDZ program from her perspective. He noted Ms. Caprara’s testimony said 180 businesses, 7,000 jobs and that implies there is about 39, almost 40 jobs, created or effected positively by the PTDZ program at each business on average. He was thinking about smaller businesses with 1 to 5 employees, micro enterprises and asked if the PTDZ program was used by them. If so, could she give examples of where it has been used successfully and is there a way of making it more accessible to those businesses, which in his view, are the principal drivers of innovation and Maine’s economy.

Ms. Caprara said she could not answer that question without looking at the list of who is taking the program right now. She does know that there are companies across the State that the PTDZ program has been hugely significant for. Ms. Capara will get back to the GOC on that. Sen. Bennett would like to inform the small businesses in his community, but he does not want to do that if it is something that is not really built for them.

The Chair, Sen. Libby, closed the public comment period at 10:35 a.m.



## - Committee Work Session

Ms. Henderson summarized the Summary Prepared for GOC Meeting, February 26, 2021. (A copy of the Summary is attached to the Meeting Summary.)

Sen. Vitelli said looking from inside to what proactive program management means, what would that look like. As one of the recommendations, or conclusions, it is something that is needed. What is that?

Ms. Henderson said it is something that OPEGA spoke to in the report and also provided an appendix in the report to try to provide a little bit of a road map for it. She referred to Appendix D saying it is an oversight framework derived from the U.S. GAO for tax expenditure programs generally. But, less formally, it is the way they talked about proactive program management in the PTDZ program report. It is program management that moved beyond just implementing the requirements in statute to actively trying to ensure that the program actually achieves its outcome. That it is effective beyond just are we ensuring that the beneficiaries meet the specific requirements.

Sen. Vitelli asked whose responsibility is it to answer those questions, to do the proactive management, using that framework?

Ms. Henderson said what OPEGA had found was that it did not seem that sort of proactive management was happening currently. There was not an entity that was taking responsibility for asking questions such as: do we need to make changes to the program to reflect changes in the economy, or is the program really structured ideally to achieve its outcome? If not, what are things we can do to make that better if we are not satisfied with the “but for”, let’s work on that, how can we improve that.

Sen. Vitelli asked who would be doing that?

Director Nixon said this is administered through DECD. As the GOC heard from DECD, they are the stewards of this program. MRS is involved with the tax benefit side of it, but it is part of DECD’s suite of programs that they administer. If you are looking more at oversight questions and responsiveness. You can also look at the legislative policy committees of oversight which are the IDEA and Tax Committees.

Ms. Hojara said OPEGA intentionally did not answer that question of who should be that proactive manager because felt it was the GOC’s purview to make that decision of who should be taking on that role.

Sen. Libby said the GOC has a variety of actions they can take, including if there is work to be done in developing stronger oversight, the GOC might make recommendations to the appropriate policy committee for them to consider changes in statute to require new or different oversight.

Rep. Millett said Sen. Libby’s question on the “but for” requirement, Sen. Vitelli’s question on the proactive management and his attempt to raise the issue of looking at the ERC in a post pandemic alignment with the strategic plan are all three related to what the GOC takes for action on the PTDZ report and how they shape responses to those questions and future needs. He has always been a long time supporter of a long term economic development strategic plan so when Commissioner Johnson took it on and DECD prepared the plan, he thought it was good on high level of goals, but lacking specific timelines. As Appendix B speaks to Sen. Vitelli’s question, it really does not address outcomes in a very specific measurable way. He thinks they are right in the middle of the pandemic economic recovery period and may need a bit more time, but it seems to him that they might put this back on the GOC’s agenda in April or May to hear back from DECD regarding their plan for alignment with the economic recovery and strategic plan. Maybe the two agencies that have the most administrative responsibilities could speak to the issue of proactive program management and how best to enforce the “but for” provision. Rep. Millett noted both Tax and IDEA

Committees have oversight and what he is struggling with is that the GOC is not going to be able to give the PTDZ program good direction and specific long term vision today, or in the next few months, but thinks the GOC needs to get specific recommendations back before the Committee in the next 90 days from the parties who can shape those recommendations. There needs to be an outcome driven plan to strengthen the program, to make it more measurable in terms of value and to achieve that alignment that he thinks is going to be needed over the next 8 to 10 years.

Sen. Libby agreed with the direction Rep. Millett talked about and would suggest having OPEGA staff help the GOC draft the questions the Committee would like to pose primarily to DECD and secondarily to MRS generated at this meeting and also those generated by OPEGA staff, which are listed in the Summary they prepared for this meeting. He would also suggest copying the Tax and IDEA Committees in that communication so they have an awareness of what the GOC is attempting to achieve. If the PTDZ report has not been forwarded to the policy committees, he would suggest doing that with the cover letter. He also agreed with Rep. Millett to give 45 days for work to be done in the agencies and then report back to the GOC.

Rep. Arata noted the PTDZ program expires December 31, 2021 so asked if it was worth putting this effort into it at this time, or is there a bill that would extend the program?

Sen. Libby said the program benefits will continue to flow for a number of years after that date, but would not surprise him if there was a bill to extend the date for enrollment into the program. However, he did not have an answer to that question.

Rep. Arata did not want to make substantial changes to the program for businesses that are currently enrolled in it.

Sen. Bennett said perhaps Rep. Millett, a member of the Appropriations and Financial Affairs (AFA) Committee, can answer whether there is a recommendation for a continuation of the PTDZ program in the budget.

Rep. Millett said it is not a budgeted program within the General Fund Budget because as both Mr. McLaughlin and other staff members from DECD have said, it basically losses tax revenue, and we don't put any staff resources into it that he is aware of, other than as part of the DECD budget and MRS assumes responsibility. He noted that Rep. Arata and Sen. Bailey are also on the AFA Committee and may have additional information, but he did not think AFA had anything presented to them specific to the PTDZ program's continuity or funding.

Rep. Arata agreed it is not an expenditure in the budget and thinks it is foregone revenue so AFA has not seen anything regarding the PTDZ program.

Director Nixon said there is in a published list of new legislation requested by cloture a bill "An Act to Protect Economic Competitiveness in Maine by Extending the End Date for Pine Tree Development Zone Benefits". They do not have the language because it has not been printed so don't know the exact details. The bill is sponsored by Sen. Daughtry.

Rep. Millett referred to Sen. Libby's comment of a 45 day period assignment and some next steps assuming the GOC could give some direction before the legislative adjournment target comes up, asked if Sen. Libby could restate what he would like to see done because he thought he heard an action plan that makes sense and could be achieved before the Legislature reached statutory adjournment.

Sen. Libby said he can pose some questions that he would envision being included in a letter that the GOC send to the DECD and MRS. He can pose those questions and then talk about the process. He said the questions are contained in the Summary Prepared for GOC Meeting and in the column PTDZ Report Presentation – GOC Discussion items. The questions would include the first, third and fourth bullets under the section of “Questions related to DECD.” He thinks GOC members have also raised the questions at this meeting and he did not know if they received a lot in the way of substance from the DECD staff, but they all committed to working with the GOC addressing the questions. The final question, that has been generated from today’s discussion is what can DECD recommend for stronger proactive program management to strengthen oversight and help ensure the PTDZ program is effective. He would like the GOC to propose to DECD primarily, MRS secondarily and to copy the Chairs of the IDEA and Tax Committees in the transmittal. The final action is that the GOC should send the limited scope review to both of the policy committees as they consider legislation to extend the program. That this topic be added to the GOC agenda in 45 days and asking that the relevant parties provide response to the GOC in a 45 days period. If appropriate, Sen. Libby asked the GOC if they might make a motion to that effect.

Director Nixon wanted to clarify that the questions as outlined are questions for DECD and secondarily asking questions for MRS, so she did not know if the intent would be to send the letter to DECD and copy the relevant people at MRS or if Sen. Libby had specific questions he wanted to ask MRS separately. The questions outlined are clearly directed to DECD and wanted to make sure she what is being asked.

Sen. Libby thought MRS primarily can help the GOC with the “but for” question and with the oversight question, even though he understands the oversight lies primarily with DECD, MRS is very much involved in the tax side of things. We might direct most of the questions to DECD and carve out those couple of questions for MRS.

Rep. Millett made the following motion:

**Motion:** That the Government Oversight Committee send a letter outlining four questions from the GOC to the Department of Economic and Community Development (DECD) and to the Maine Revenue Services (MRS) with copies to the members of the Innovation, Development, Economic Advancement and Business (IDEA) and Taxation (TAX) Committees with a request for a response back from DECD and MRS in forty-five (45) days. The questions are: (1) whether DECD would address PTDZ’s alignment with the Strategic Plan; (2) how will DECD use the Plan in combination with the ERC Final Report as they work with the 130<sup>th</sup> Legislature to try to revive weakened sectors, particularly at the small business level; (3) how might DECD address the lack of a strong “but for” provision; and (4) what can DECD recommend for proactive program management and strengthened oversight to help ensure the PTDZ program is effective. (Motion by Rep. Millett, second by Sen. Vitelli.)

**Discussion:** Rep. Arata wanted to be clear that the elimination of any sort of a “but for” statement is a possibility. She asked if she was correct in the assumption that that could be a recommendation? There would be the assumption made that any new job is due to the PTDZ program with no need for further certification of that. Is that an option? She is telling the Department to maybe consider that as part of a multitude of options. She is not crazy about the “but for”, but would like to see all the options.

Sen. Libby thinks for the GOC’s purposes, he will set aside his personal opinion that the “but for” statement needs to be strengthened, and thinks Rep. Arata is coming from a different direction. He said that is not anything the Committee needs to debate as far as the motion. What they are asking is for DECD to come back to the GOC with are more effective instruments for ensuring the tax benefits flow to the most in need businesses.

**Vote:** The above motion passed by unanimous vote 11-0, 1 member absent. (Sen. Keim and Rep. Dillingham voted on the motion in accordance with the GOC's Rules.)

- **Committee Vote on the PTDZ report**

**Motion:** That the Government Oversight Committee endorse OPEGA's Pine Tree Development Zone Report (PTDZ) – A Limited Scope Review. (Motion by Rep. O'Neil, second by Sen. Bennett, motion passed by unanimous vote 11-0, 1 member absent. Sen. Keim and Rep. Dillingham voted on the motion in accordance with the GOC's Rules.)

## Unfinished Business

None.

## Report from Director

- **Status of projects in process**

Director Nixon noted that the overall priority now is to get things lined up for the GOC so they are poised to make decision about how they, as a Committee, want to direct OPEGA to proceed and prioritize projects when they take up the annual work plan of OPEGA that is tentatively planned for the end of March. They are looking to get things lined up for the GOC to help them decide where they want the focus to be for this coming year.

**Maine Citizen Initiative Process** has been a review in process for several years. It is in late stages of fieldwork and early drafting and is the next report that OPEGA will complete and present to the GOC. OPEGA recognizes the need to get this review wrapped up, but it had been set aside because other priorities had emerged. There are two reviews that are related to the Department of Health and Human Services, Office of Child and Family Services. **CPS: Out of Home Placements for Children Removed from Care by DHHS/OCFS** and this is in the preliminary research phase and the 129<sup>th</sup> GOC extended the preliminary research to collect data and monitor activities through September of 2020 because OCFS was implementing a new strategic plan. OPEGA has collected that information and is looking forward to providing the GOC an update in the context of discussing the work plan. There is also the **Follow-up Survey: OCFS Frontline Workers** that the GOC was interested in having OPEGA do. An initial survey was done in 2019 and there was a need to take a pause and allow OCFS to implement their strategic plan so OPEGA will again put that before the GOC as part of the work plan as to where they want to go with that at this point. On the approved list is the **Maine Commission on Indigent Legal Services** with Part 1 of that review being 2 of the scope questions. That report was presented to the 129<sup>th</sup> GOC in November and the 130<sup>th</sup> GOC had the public comment period on February 129<sup>th</sup>. The GOC has asked staff to do some quick turn-around work and come back to them with prospects of a backward looking data analysis. OPEGA is planning to do that within the next month. Also, there are two other scope questions still outstanding and those are in fieldwork. **Pine Tree Development Zones** has been discussed at today's meeting. The other 3 projects that are in progress are tax expenditure evaluations. The **Seed Capital Investment Tax Credit** is in fieldwork and OPEGA plans to submit that report in the fall of 2021. For the **Credit for Rehabilitation of Historic Properties** and the **Research Expense Tax Credit** OPEGA is working on developing the proposed parameters. Part of the process for tax expenditures is that OPEGA puts together the parameters for the review and brings those to the GOC for approval.

Sen. Vitelli said the GOC put the Wild Blueberry Commission request for a review on a different track, will it show up on this list at some point if it comes back to the GOC for further review.

Sen. Libby said it will not appear on this list unless the GOC, at a future meeting, takes a vote to put it on their work plan or put it a rapid response list.

Director Nixon said the work plan is organized in terms of approved projects, approved and in progress, approved pending planning, stand-by, and completed. The list can be organized for however the GOC wishes. She said a category for outstanding new requests could be added.

Sen. Libby thought that was a constructive suggestion and would welcome that addition. He requested that the Stand-by List be moved to under the Approved – Pending planning. Also, ahead of the GOC’s discussion of the work plan at a future meeting, if OPEGA could provide background information of the two topics on the work plan in Approved – Pending planning – Substance Abuse Treatment Programs in Corrections System and Stand-by List – DHHS Audit Functions, including the specifics of why those topics came to the GOC with some of the background materials.

### **Planning for upcoming meetings**

Sen. Libby said the GOC’s next meeting is March 12, 2021 and the agenda will include:

- An overview of the Tax Expenditure Review Process.
- Updating of the tax expenditure classification and review schedule.
- The Maine Wild Blueberry Commission review for a request will be carried forward as “Unfinished Business” and if the ACF Committee is able to take action in the next couple of weeks and are ready to present their findings to the GOC at the next meeting that would be welcomed.

### **Next GOC meeting date**

The next GOC meeting is scheduled for Friday, March 12, 2021 at 9:00 a.m.

### **Adjourn**

The Chair, Sen. Libby adjourned the meeting at 11:25 a.m. on the motion of Rep. Millett, second by Rep. O’Neil, unanimous.

**Review Request  
February 26, 2021**

#	Topic Area	Possible Areas of Focus	Rough \$ estimate	Covered by other topic?	Past or current efforts in this area?
	Maine Wild Blueberry Commission (WBC)	<ul style="list-style-type: none"> <li>• Effective and proper use of blueberry tax revenue by the WBC.</li> <li>• Nature and effectiveness of the relationship between the industry, the Commission and industry marketing group Wild Blueberries of North America (WBANA).</li> <li>• Nature and adequacy of oversight of the WBC and WBANA.</li> </ul>	The amount budgeted to the WBC for each of the next two years is \$1,875,000 per year. The WBC is funded by an industry tax, currently 3/4 cent per pound from growers and 3/4 cent per pound from processors or shippers for a total of 1.5 cents per pound of wild blueberries produced or processed in the State.	No	No
<p>The Wild Blueberry Commission (WBC) of Maine currently consists of eight members appointed by the Commissioner of Agriculture, Conservation and Forestry. The WBC elects a chair and vice chairperson from among its members and employs an executive director to execute the administrative responsibilities of the wild blueberry tax program. Maine Statute also provides for a Wild Blueberry Advisory Committee, which consists of seven members appointed by the WBC who serve four years terms. The Wild Blueberry Advisory Committee is a standing committee of the Wild Blueberry Commission of Maine and reports to the Commission.</p>					
<p>The programs and activities of the WBC include the promotion, advertising, research and extension educational programs and other activities related to the economic viability of the Maine wild blueberry industry. Most of the research and all of the extension services are programmed through the Maine Agricultural Experiment Station and the Cooperative Extension Program of the University of Maine. The WBC's market development and promotional activities are conducted through the Wild Blueberry Association of North America (WBANA) The WBC also works on agricultural and food policy at the state and federal level in support of Maine's wild blueberry growers and processors.</p>					
<p>LEGISLATIVE SPONSORS: Senator Moore, Representative Perry, Representative Alley, Representative Tuell, Representative Javner and Representative Newell</p>					

*129th  
Legislature  
Of Maine*

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3 State House Station  
Augusta, ME 04333-0003  
(207) 287-1505

February 28, 2020

Senator Justin Chenette, Chair  
Representative Anne-Marie Mastraccio, Chair  
Government Oversight Committee  
c/o Office of Program Evaluation and Government Accountability  
82 State House Station  
Augusta, ME 04333

Senator Chenette, Representative Mastraccio, Distinguished Members of the Government Oversight Committee:

We are writing today to formally request a review of the Wild Blueberry Commission (WBC), its stewardship of state blueberry taxes earmarked for marketing, and its relationship to an industry marketing group, Wild Blueberries of North America (WBANA), following a mid-February meeting of the Washington County Legislative Delegation with small wild blueberry growers and harvesters in Washington County.

At that meeting, the growers, Courtney Hammond of Lynch Hill Farm and Greg Bridges of Calais expressed concern that neither the WBC nor WBANA are being transparent with the manner in which they handle state blueberry tax revenues, have established a complex and seemingly incestuous relationship to steer tax monies toward larger producers, and have resisted internal reform efforts.

Given the short nature of this current legislative session, the lack of clarity around the issues at hand, and the need for further investigation before submitting legislation, we would ask that you authorize a review of the operations of both entities – WBC and WBANA and issue a report within the calendar year. We also believe that submitting any legislation at this time is preemptory, and ill-advised, but that there are several key questions that must be answered.

These are as follows:

1. Where is the blueberry tax money going? Is the WBC using WBANA to steer it back to themselves and not for marketing?
2. Is the relationship between the industry, WBC and WBANA transparent? If not, what specific actions must be taken to ensure that business is conducted in the public realm?


3. Who provides oversight of both WBC and WBANA, and is oversight adequate?

In the coming months, we would ask that you investigate the above concerns and issue a report on your findings. With all of the problems facing the wild blueberry industry, members should have the fullest confidence that tax dollars raised and appropriated for its future success are fully transparent and wisely managed.

Thank you,


  
Senator Marianne Moore

  
Representative William Tuell

  
Representative Anne Perry

  
Representative Kathy Javner

  
Representative Robert Alley

  
Representative Rena Newell





## *Wild Blueberry Commission* OF MAINE

5784 York Complex, Suite 52, Orono, Maine 04469-5784

TEL: 207-581-1475  
FAX: 207-581-3499

February 26, 2021

c/o Etta Connors  
Committee On Government Oversight  
Cross Building, Room 220  
(207) 287-1901  
[GOC@legislature.maine.gov](mailto:GOC@legislature.maine.gov)

Dear Senator Libby, Representative McDonald, and esteemed members of the Government Oversight Committee,

Thank you for your attention to our industry.

The Wild Blueberry Commission of Maine has existed in service to its mission for over 70 years. We strive to represent the voice of every farm and business that grows or processes wild blueberries in this great state. Our mission is found in state statute and reads:

*The Wild Blueberry Commission of Maine is dedicated to conserving and promoting the prosperity and welfare of this State and of the wild blueberry industry of this State by fostering research and extension programs, by supporting the development of promotional opportunities and other activities related to the wild blueberry industry. [MRS Title 36, §4301]*

We are a public entity and our internal operations and processes are open and available to wild blueberry farmers, businesses, and the people of Maine.

On April 16, 2020 the Wild Blueberry Commission of Maine submitted a detailed Program Evaluation Report to Senator Dill and Representative Hickman, then Chairs of the Committee on Agriculture, Conservation and Forestry. This report details the Commission's work from 2011 to 2019 and may be useful in considering this request for review. I would be happy to provide a copy to your Committee if it would be useful. The Commission stands in full cooperation and is willing to assist your Committee with this request in any way.

With Great Respect,

Eric Venturini  
Executive Director of the Wild Blueberry Commission of Maine  
5784 York Complex, Suite 52  
Orono, Maine 04469  
[Eric.Venturini@maine.edu](mailto:Eric.Venturini@maine.edu)  
(207) 478-7612

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Government Oversight  
Hearing Date: February 26, 2021

OPEGA Report, *“Pine Tree Development Zones (PTDZ) – a limited scope review”*

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Senator Libby, Representative McDonald, and members of the Government Oversight Committee – good morning, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am here today at the request of the Administration to provide comment on the Pine Tree Development Zones report released by the Legislature’s Office of Program Evaluation and Government Accountability (“OPEGA”).

We have two principle comments on the report. First, the report discusses “proactive program management” but does not specify what additional duties or roles OPEGA is recommending the program managers perform. We would be happy to participate in discussions with OPEGA, this Committee and the Committee on Taxation regarding potential improvements in this area.

Second, the report discusses data collection and “ongoing real-time monitoring.” A little background may be useful on this point. Maine Revenue Services (“MRS”) currently administers and collects information across 48 different tax types. This information is generally limited to what MRS needs for tax administration purposes and is protected, confidential tax information.

The protection of confidential tax information is crucial. The State’s tax system could not function without taxpayer confidence that the information they are required to provide to MRS will be limited in scope and will remain

confidential. That doesn't mean that MRS can't collect nonconfidential information or information for non-tax administration purposes. But it does mean that MRS's focus, computer systems, and procedures are all developed around those primary goals of protecting taxpayers' confidential information and only collecting the needed information.

In addition to the State administrative side of data collection, when considering whether new or different data is needed to monitor the program, we think it is important to take into account the compliance costs and burdens of the additional reporting requirements on program participants – and work to minimize them to the extent practicable.

Finally, I would like to invite a discussion at some future point on the general tax expenditure review process, including the selection and timing of reviews, to maximize the policy review benefits of OPEGA's reports to the State and, if possible, to streamline the process.

I would be happy to respond to any questions you may have now.



STATE OF MAINE  
DEPARTMENT OF ECONOMIC  
AND COMMUNITY DEVELOPMENT



JANET T. MILLS  
GOVERNOR

HEATHER JOHNSON  
COMMISSIONER

Testimony on PTZ Program  
Government Oversight Committee 2/26/21

Senator Libby, Representative McDonald, and members of the Committee on Government Oversight, my name is Phoenix McLaughlin, and I am the Tax Incentive Policy Manager for the Department of Economic and Community Development. I am here today to speak about the Pine Tree Development Zone program.

My primary role is managing the Pine Tree Development Zone and Employment Tax Increment Financing programs for the Department. This position requires a great deal of familiarity with the ins and outs of the Pine Tree Zone program—I explain the details of the program to businesses, manage the application and certification process, and help businesses through the annual reporting process and review their submissions.

With this perspective, there are a few points I want to offer the Committee today as you discuss the Pine Tree Zone program:

First, PTZ is one of the State's foremost business development tools. When a business connects to DECD to figure out how their investment plans could work in Maine, Pine Tree Zones almost always tops the list of programs the Department discusses with them, if they fit the criteria. Whether a major wood products manufacturer is comparing multiple states to make their next investment, or a local business is looking for ways to grow their steel fabrication shop, Pine Tree Zones is the best package Maine has to offer. It is the largest tool the State has for incentivizing business starts and expansions in Maine, and it forms a key part of the Department's attraction efforts. The State does not have another comparable program.

Second, I want to offer my support for many of the points covered in OPEGA's recent report on Pine Tree Zones. Some of the key changes the Legislature made to the program since OPEGA's 2017 report substantively improved how benefits are administered, such as that they kick in only after the company can confirm they have added new positions. OPEGA's points about how the program could be improved are also on-target, namely that it would benefit from clearer data collection and analysis—although there are some inherent limitations on what information can be gathered and evaluated with the current program design. The Office is also right that the Pine Tree Zone program matches up broadly with the top-line goals of the strategic plan, but we have not yet linked it to the specific action items the plan recommends.

Lastly, because the program is important to the State but can still be improved and better incorporated into the economic development strategy, we are working to review PTZ to identify the best path forward for the policy. A lot of the Department's longer-term policy work was delayed with the onset of the pandemic, and that included a full review of the PTZ program. Now we have the chance to dive deeper into incentive policy. We



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AND COMMUNITY DEVELOPMENT



JANET T. MILLS  
GOVERNOR

HEATHER JOHNSON  
COMMISSIONER

want to be sure our incentive programs are cohesive with the economic development strategy, reflect current research into best practices for development incentives, and are responsive to the national economic landscape as we hopefully approach the end of the pandemic. Engaging with all the right people and organizations to ensure a thorough review of PTZ will take time but will ultimately lead to the best policy outcome.

The Pine Tree Development Zone program is an important tool the State has to support business growth in Maine. We appreciate the continued work of OPEGA and this Committee to analyze and improve the program, and we hope to build on this conversation in the coming months.

Thank you for your time, and I am happy to answer any questions.



**Good morning Sen. Libby, Rep. McDonald and Members of the Government Oversight Committee (GOC). My name is Linda Caprara. I represent the Maine State Chamber of Commerce and I am a resident of Winthrop.**

**We wanted to take this opportunity to provide some comments on the interim report on the State's Pine Tree Zone Development Program (PTDZ). We are pleased to see that the report states that the PTDZ program does in fact align with the goals of Maine's Strategic Plan. Those goals are to grow the average wage by 10% to the benefit of all income levels; increase the value of what Maine sells per worker by 10% and attract 75,000 people to Maine's workforce from within and outside the state.**

**The PTDZ program is one of Maine's primary economic development programs that has helped to grow Maine's economy and continues to do so. Since its enactment, the PTDZ program has made a significant contribution to the level of investment we have seen here in Maine. It has clearly met its intent to improve economic development in the state.**

**DECD reported as of in 2019:**

- 180 businesses were currently enrolled in the PTDZ program,**
- these companies have over 7,000 employees that were PTDZ eligible, with a combined well over \$380 million in payroll**
- over \$500 million in qualified investment is associated with the PTDZ Program**

**The Legislature has made some changes to the program over the past few years. Changes have included clarifying job creation as the main**

**goal of the program, requiring that companies add at least one new job before qualifying for benefits. We feel that this was appropriate. In addition, a “but for” clause was added to provide some assurance that the program in fact does influence companies decision-making process when they decide to invest in a particular state or location. One could argue that it does or doesn’t have anything to do with the investment but it *is* an additional step the business has to adhere to that helps to validate that argument.**

**Over the years, the Maine Legislature has clearly recognized the importance of the PTDZ program. Originally, the PTDZ program was directed at economically distressed areas of the state. But, in 2009, during the recession, the Legislature voted and the House in particular overwhelmingly voted 142-0 (9 absent) to make available the program to companies across the state. In 2018, the Legislature voted to extend the program until December of 2021.**

**Many people believe that Maine has significant investment dollars and programs available to attract jobs and opportunities to Maine. In fact, Maine has few incentives on the books to attract investment. Keeping Maine businesses competitive should be number one priority. We feel the PTDZ is one incentive that has worked and the state needs to ensure it’s future on a going forward basis. We believe that the PTDZ program will ultimately help the state realize its goal of growing Maines economy. This will be crucial over the next few years, given the economic crisis the COVID-19 Pandemic has brought to our economy. I would be happy to answer any questions.**



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February 25, 2021

Senator Nate Libby, Senate Chair  
Representative Genevieve McDonald, House Chair  
Maine Government Oversight Committee  
82 State House Station  
Augusta, ME 04333-0082

**SUBJECT: Neutral Commentary on OPEGA's Limited Scope Review of Pine Tree Development Zones**

Dear Chairperson Libby and Chairperson McDonald,

My name is Alison Wakefield and I am a researcher with The Pew Charitable Trusts' State Fiscal Health project. Pew has supported states' efforts to evaluate their tax incentives since 2012. We provide technical assistance to states across the country with designing evaluation processes and, once those systems are in place, helping to ensure evaluations draw clear, well-supported conclusions. Finally, we help policymakers understand and use these findings to inform policy decisions. Pew has worked with legislators in Maine and the Office of Program Evaluation and Government Accountability (OPEGA) for several years, including assistance in establishing the state's tax expenditure review process and producing high-quality evaluations.

Since establishing its evaluation process in 2015, Maine has become a leader in incentive evaluations. OPEGA has demonstrated its ability to regularly produce high-quality evaluations that are used to improve the design of the state's programs. Committee hearings on the evaluations generate in-depth policy discussions. The process and its outcomes serve as an example for other states to follow.

While Pew remains neutral on the Pine Tree Development Zones (PTDZ) program and the Limited Scope Review (LSR), we are submitting commentary describing how OPEGA's analysis aligns with our research. As detailed in the LSR, Maine has already acted upon several key recommendations from OPEGA's 2017 PTDZ evaluation. This supplemental report provides policymakers with an opportunity to build on this successful track record by using OPEGA's thoughtful analysis to maximize the benefits of the newly defined program goals and further enhance impact and oversight by revisiting findings from the first evaluation.

### Maximizing the Benefits of Clear Program Goals

Our research has found that clearly defined goals are crucial to evaluate impact, effectively design programs, and determine alignment with economic development objectives. Lawmakers made a significant decision during the 128<sup>th</sup> Legislature when they revised PTDZ's goals. Not only will this revision facilitate future quantitative analysis, but also it will enable OPEGA to assess the program qualitatively and provide insights into whether the incentive is designed to achieve its goal of creating and retaining quality jobs in Maine.

OPEGA's analysis employed several best practices for incentive evaluation. For instance, they used a logic chain to describe how policymakers expect the program to work, identify intermediate goals, and assess whether the incentive is designed to meet its goals. Through this exercise, OPEGA identified several design elements that support the program's goals, such as the requirement that a business hire at least one qualifying employee before receiving benefits and definitions of quality standards for qualifying jobs.





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OPEGA also identified areas for the legislature to consider further, including whether the program targets the right barriers to creating quality jobs and how proactive program management could be used to increase effectiveness.

Pew's research also recommends that a tax incentive's goal be placed in the broader context of the state's economic development objectives. OPEGA's report includes a thoughtful analysis of this issue. They first review PTDZ's alignment with the Statewide Strategic Plan for economic development. They then provide suggestions for how the plan could be used for oversight purposes and conclude with a discussion of how the current economic climate may impact PTDZ and the state's economic development strategy. OPEGA helpfully offers the following, "Legislators could use the Statewide Strategic Plan to examine tools and build on, or improve, programs at the State level and in their communities." This statement encapsulates how thoughtful planning and evaluation can be married together for effective policymaking.

### Revisiting Findings from the 2017 Evaluation

Policymakers have made demonstrable improvements to the design and administration of PTDZ. But additional opportunities for reform remain. Below are select findings from OPEGA's first evaluation that could be explored further:

- OPEGA identified various gaps in data collection that limited their ability to produce rigorous economic and fiscal impact estimates. The state has expanded data collection from program beneficiaries and the Dept. of Economic and Community Development now reports additional data to the legislature. Lawmakers may wish to consult with OPEGA about whether these changes are sufficient for rigorous quantitative analysis or whether gaps remain.
- PTDZ is a collection of benefits that are administered by several different state agencies. OPEGA found that many benefits "do not all target the same direct beneficiaries, and in some cases have very little in common." They also found that no agency is placed to comprehensively oversee the program. Lawmakers may wish to explore this finding further to better understand how the program works "in the real world," as suggested in OPEGA's LSR, both for businesses and for administering agencies.
- OPEGA also found that some terms and benefits were not adequately defined in statute. Pew has found that details matter with incentives. Clear definitions can often mean the difference between effective and ineffective programs.

Thank you for the opportunity to comment on OPEGA's LSR of the Pine Tree Development Zones program. We are happy to serve as a resource as you consider the future of this program over the coming year.

Sincerely,

Alison Wakefield  
Manager, The Pew Charitable Trusts

**OPEGA Limited Scope Review on PTDZ**  
**Summary Prepared for GOC Meeting, February 26, 2021**

PTDZ Scope Questions	Report Conclusions	PTDZ Report Presentation – GOC Discussion Items
<p><b>1. What changes have been made to the PTDZ program since OPEGA’s 2017 report?</b></p>	<p>Since 2017, the Legislature has made significant changes in the PTDZ program including clarification of program goals.</p> <p>PTDZ’s clarified program goals focus on the creation and retention of quality jobs.</p>	<p><u>Questions related to DECD:</u></p> <ul style="list-style-type: none"> <li>• Whether DECD would address PTDZ’s alignment with the Strategic Plan more directly as DECD began Plan implementation?</li> <li>• How might PTDZ be made to better support the Plan?</li> </ul>
<p><b>2. To what extent does PTDZ’s design effectively target the program’s newly stated objectives?</b></p>	<p>The amended design of PTDZ ensures that benefits will mostly be provided only to businesses that create and retain at least one quality job and requires notarization of “but for” statements filed by PTDZ applicants.</p> <p>The amended design, however, does not guarantee that PTDZ is actually resulting in more quality job creation and retention than would have happened without the program.</p> <p>Proactive program management of PTDZ could support strengthened oversight and help ensure PTDZ is effective.</p>	<ul style="list-style-type: none"> <li>• How will DECD use the Plan in combination with the ERC Final Report as they work with the 130th Legislature to try to revive weakened sectors, particularly at the small business level?</li> <li>• How might DECD address the lack of a strong “but for” provision and the need for proactive program management and strengthened oversight of PTDZ?</li> </ul> <p><u>Information from DECD:</u></p>
<p><b>3. To what extent does the PTDZ align with the State’s Strategic Economic Development Plan?</b></p>	<p>PTDZ is generally in line with the overarching goals of Maine’s Statewide Strategic Plan; however, PTDZ does not speak to the specific actions outlined in that Plan.</p> <p>The report of the Maine Economic Recovery Committee (ERC), expected December 2020, may shed some light on PTDZ’s role in the economic recovery following the COVID-19 pandemic.</p>	<p>Pre-COVID DECD had planned to assess all tax incentive programs to see what is working/not working, what can be improved, and if we need to design something new.</p> <p>Funding for the assessments was put on hold due to the pandemic; DECD is trying to figure out how to accomplish the work.</p>
<p><b>Updates since 11/20/20 PTDZ Report Presentation</b></p> <ul style="list-style-type: none"> <li>• ERC report has been published, and DECD has begun posting Strategic Plan implementation updates online.</li> <li>• OPEGA reviewed the report and implementation updates and did not find any specific mention of PTDZ.</li> </ul>		