

Talking Points on LD 1217
"An Act To Implement the Recommendations of the Government Oversight Committee To Improve the Efficiency and Effectiveness of Evaluations of the State's Investments in Economic Development"

How did this bill come about?

- This bill is one component of a multi-faceted approach the GOC is proposing to provide for comprehensive assessments of the State's economic development activities. The GOC's proposals are the latest in the evolution of legislative efforts to get worthwhile evaluations of economic development programs, something the Legislature has been pursuing for quite some time.
- In December 2006, the Office of Program Evaluation and Government Accountability (OPEGA) issued a report from a review of Economic Development Programs in Maine. That review was done at the request of the Appropriations and Financial Affairs Committee. The report describes earlier legislative efforts to get some review of economic development programs and those efforts go back at least another 10 years.
- One of the recommendations in OPEGA's 2006 report was for the Legislature to subject a particular slate of programs to more in-depth evaluations of efficiency and effectiveness. In response to that recommendation, the Department of Economic and Community Development worked with the former BRED Committee to establish a process, schedule and funding for regular evaluation of the State's portfolio of economic development programs that mirrored the evaluation process already established in statute for programs focused on research and development.
- Statute (5 MRSA §13056-A) currently requires DECD to contract for an independent biennial evaluation of "state investments in economic development". This is referred to as the Comprehensive Economic Development Evaluation (CEDE) and it is intended to encompass all economic development programs not already being evaluated under the statutorily-required evaluation of research and development activities (R&D) (5 MRSA §13107). Statute (5 MRSA §13056-C) also establishes payments to a fund to support the CEDE evaluation and this funding mechanism also mirrors the one that was already statutorily-established to fund the R&D evaluations (5 MRSA §13109).
- As required by statute, DECD contracts with an independent evaluator to conduct both the CEDE and R&D evaluations. There have been two Comprehensive Economic Development Evaluations completed pursuant to the statutory requirement. The first was conducted in 2008 with report issued in March 2009. The second was conducted in 2013 and 2014 with two reports issued in January and June 2014. We understand the next required evaluation is currently underway. The R&D

evaluations have also continued on their statutorily-set schedule. The evaluator has begun to combine the reporting for the CEDE and R&D evaluations.

- Since the release of OPEGA's report in 2006, the GOC and OPEGA have continued to monitor actions taken by DECD and the Legislature to implement the recommendations it contained. In April 2015, the GOC took a comprehensive assessment of the status of the recommendations and began considering what actions the GOC should take with regard to recommendations that had not been fully addressed. This process identified a number of issues that have been impeding the effectiveness and efficiency of the CEDE evaluations, thus raising questions about the cost-benefit of continuing with these evaluations in the current format. Over the course of the last two years, the GOC has been working to develop reasonable solutions to address these issues.
- LD 1217 is one component of the solution. A separate, but complementary component is proposed in LD 367 which is still currently working its way through the bill process.

What does the bill do?

- This bill repeals and replaces several existing statutory provisions, and amends several others, to improve the efficiency and effectiveness of the two separate independent evaluations DECD is currently required to conduct every two years. These are the Comprehensive Economic Development Evaluation and the Research and Development Evaluation that are described in the bullets above.
- Since the primary purpose of research and development activities is to support economic development, this bill combines the statutory provisions related to both these evaluations into a requirement for conducting and funding one independent evaluation that encompasses both. The bill also changes the required cycle for evaluation from every 2 years, with results reported to the Legislature during second regular sessions, to every 4 years, with results reported during first regular sessions. This is intended to allow the Legislature more time to consider the recommendations from evaluation reports and allow for recommendations to be implemented in between evaluation periods. The new proposed timing for release of the reports during first regular sessions will also mean the Legislature and Executive will get recommendations on improvements from these evaluations when biennial budgets and new bills are beginning to be considered.
- Additionally, this bill establishes the objectives for the evaluation and ties those objectives and any recommendations made to the State's long-range strategic economic improvement plan developed by the Maine Economic Growth Council as currently required by statute. Setting more specific evaluation objectives in statute will help to clarify expectations for the evaluation and should help to ensure consistency in evaluations over time so that results are comparable from one evaluation to another. The bill states that the objectives of the evaluation may include an assessment of:

1. the extent to which the state's portfolio of economic development investments, particularly in terms of level and types of investments, aligns with and supports the state economic development strategic plan;
 2. the extent to which individual activities and programs, or groups of activities and programs, within the state's portfolio are contributing to the achievement of particular goals, measurable objectives and performance targets associated with the state economic development strategic plan;
 3. how the state's portfolio of economic development investments, particularly in terms of level and types of investments, compares to investments in other states;
 4. the impact of the state's economic development investments in improving the competitiveness the state's established and emerging technology and industry sectors in regional, national and global arenas; and
 5. the extent to which the overall framework for the state's economic development investments provides for sufficient transparency and accountability, effective and efficient coordination among the state's activities and programs, and easy access for interested businesses and other entities.
- Extending the due dates on evaluation reports from every two years to every four years, combining the two separate evaluations and specifying the evaluation objectives is also expected to partially address issues that have arisen with regard to funding for the evaluations. Funds accumulated via the current funding mechanisms established in statute have been insufficient to cover the full cost of the DECD evaluations. While this bill just continues the mechanisms in their current state, it is expected that there should be adequate funds to cover one evaluation every four years.
 - The GOC is also aware that there is also an issue with the fairness of the funding mechanisms as currently established in statute. It has been primarily the R&D activities that are getting the funding assessments, rather than the economic development programs as it has been difficult to determine how best to apply the funding assessment to tax expenditures and other economic development incentives. This bill does not propose a solution to that issue though conversations continue with DECD and others about how to improve the funding mechanism.
 - Lastly, this bill seeks to ensure that DECD evaluation results are considered and acted on, as appropriate, by assigning responsibility for review and action to both the Department of Economic and Community Development and the LCRED Committee. Recommendations in the prior two Comprehensive Economic Development Evaluation reports have gone largely unaddressed, and have also not been well communicated to legislators. The GOC's observation is that the State has not been getting the full value of these evaluations, partly because there has been a lack of clarity about whose responsibility it is to be addressing the report recommendations. This bill seeks to remedy that.

What other steps is the GOC taking to address the issue?

- In addition to LD 1217, the GOC has also introduced LD 367 – An Act To Implement the Recommendations of the Government Oversight Committee To Develop a Long-range Strategic Plan for Economic Improvement in the State. Though the two bills stand independently in terms of what they are trying to accomplish, they are also meant to be complementary.
- LD 367 provides additional clarity, requirements and resources for the Maine Economic Growth Council's efforts to fulfill its current statutory mandate to develop, monitor and maintain a long-range strategic economic improvement plan for the State. It also includes provisions to support the State's achievement of the goals and objectives in that plan by establishing requirements for the Governor, Legislature and agencies with relevant programs and activities to consider the long-range strategic economic improvement plan and provide information to the Maine Economic Growth Council.
- It is expected that the long-range strategic plan developed by the Council would serve as a basis against which to evaluate the State's investments in economic development programs. Both OPEGA and DECD's independent evaluator have commented on how economic development programs, and the evaluations of them, could be more focused and effective with such a plan in place.