

Materials for DECD (not including MDF/EGC)
 Relevant sections are highlighted in Blue

Economic and Community Development, Department of

*Ref# 289 incl
 Ref# 290*

ADMINISTRATION - ECON & COMM DEV 0069

2021-22 2022-23

Initiative: Provides one-time funding for the Department of Economic and Community Development to cover certain operating expenses for the Loring Development Authority of Maine.

OTHER SPECIAL REVENUE FUNDS

All Other

970,100

Total 970,100 0

Initiative: Provides funding for the increased cost of centralized financial and human resource services provided by the Department of Administrative and Financial Services.

GENERAL FUND

All Other

9,198

9,198

Total 9,198 9,198

2021-22 2022-23

Summary - GENERAL FUND

All Other

9,198

9,198

Total 9,198 9,198

Summary - OTHER SPECIAL REVENUE FUNDS

All Other

970,100

Total 970,100 0

BUSINESS DEVELOPMENT 0585

2021-22 2022-23

Ref# 292

Initiative: Provides funding for Department of Economic and Community Development to administer programs for marketing and business attraction efforts on behalf of Loring Development Authority of Maine.

GENERAL FUND

All Other

200,000

200,000

Total 200,000 200,000

Summary - GENERAL FUND

All Other

200,000

200,000

Total 200,000 200,000

to, assisting municipalities with information about available grant opportunities, sharing best practices from jurisdictions inside and outside of Maine, providing model language for local ordinances and policies, and providing information to the general public which may support local and statewide policy changes meant to increase the supply of housing.

3. Program evaluation. Any recipient of grant funds through this program shall cooperate with the department in performing program evaluation and specific reporting requirements.

4. Report. By January 15, 2024, the department shall report to the Governor and the joint standing committees of the Legislature having jurisdiction over economic development and housing matters about the program with any recommendations for changes in the statutes to improve the program and its delivery of services to municipalities. The joint standing committees of the Legislature having jurisdiction over economic development and housing matters may report out a bill relating to this program and continued funding.

PART U SUMMARY

This Part establishes the Housing Opportunity Program within the Department of Economic and Community Development to encourage and support the development of additional housing units in Maine, including housing units that are affordable to low and moderate income people and housing units targeted to community workforce housing needs.

PART V

Sec. V-1. Transfer from General Fund unappropriated surplus; Department of Economic and Community Development – Admin account. Notwithstanding any provision of law to the contrary, the State Controller shall transfer \$970,100 from the unappropriated surplus of the General Fund to the Department of Economic and Community Development - Admin, Other Special Revenue Funds account within the Department of Economic and Community Development on or before June 30, 2022 for the purpose of covering certain operating expenses of the Loring Development Authority of Maine.

PART V SUMMARY

This Part requires the transfer of \$970,100 in fiscal year 2021-22 from the unappropriated surplus of the General Fund to the Department of Economic and Community Development - Admin, Other Special Revenue Funds account. The funds will cover certain operating expenses associated with Loring Development Authority of Maine established in Title 5, section 13080.

TESTIMONY
OF DENISE GARLAND, DEPUTY COMMISSIONER
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

Before the Joint Standing Committee on Appropriations and Financial Affairs and the
Joint Standing Committee on Innovation, Development, Economic Advancement and Business

Hearing Date: March 7, 2022

**“An Act Making Supplemental Appropriations and Allocations for the Expenditures of State
Government, General Fund and Other Funds, and
To Change Certain Provisions of the law Necessary to the Proper Operations of State
Government for the Fiscal Years Ending June 30, 2022 and June 30, 2023.”**

Good afternoon Senator Breen, Representative Pierce and members of the Joint Standing Committee on Appropriations and Financial Affairs; Senator Curry, Representative Roberts and members of the Joint Standing Committee on Innovation, Development, Economic Advancement and Business. My name is Denise Garland and I am the Deputy Commissioner of the Department of Economic and Community Development. I am here today to testify in support of LD1995 the Supplemental Budget.

As Governor Mills said, “Maine people deserve every ounce of hard-won progress that we have achieved despite the pandemic. And Maine people have earned the progress that is yet to come.”

The supplemental budget provides additional relief to Maine people and ensures the continuity of the programs and services so vital to Maine residents. The Governor has proposed giving back half the surplus to Maine taxpayers to help them confront inflation, and she sets money aside in the Budget Stabilization Fund and other important reserves to ensure we can continue to fully fund public education and revenue sharing, two major accomplishments of this Legislative body and this Administration. The Governor also focuses sharply on addressing Maine’s biggest challenges, tackling our State’s longstanding workforce shortage to improve our economy, providing an affordable, world-class education for Maine people, and on bolstering a health care system that has been pushed to the brink because of the pandemic.

The Governor seeks to do this in a fiscally responsible manner that provides needed assistance and support to Maine people while heeding the warnings of Maine’s nonpartisan Revenue Forecasting Committee, which has expressed significant concern about shifting economic conditions, calling the fiscal environment “unprecedented” and “variable” and noting that the accuracy of their forecast becomes less reliable in future years, leading them to urge caution in use of the revenues.

SUPPLEMENTAL BUDGET TESTIMONY

For the Department of Economic and Community Development (DECD), the supplemental budget reflects increases in funding to support lost revenues and redevelopment efforts of the former Loring Air Force base at Limestone, funding to cover the increased costs associated with the centralized financial and human resource services and additional funding for the Maine Development Foundation for its support for the Maine Economic Growth Council.

As a public instrumentality of the State, the Loring Development Authority (LDA) is seeking funding to offset the decline in revenues as a result of the COVID-19 pandemic. Viable business prospects in 2020 dwindled with the onset of the pandemic and efforts to replace lost lease revenues declined through 2021 and into 2022. An additional source of revenue to the Authority comes from the Loring Job Increment Financing Program which produces revenues based on the number of jobs. Loring saw a decline in net jobs over the past two years which added further strain on its budget. The Executive Director retired during this timeframe and reduced revenues have precluded the Authority from hiring a replacement. Fortunately, he has agreed to assist with the redevelopment efforts, as needed, until revenues can be increased. Recognizing that providing ongoing support to Loring is not a sustainable solution, DECD and the Loring Development Authority Board, at the request of the Governor, embarked on a process with a third-party consultant to produce a sustainability plan that was released in July 2021. With the financial status of LDA at a crisis stage, and expenditures that continue to outpace revenues, Loring is operating at a loss of approximately \$45,000 per month and \$100,000 per month during the winter months. The debt load is extensive at over \$2.9m at the end of FY21. Because of this debt load, additional borrowing capacity is limited or non-existent.

LDA has an extensive 3,800-acre campus that comprises a significant aviation complex, over 2.7 million square footage of available building space, and numerous infrastructure assets. LDA currently has 11 tenants that are property owners, (including Loring Jobs Corp which occupies nine buildings) and 23 organizations leasing space. In addition, the campus houses the Defense Finance and Accounting Service Center which occupies a state-of-the-art office building accommodating 600 employees. Many of the vacant properties have not been heated or maintained due to excessive costs and are in disrepair. However, approximately 543,000 square feet of space of existing buildings are considered “in good condition” and available for lease or sale. Loring has recently received Congressional Support to assist with building demolition and road improvements.

Looking to the future, the sustainability plan identified the need to engage in a new and enhanced marketing campaign and to target certain business sectors as well as overhaul Loring’s website which was created over twenty years ago and doesn’t accurately reflect the status of the facility.

The sustainability plan also highlighted business development prospects with short-term and long-term potential, specifically targeting the aviation/aerospace, value added food processing, forest products and advanced manufacturing sectors that match the capabilities and assets of the base and surrounding workforce.

The plan also identified that Loring should leverage marketing and business development support from DECD and the Midcoast Regional Redevelopment Authority (MRRA); consider pursuing sales to other master developers; review options for funding an airport master plan to keep aviation options open and pursue other federal funding programs. Recent development efforts have seen an interest in solar energy production as well as agriculture storage. DECD recently launched a “Site Selection” on-line portal to advertise properties for sale and lease in the State of Maine and we now have Loring properties listed prominently on the website.

ADMINISTRATION – ECONOMIC AND COMMUNITY DEVELOPMENT

The supplemental budget initiatives for the Administration Account may be found on **page A-44**.

The **first initiative** requests one-time funding of \$970,100 in FY22 from the unappropriated surplus of the General Fund to the Other Special Revenue Account to cover certain operating expenses at Loring. Loring Development Authority ran out of operating funds in December and DECD has offered temporary assistance to keep the facility open and the board has been working with banks to defer payments. In July, 2022 Loring will receive its annual J-Tif payment which will support continued operations.

The **second initiative** requests funding of \$9,198 in FY22 and FY23 to cover the six percent increase in costs assessed on the department for centralized financial and human resource services provided by the Department of Administrative and Financial Services.

BUSINESS DEVELOPMENT

The initiative for the Office of Business Development may also be found on **page A-44**.

This **initiative** requests funding of \$200,000 in FY22 and FY23 for DECD in collaboration with the Loring Development Authority Board to administer programs for marketing and business attraction efforts with a goal of increasing on-going revenues. DECD will issue the necessary RFP’s and contracts to ensure that business attraction efforts are amplified, and marketing materials are promoted. Increased revenues should not only provide the necessary revenues to sustain the facility but cover the cost associated with the necessary staff to maintain and promote the facility in the future.

MAINE ECONOMIC GROWTH COUNCIL

The initiative for the Maine Economic Growth Council may be found on **page A-45**.

The Maine Economic Growth Council is established in statute. The general fund appropriation is provided through an annual contract to the Maine Development Foundation for the support and administration of the Maine Economic Growth Council. The Maine Development Foundation and the Maine Economic Growth Council are key partners in tracking the success of the 10-Year Economic Development Strategic Plan. The Council's most public work is the annual "Measures of Growth" report.

The **initiative** requests funding of \$35,000 in FY22 and FY23 to accommodate the increased costs associated with staff support for the Maine Economic Growth Council.

LANGUAGE SECTION

Part V of the Language Section may be found on **Page 29** and provides the statutory language to transfer \$970,100 from the unappropriated surplus of the General Fund to the Department of Economic and Community Development – Admin, Other Special Revenue Funds account. This initiative relates to the budget initiative previously discussed on Page A-44.

This concludes my testimony for the Department of Economic and Community Development.