

**Joint Standing Committee on Innovation, Development, Economic Advancement and Business**  
**Review of Quasi Independent State Entities – Overview**

February 2022

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**What is a Quasi-Independent State Entity?**

- “An organization that has been established by the Legislature as an independent board, commission or agency to fulfill governmental purposes and that receives revenues that are derived, in whole or in part, from federal or state taxes or fees.” (5 MRSA §12021, sub§5)
- Examples: Finance Authority of Maine, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, University of Maine System

**Which quasi-independent state entities are under the jurisdiction of Innovation, Development, Economic Advancement and Business?**

- Finance Authority of Maine
- Loring Development Authority
- Maine Technology Institute
- Midcoast Regional Redevelopment Authority
- Small Enterprise Growth Board
- Washington County Development Authority

**What is required of quasi-independent state entities relevant to this review?**

- Procurement policies: Adopt/implement written policies on procurement/selection of vendors to ensure entity gets best value; to extent possible, policies must establish competitive procurement as standard (5 MRSA §12022, sub§3)
- Contributions policies: Adopt/implement written policies on use of resources for contributions; to extent possible, policies must ensure contributions are directly related to entity’s mission and activities (5 MRSA §12022, sub§4)
- Travel/meals policies: Adopt/implement written policies on travel, meals and entertainment; to extent possible, policies must limit travel/meal/entertainment costs to reasonable and necessary to carrying out mission and activities (5 MRSA §12022, sub§5)
- Annual report: Submit Annual Report by 2/1 to the Legislature: (5 MRSA §12023, sub§2)
  - List of procurements of exceeding \$10,000 in preceding year for which competitive procurement was waived
  - List of persons to which entity made a contributions greater than \$1,000 in preceding year, and amount of contributions
  - Description of changes made in preceding year to written policies and procedures

**What is required of the Legislative Committee of oversight?**

- Conduct review every 2<sup>nd</sup> regular session
- Review the quasi-independent entity’s annual reports to the Legislature for the previous 2 calendar years, and additional information as necessary, to assess whether:

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| <ol style="list-style-type: none"><li>1. Policies adopted by the entity are consistent with the requirements of 5 MRSA §12022, sub-§ 3-5</li><li>2. Reported waivers of competitive procurement are in compliance with adopted policies</li><li>3. Reported contributions are in compliance with adopted policies</li></ol> |
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- Report the results of the review to the Government Oversight Committee by March 1<sup>st</sup>

**Title 5: ADMINISTRATIVE PROCEDURES AND SERVICES**  
**Part 18: ADMINISTRATIVE PROCEDURES**  
**Chapter 379: BOARDS, COMMISSIONS, COMMITTEES AND SIMILAR ORGANIZATIONS**  
**Subchapter 3: QUASI-INDEPENDENT STATE ENTITIES**

**§12022. Financial policies and procedures**

A governing body of an entity:

**1. Consistency with authorizing law.** Shall ensure that all activities and expenditures of the entity are limited to those necessary to accomplish the entity's mission and to carry out the entity's duties consistent with the entity's authorizing law;

**2. Compliance with financial policies and procedures.** Shall ensure that the governing body, management and staff of the entity comply with financial policies and procedures established by the governing body;

**3. Selection of vendors.** Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the selection of vendors designed to ensure that the entity secures the best value in its procurements. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

A. Establish competitive procurement as the standard procurement method;

B. Specify the conditions under which competitive procurement may be waived; and

C. For procurements exceeding \$10,000 that were not competitively procured, require that written justification for and evidence of approvals are maintained on file for 5 years;

**4. Contributions.** Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the use of the entity's resources for contributions. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

A. Establish criteria to ensure that contributions are directly related to the entity's mission and activities;

B. Require that for identification and reporting purposes contributions are budgeted and accounted for separately from other expenditures in the entity's records;

C. Establish requirements for maintaining documentation to support each contribution; and

D. Require that the governing body must approve the annual budget for contributions and be provided periodic reports on contributions made by the entity;

**5. Travel, meals and entertainment.** Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the use of the entity's resources to pay costs of travel, meals and entertainment. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

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A. Limit travel, meal and entertainment costs to those reasonable and necessary for accomplishing the entity's mission and activities;

B. Describe the persons for whom the entity will pay travel, meal and entertainment costs and specify the conditions under which those costs will be paid and whether directly or through reimbursement;

C. Establish the requirements for supporting documentation and approval of travel, meal and entertainment costs paid directly or through reimbursement;

D. Require for identification and reporting purposes that travel, meal and entertainment costs are budgeted and accounted for separately from other expenditures in the entity's records; and

E. Require that the governing body must approve the annual budget for travel, meal and entertainment costs and be provided periodic reports on actual costs paid directly or reimbursed; and

**6. Lobbyists.** May not retain any person, other than entity staff, that is required to register as a lobbyist as defined in Title 3, section 312-A, subsection 10.

**§12023. Reports to the Legislature**

**1. Adoption and implementation.** By February 1, 2013, a governing body shall submit a report to the Legislature on the adoption and implementation status of written policies and procedures required by section 12022 and describing the measures the governing body intends to use to monitor compliance with those policies and procedures. The report must be submitted to the Executive Director of the Legislative Council in a manner established by the executive director, who shall forward it to the appropriate joint standing committee or committees of the Legislature for review.

**2. Ongoing reports.** By February 1, 2014, and annually thereafter, a governing body shall submit a report to the Legislature containing the following information:

A. A list of all procurements exceeding \$10,000 in the preceding year for which competitive procurement was waived under the policies adopted pursuant to section 12022, subsection 3, including procurements exceeding \$10,000 that were made under contracts previously entered into for which competitive procurement was not required. The list must include the names of the vendors and costs associated with those procurements;

B. A list of all persons to which the entity made contributions greater than \$1,000 in the preceding year and the total amount contributed to each; and

C. A description of changes made in the preceding year to the written policies and procedures required by section 12022 or to the procedures used by the governing body to monitor compliance with those policies and procedures.

For the purpose of this subsection, "the preceding year" means either the most recent January 1st to December 31st budget cycle or the most recent July 1st to June 30th budget cycle, depending on the fiscal year that the entity uses.

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Reports to the Legislature required by this subsection must be submitted to the Clerk of the House, the Secretary of the Senate and the Executive Director of the Legislative Council in a manner determined by the Executive Director of the Legislative Council. The Executive Director of the Legislative Council shall forward each report to the appropriate joint standing committee or committees of the Legislature.

**3. Committee review and report.** By March 1st of every second regular session, beginning in 2016, a joint standing committee of the Legislature receiving reports pursuant to subsection 2 shall review the reports received within the past 2 calendar years, and gather additional information as necessary from the submitting entities, to assess whether policies and procedures adopted by a governing body in accordance with section 12022, subsections 3 to 5 are consistent with expectations established in those subsections and whether all reported waivers of competitive procurement and reported contributions made are in compliance with the adopted policies and procedures, including proper justification and documentation. The joint standing committee shall report the results of its review, including any areas that should be reviewed in more depth, to the joint legislative committee established to oversee program evaluation and government accountability matters.