



May 29, 2024

Hon. Nicole Grohoski, Senate Chair
Hon. Joseph Perry, House Chair
Joint Standing Committee on Taxation
Maine State Legislature
100 State House Station
Augusta, Maine 04333

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

Enclosed please find the annual report required by 10 M.R.S.A. § 1100-T(7) regarding activity of the Maine Seed Capital Tax Credit Program for Calendar Year 2023.

Please let me know if you have any questions or would like additional information. We would be happy to provide it.

Very truly yours,

A handwritten signature in cursive script that reads "Carlos R. Mello".

Carlos R. Mello
Chief Executive Officer

Encl.

Cc: Julie Jones, Office of Fiscal and Program Review
Peter Schleck, Director, Office of Program Evaluation and Government Accountability

FINANCE AUTHORITY OF MAINE

Maine Seed Capital Tax Credit Program

Annual Report—Calendar Year 2023 Activity

Executive Summary:

This report by FAME of Calendar Year 2023 (CY2023) Maine Seed Capital Tax Credit Program activity continues the meaningful shift in both the level of information provided and the reliability of the data provided that began with FAME's CY 2020 report. FAME has administered the program since its creation by the Legislature in 1987. We have watched it change and grow over the years to enable the success of various Maine start-up companies. As you may recall, the program is designed to encourage equity and near-equity investments in eligible Maine businesses, directly and through private venture capital funds. FAME may authorize state income tax credits or refundable tax credits to investors for up to 40% of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research or working capital. The program reduces the risk of a Maine investment, encouraging investors to commit capital to Maine companies that might otherwise be invested outside the state.

As a result of both additional reporting requirements on participating companies added by the Legislature to the program in 2020 by PL 2019, ch. 616, Pt. LL, §11, and suggestions provided by the Office of Program Evaluation and Government Accountability (OPEGA) in connection with its program review and report dated August 2021, FAME substantially revised and expanded the annual report form sent to participating companies commencing with the 2020 reporting year. The format of the form was modified for CY2023 to make minor clarifications, but requested the same substantive data as in CY2020, CY2021, and CY2022. A copy of the CY2023 form is attached as Addendum A. The post-CY2020 forms added several new data requests, added detailed definitions of terms like "employees," and broke down some general informational requests into separate, more detailed requests, when compared to historical reporting forms.

Historically, responses by program participants to FAME's annual report requests have been unsatisfactory. Since 2020, in order to obtain better reporting compliance from participating companies, FAME engaged in substantially greater efforts to contact companies that did not respond to initial requests for reports, reaching out (sometimes several times) by phone and email to ensure the report was submitted.¹ Similarly enhanced efforts were undertaken to contact companies that filed initial reports which were, upon subsequent review,

¹ The Authority also amended its Program Rule in 2020 to add additional reporting fields and impose penalties for companies not filing the annual report (on top of future credit disqualification) in order to help improve response rates.

determined to have been answered incompletely or erroneously, to verify or clarify data provided. These enhanced efforts resulted in completed reports filed by 82% of participating companies in CY2020, 79% for CY2021, 74% for CY2022, and 89% for CY2023, a markedly better response rate than in prior years. The data provided below comes from the Authority's records of program activity, as well as from the reports collected from participating companies.² Although reports are required of all companies that have been approved to participate, the data provided below specifically excludes any information provided by companies that still have not received the benefit of any program credits, to avoid any potential skewing of the data by companies who have not yet used credits to incentives investment.

The data provided below reflects that Calendar Year 2023 was a strong year for the program. All told, FAME received over 176 investor applications, representing total investments of approximately \$15 million in 36 participating Maine companies (a list of which is attached as Addendum B), and awarded credits totaling nearly \$6 million. The 72 participating companies that filed reports disclosed that they raised additional capital (without credits) from both private and public (state and federal) sources totaling over \$119 million in 2023. Those same companies reported over \$104 million in revenue from Maine operations (representing approximately 80% of company total revenues), as well as in-state spending on goods and services of over \$118 million. These companies also reported employing 819 Maine workers, 41% of which were reported as dependent on the companies having received the benefit of program credits, across the state, with a total Maine payroll of nearly \$116 million.

In general, FAME found the information provided by participating companies to be consistent with program expectations and supportive of the premise that the program is a vital tool to driving investment in Maine companies that generate significant economic activity in the state. Specifically, **in CY2023, approximately \$6 million of credits incentivized approximately \$15 million in related investments and leveraged over \$56 million in additional private and public investments in 36 Maine companies. When including all 72 reporting companies that have obtained program investments in the last 4 years, the total additional private and public investment in CY2023 totals \$119 million. These companies in turn generated revenues of over \$104 million from Maine operations and spent over \$118 million in Maine, including nearly \$116 million on payroll to support the employment of 819 Maine workers.**³

FAME is required by the program statute to report its determination of whether the investments that received credits over the year would have been made "but for"/in the absence of the credit. It is FAME's belief that the credits were a significant factor in each

² Data provided by participating companies is self-certified as accurate, but not independently verified by FAME.

³ Since approximately 11% of participating companies did not file a report, and their impact is thus not reflected in these totals, it is likely that the public benefits from the participating companies are understated.

investment and that a majority of the investments that received credits in CY2023 would not have been made on the same terms without the credit; however, this belief is based solely on anecdotal information from participating companies and investors. As we have previously stated in legislative hearings, FAME does not believe it is possible to determine with absolute certainty whether any of the investments that were the subject of program credits would have been made but for/without the credit. Investors certify as part of their FAME application that their decision to invest was made in part based on the potential of receiving the benefit of a program. However, investment decisions are multi-faceted, including subjective assessments of risk, other investment alternatives, other economic development incentives, and whether incentives like the program credits adequately compensate for the risks involved.

Calendar Year 2023 Detailed Compilation of Reported Data:

1. Number of program-participating companies required to report for calendar year 2023 ("Covered Companies")*: 81
2. Number of Covered Companies that filed 2023 annual report ("Reporting Companies"): 72 (90%)
3. Number of Covered Companies receiving program-qualified investments during the year: 36
4. Number of investments in Covered Companies during the year: 176
5. Total amount of program-qualified investments received by Covered Companies during the year: \$14,911,941.70
6. Total program credits issued to investors due to investments in Covered Companies during the year: \$5,884,776.65
7. Total other private investments (non-credit) received by Reporting Companies: \$54,591,327.24 (\$36,725,031.66 in those that received program investments in 2023)
8. Total public (state and federal) investments/grants received by Reporting Companies: \$65,094,207.14 (\$19,762,104.14 in those that received program investments in 2023)
9. Total Number of persons employed by Reporting Companies on 12/31/2023**:
 - a. Employees: Maine: 690; Other: 361
 - b. Independent Contractors: Maine: 129; Other: 87
 - c. Total Maine Workers (Employees and Independent Contractors): 819
 - d. Location of Maine Workers (by county)**:
 1. Androscoggin: 159
 2. Cumberland: 374
 3. Knox: 18
 4. Lincoln: 22
 5. Oxford: 4
 6. Penobscot: 66
 7. Sagadahoc: 10

8. Somerset: 16
9. Waldo: 15
10. York: 101
11. Kennebec: 17
12. Franklin: 7
13. Washington: 1
14. Aroostook: 7
15. Hancock: 2

Addendum A:

Maine Seed Capital Tax Credit Program

Annual Report for Calander Year 2023

(Due March 31, 2024)

| | | |
|-----------------------|--|---|
| <u>Business Name:</u> | | <u>Address:</u> |
| <u>Contact Name:</u> | | <u>Email:</u> |
| | | <u>Phone:</u> |
| 1. | Is the business still in operation as of 12/31/23? If not, what date did the business cease operations and what was the likely cause of that event? | |
| 2A | What is the total amount of private (non-governmental) investment received in <u>calendar year 2023</u> from investors who have applied or will apply for a Maine Seed Capital Tax Credit? | <u>Total Seed Capital Investments 2023 (\$)</u> |
| 2B | What other (non-Seed Capital participating) investments or grants did the company receive in calendar year 2023 from private (non-governmental) sources? | <u>Total other private investments 2023 (\$)</u> |
| 2C | What other loans, investments or grants did the company receive in calendar year 2023 from public (federal or state government) sources? (eg., MTI, MVF, DECD, USDA) | <u>Name of Source Type of funds Amount (\$)</u> |
| 2D | To the best of your knowledge, how much (\$ amount) of the investments qualifying for Seed Capital Tax Credits in 2023 (answer to 2A) would have been made if the tax credit had not been available ? | |
| 3A | What are the total number of permanent employees <u>on a FTE basis</u> (do not include temporary or seasonal employees unless hired on a recurring basis) of the business as | |

| | | | |
|----|---|-----------------|----------------------------|
| 3B | <p>of December 31, 2023? <i>{Please list true, paid company employees only, not unpaid principals or advisors, independent contractors or employees of related companies.}</i></p> <p>How many independent contractors did the company have under contract on 12/31/2023 (on a FTE basis)? (include temporary and seasonal if hired on recurring basis)</p> | | |
| 4A | <p>Of the current employees listed in the answer to 3A above, how many of those employees are Maine residents or physically work in Maine, including remote workers (“Maine employees”)? <i>(List number by location of where work performed)</i></p> | Number town) | Location in Maine (city or |
| 4B | <p>Of the independent contractors listed in the answer to 3B above, how many of those contractors are Maine residents or physically work in Maine, including remote workers (“Maine contractors”)? <i>(List number by location of where work performed)</i></p> | Number town) | Location in Maine (city or |
| 5A | <p>Of those Maine employees listed in the answer to Question 4A, how many <u>would not</u> have been hired or retained if investments qualifying under the Maine Seed Capital Tax Credit program had not been received by the business, either in 2023 or prior years?</p> | | |
| 5B | <p>Of those Maine contractors listed in the answer to Question 4B, how many <u>would not</u> have been hired or retained if investments qualifying under the Maine Seed Capital Tax Credit program had not been received by the business, either in 2023 or prior years?</p> | | |
| 6A | <p>What was the company’s total annual payroll for <u>all</u> Maine employees (<u>those listed in answer to 4A only</u>) for the calendar year ending 12/31/2023?</p> | \$ | |
| 6B | <p>What was the company’s annual payroll for those Maine employees that <u>would not</u> have been hired or retained in absence of the business’ receipt of investments that qualified for the Maine Seed Capital Tax</p> | \$ | |

| | | |
|----|---|----|
| | Credit (<u>those listed in answer to 5A only</u>), either in 2023 or prior years? | |
| 7A | What was the company's total annual expenses for all Maine contractors (<u>those listed in answer to 4B only</u>) for the calendar year ending 12/31/2023? | \$ |
| 7B | What was the company's annual expenses for those Maine contractors that <u>would not</u> have been hired or retained in absence of the business' receipt of investments that qualified for the Maine Seed Capital Tax Credit (<u>those listed in answer to 5B only</u>), either in 2023 or prior years? | \$ |
| 8 | What was the business' total gross revenue from company operations in Maine in the calendar year ending 12/31/23? | \$ |
| 9 | What was the business' total gross revenue from company operations in locations outside of Maine (if any) in the calendar year ending 12/31/23? | \$ |
| 10 | What is the total estimated spending by the company <u>in Maine</u> in calendar year 2023, including, without limitation, payroll, state or local taxes, raw materials and supplies, and other goods and services sourced in Maine. | \$ |

Certification: the undersigned hereby certifies that the information provided is true, accurate and complete.

BY: _____

Name:

Title:

Email:

Date:

For questions, please contact Michelle MacKenzie by telephone at (207) 620-3541 or by email at mmackenzie@famemaine.com.

Submit form via email at mmackenzie@famemaine.com, or via fax at (207) 213-2641.

Addendum B

Covered Seed Companies with 2023 Investments:

Acadian Composite Materials (Even Keel)-Woolwich
Alakazam-Portland
ALM Ortho-Portland
American Unagi-Waldoboro
AmPLY Energy-Portland
Battery Steele Brewing - Portland
blueShift Aerospace-Brunswick
Casa Group Holdings-Durham
Circa Labs - Brunswick
Coursestorm-Orono
Defendify- Portland
Globeco- Scarborough
HighByte- Portland
Introspective Solutions - Portland
Katahdin Salmon - Millinocket
Kinotek- Portland
Kit NA Brewing - Portland
Literacy Tech--Lewiston
Maine Shellfish Tech - Scarborough
Marin Brands- Portland
MedRhythms- Portland
Mobile Price Card- Bangor
Oceans Balance – Cape Elizabeth
Omic Data- Brunswick
Onside Compliance - Portland
Orange Bike Brewing - Portland
Our People - Portland
Pribish Group – Portland
Reconnect - Cumberland
RockStep Solutions - Portland
Senscio Systems – Portland
Simply Homes- Portland
Tanbark- Saco
Tootie's Tempeh - Biddeford
Valt Enterprise- Presque Isle
Zero Energy Homes – Mount Desert