

GOC Processing of OPEGA Tax Expenditure Reports

Report Presentation

3 MRS §997(2) Submission of final report to committee. “The director shall notify the committee when each final program evaluation report under this chapter is completed. The report must then be placed on the agenda for a future committee meeting. At the meeting where a report appears on the agenda for the first time, the director will release that report to the committee and to the public simultaneously.”

At the meeting in which the report is presented to the GOC, it also becomes a public document.

The purpose of this presentation is for OPEGA staff to present the conclusions and findings of the report and for GOC members to ask questions of OPEGA about the evaluation work, conclusions, findings and recommendations.

Public Hearing

3 MRS §994. Duties of committee. (4) Conduct hearings. “To hold public hearings for the purpose of receiving reports from the office and questioning public officials about office findings and recommendations.”

GOC Committee Rules. (7) Procedures for public hearings. “...Except by vote of a majority of the Committee, the Committee may not hold a public hearing to solicit public input on a final report until at least 14 days after that final report is received by the Committee and distributed to the public as provided by Title 3, section 994, subsection 4 and section 997, subsection 2.”

Following presentation of a tax expenditure report, the GOC decides whether to hold a public hearing to take comment from interested parties. In practice, Committees have typically chosen to hold public hearings on all reports. If the Committee decides to hold a public hearing, OPEGA provides appropriate notice for it.

Work Session(s)

3 MRS §999(3). Action by committee. “The committee shall review the report submitted by the office under subsection 2, assess the report’s objectivity and credibility and vote whether to endorse the report. The committee shall submit a record of the vote on any reports submitted by the office and any comments of or actions recommended by the committee to the policy committee for its review and consideration.”

GOC Committee Rules. (8) Procedures for work sessions. “The purpose of a work session is to provide an opportunity for the Committee members to deliberate on reports and other matters pending before the Committee.

A. All questions must be addressed through the chair.

B. Because work sessions are primarily for deliberation on reports and discussions with the Director, members of the audience may not participate except at the invitation of the chair.”

The GOC may hold one or more work sessions, as needed, to vote on endorsement and take any additional action(s) in response to the report. Then the Committee votes to transmit the report to the Taxation Committee.

1. Endorsement Vote

- Generally, the Committee will fully endorse the report if it finds that the reported results are credible, objective, and sufficiently relevant and complete with regard to the assigned scope for the evaluation.
- The vote will be recorded and included in the written summary for the Committee meeting. If the Committee, or an individual member, votes not to endorse or to endorse in part, the reasons for those votes will also be recorded and included in the meeting summary.

2. Additional Committee Actions

The Committee determines what additional actions, if any, it would like to take in response to a report. No additional actions are required. Some possible additional committee actions related to reports include:

- **requesting additional information** from OPEGA or state agency officials;
- **requesting state agency officials provide updates** to the Committee, at specified future dates, on their progress implementing recommendations or making improvements;
- **sending a letter to the policy committee** to convey Committee concerns or recommendations;
- **reporting out legislation**, as allowed by 3 MRS §997(2) “If the committee determines it is necessary, the committee may report out to the Legislature legislation to implement the findings and recommendations of any program evaluation report presented to it by the office.”

3. Transmission to Taxation Committee

Following the endorsement vote and any additional actions, the Committee officially submits the report to the Taxation Committee for its review and consideration. Once the Committee is ready to submit the report to Taxation, OPEGA prepares the submission including a copy of the report along with the following:

- the result of the GOC endorsement vote;
- copies of all public comment received by the GOC;
- excerpts from relevant GOC meeting summaries;
- any communications the Committee determines it would like included, including comments or recommendations for the Taxation Committee’s consideration.

Taxation Committee Processing of Tax Evaluations

3 MRS §999(4). Action by policy committee. “The policy committee shall review the results of the tax expenditure evaluations and of the committee's review based on materials submitted under subsections 2 and 3. The policy committee shall submit to the Legislature by the later of 90 days after receipt of materials submitted under subsections 2 and 3 and the adjournment sine die of the regular session during which the materials were received, if applicable, a report documenting its activities under this chapter and any recommendations resulting from its review of the materials submitted under subsections 2 and 3. The policy committee may submit a bill to the Legislature to implement the policy committee's recommendations.”

At the request of the Taxation Committee, OPEGA staff will appear to present the report and answer questions about evaluation work, conclusions, findings and recommendations.

OPEGA will also keep the GOC apprised of Taxation Committee meetings in which discussion of the report, or presentation of the report by OPEGA staff, are on the agenda. If requested, OPEGA will also report back to the GOC regarding Taxation Committee action on the report.

GENERAL DYNAMICS
Bath Iron Works

Jon A. Fitzgerald
Vice President General Counsel

January 24, 2020

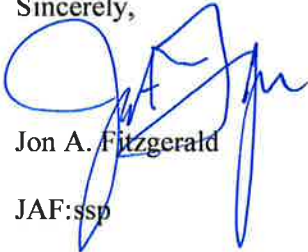
Commissioner Heather Johnson
Maine Department of Economic Community Development
59 State House Station
Augusta, ME 04333-0059

Re: *Bath Iron Works Corporation Application for Certificate of Approval*

Dear Commissioner Johnson:

Enclosed please find the Affidavit of Scott E. Zamer, Bath Iron Works Corporation's Vice President/CFO as application for a certificate of approval, demonstrating that BIW is a qualified applicant, under the Tax Credit for Maine Shipbuilding Facility Investment.

Sincerely,



Jon A. Fitzgerald

JAF:ssp

Encl.

STATE OF MAINE
DEPARTMENT OF ECONOMIC AND
COMMUNITY DEVELOPMENT

IN RE: TAX CREDIT FOR MAINE
SHIPBUILDING FACILITY INVESTMENT
PROGRAM AS DEFINED UNDER 36
MRSA §5219-RR

AFFIDAVIT OF SCOTT E. ZAMER

I, Scott E. Zamer, being duly sworn hereby state the following:

1. I am over 18 years of age and am competent to testify to the matters addressed in this Affidavit.
2. This Affidavit is based upon my own personal knowledge, information or belief. So far as this Affidavit is based upon information, I believe this information to be true.
3. I am the Vice President/CFO at Bath Iron Works Corporation (“BIW”).
4. BIW owns and operates a “Maine shipbuilding facility” as defined in 36 MRSA § 5219-RR. It is located in the State of Maine with a principal place of business at 700 Washington Street, Bath Maine 04530. BIW is dedicated to the design, production, maintenance and repair of surface water vessels for the US Navy and includes real estate, tangible personal property, fixtures, machinery and equipment necessary for those activities.
5. BIW proposes to make a “qualified investment” in the State of Maine as defined in 36 MRSA § 5219 (1)(I). A qualified investment means expenditures incurred on or after January 1, 2018 that total at least \$100,000,000 and are related to the construction, improvement, modernization or expansion of a Maine shipbuilding facility. For additional statutory language on qualified investment please *see* 36 MRSA § 5219-RR(1)(I).

6. At the time of application, BIW employed 6,194 “qualified employees,” 1,194 above the 5,000 employee statutory requirement. In accordance with the definition of “qualified employee” contained in 36 MRSA § 5219 1(H), these employees are all full-time employees of BIW, working at one of the facilities owned and operated by BIW; whose income from that employment is taxable under chapter 803; for whom a retirement program is provided subject to the federal Employee Retirement Income Security Act of 1974, United States Code, Sections 1001 to 1461, as amended; for whom group health insurance is provided; and whose income derived from employment at BIW calculated on a calendar year basis is greater than the average annual per capita income in the State.
7. BIW does not otherwise qualify for the Pine Tree Development Zone program pursuant to Title 30-A, section 5250-O or the Maine Employment Tax Increment Financing Program at the time the application was filed. *See* attached Exhibit A, State of Maine Department of Economic and Community Development letter to Henry J. Teskey dated April 30, 2019.
8. The foregoing statements are based on my review of company records and information compiled by BIW.

Dated: Jan 24, 2020



 Scott E. Zamer

STATE OF MAINE
 SAGADAHOC, SS.

January 24, 2020

Personally appeared the above-named Scott E. Zamer, in his capacity as Vice President/CFO at Bath Iron Works Corporation, and subscribes to the truth of the foregoing statements by him made and that the statements are based upon his own personal knowledge, information and belief.



 Notary Public

Print Name _____
 My Commission Expires: _____

Susan Spencer Plummer Notary Public State of Maine My Comm. Exp. January 4, 2024



Janet T. Mills
GOVERNOR

STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



Heather Johnson
COMMISSIONER

April 30, 2019

Henry J. Teskey
Bath Iron Works
700 Washington Street
Bath, Maine 04530

RE: ETIF and PTZ Decertification

Dear Henry,

This letter is to confirm the decertification of General Dynamics BIW Corporation from the Pine Tree Development Zones (PTDZ) and Employment Tax Increment Financing (ETIF) programs, effective December 31, 2018.

Should you have any questions, please contact the Tax Incentives Division at 207-624-7415 or DECDDTaxIncentives@maine.gov.

Thank you for your participation in our Tax Incentives programs and best wishes for your ongoing success,

Andrea K. Smith
Director, Tax Incentive Programs

cc: Laurie Brann, Deputy Director, Sales, Fuel & Special Tax Division, Maine Revenue Services
Richard E. Truman, Tax Analyst, Income/Estate Tax Division, Maine Revenue Services

Received

MAY 2 2019

Received

MAY 20 2019

DECD

TAX INCENTIVE PROGRAMS DIVISION | OFFICE OF BUSINESS DEVELOPMENT AND INNOVATION
59 STATE HOUSE STATION, AUGUSTA ME 04333-0059
WWW.MAINE.GOV/DECD

Exhibit A



JANET T. MILLS
GOVERNOR

STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



HEATHER JOHNSON
COMMISSIONER

February 24, 2020

Jon A. Fitzgerald, Vice President General Counsel
Bath Iron Works Corporation
700 Washington Street
Bath, Maine 04530

Dear Mr. Fitzgerald:

The Department of Economic and Community Development (DECD) has completed its review of the **Bath Iron Works Corporation** ("BIW") application for certification of approval under the Tax Credit for Maine Shipbuilding Facility Investment program. Bath Iron Works Corporation is authorized to do business in Maine, and who owns or operates or proposes to construct a shipbuilding facility within the State; who intends to make a qualified investment of at least \$100,000,000 for which expenditures were incurred on or after January 1, 2018, who currently employs a minimum of 5,000 full-time employees in Maine, and who is not certified for the Pine Tree Development Zone Program or the Employment Tax Increment Financing Program at time of application. DECD has determined that **Bath Iron Works Corporation** is a qualified applicant under the Tax Credit for Maine Shipbuilding Facility Investment program.

As a qualified Tax Credit for Maine Shipbuilding Facility Investment program business, the applicant has submitted documentation to satisfy the statutory criteria required to receive a certificate of approval from DECD. This letter shall serve as a **CERTIFICATE OF APPROVAL**, commencing in the tax year beginning January 1, 2020.

This Certificate of Approval for Bath Iron Works Corporation is subject to the following conditions:

1. Employment level at BIW, for full-time employees based in Maine, at time of application, is **6,194**.
2. BIW intends to invest at least \$100,000,000 to construct, modify, equip and expand its Bath, Maine facility for expenditures authorized by 36 MRS § 5219-RR(1)(I).
3. Beginning with the tax year after the certified applicant has made qualified investments of at least \$100,000,000, or the tax year beginning on or after January 1, 2020, whichever is later, and for each of the following 9 tax years, a certified applicant is allowed a credit against the tax due under 36 MRS § 5219-
- RR(3) for each taxable year in an amount equal to 3% of the certified applicant's total qualified investment.
4. If a certified applicant completes an additional qualified investment of at least \$100,000,000 prior to January 1, 2025, the certified applicant is allowed a credit against the tax due beginning with the 11th tax year after the required investment was made and continuing through the 15th tax year after making that investment. The amount of the additional credit available in each of those tax years is 3% of the certified applicant's additional

DECD

BURTON M. CROSS STATE OFFICE BUILDING
STATE HOUSE STATION #59 • AUGUSTA • MAINE • 04333-0059
| PHONE: 207-624-9800 | FACSIMILE: 207-287-8070

MAINE.GOV/DECD

- qualified investment. Eligibility for the additional credit must be demonstrated by the certified applicant in the annual reports submitted to the DECD.
5. The credit allowed may not reduce the tax otherwise due to less than zero.
 6. The annual credit allowed to a certified applicant or its transferee may not exceed \$3,000,000 in any tax year.
 7. Cumulative credits taken under 36 MRS § 5219-RR may not exceed \$30,000,000 to any certified applicant or transferee.
 8. Total cumulative credits may not exceed \$45,000,000 to any certified applicant or transferee.
 9. For a tax year in which the qualified applicant has employment of fewer than 5,500, the amount of the credit is reduced.
 10. A taxpayer that is certified as a qualified Pine Tree Development Zone business or that has received a certification of approval for its employment tax increment financing program is not eligible for a credit under 36 MRS §5219-RR.
 11. In no case may the credit be claimed for a tax year that begins after December 31, 2034.
 12. If a certified applicant has employment in any tax year of at least 6,000, the credit limitation is increased to \$3,125,000 for that tax year.
 13. If employment is at least 6,500, the credit limitation is increased to \$3,250,000 for that tax year. If employment is at least 7,000, the credit is increased to \$3,375,000. If employment is 7,500 or more, the credit is increased to \$3,500,000.
 14. If a certified applicant's employment is fewer than 5,500 employees during the tax year, the credit allowed is reduced as follows:
 - A. If a certified applicant has employment in a tax year of fewer than 5,500 but at least 5,250, the credit for that year is 90% of the credit otherwise allowed.
 - B. If a certified applicant has employment in a tax year of fewer than 5,250 but at least 5,000, the credit for that year is 80% of the credit otherwise allowed.
 - C. If a certified applicant has employment in a tax year of fewer than 5,000 but at least 4,750, the credit for that year is 70% of the credit otherwise allowed.
 - D. If a certified applicant has employment in a tax year of fewer than 4,750 but at least 4,500, the credit for that year is 60% of the credit otherwise allowed.
 - E. If a certified applicant has employment in a tax year of fewer than 4,500 but at least 4,250, the credit for that year is 50% of the credit otherwise allowed.
 - F. If a certified applicant has employment in a tax year of fewer than 4,250 but at least 4,000, the credit for that year is 40% of the credit otherwise allowed.
 - G. If a certified applicant has employment in a tax year of fewer than 4,000 the credit allowed may not be taken.
 15. A certificate of approval must be revoked by the commissioner if the certified applicant has not made qualified investments of at least \$100,000,000 within 5 years after issuance of the certificate of approval.
 16. A certified applicant, when awarding contracts, purchasing supplies or subcontracting work related to a qualified investment, shall give preference, to the greatest extent possible, to Maine workers, companies and bidders as long as the supplies, products, services and bids meet the standards required by the certified applicant regarding value, quality, delivery terms and price.

17. If a certified applicant proposes to transfer, including, without limitation, transfer by operation of law, all or substantially all of the Maine shipbuilding facility in which a qualified investment was made to another person or if a person proposes to acquire more than 50% of the voting stock of the certified applicant, application may be made to the commissioner to approve transfer of the certificate of approval to that person in connection with the transfer of the stock or facility. The commissioner shall grant the transfer of the certificate only if:
 - (1) The transferee of the Maine shipbuilding facility or of the certified applicant's stock is a member of the certified applicant's unitary affiliated group as defined in 36 MRS §5102(1)(B) at the time of transfer; or
 - (2) The transferee of the Maine shipbuilding facility or of the certified applicant's stock is not a member of the certified applicant's unitary affiliated group as defined in 36 MRS §5102(1)(B) at the time of the transfer and the commissioner finds that the transferee intends to continue the operations of the Maine shipbuilding facility in substantially the same manner as prior to the transfer and has the financial capability to do so.
 - (3) If the commissioner grants a transfer of the certificate of approval, the transferee must be treated as the certified applicant for all purposes of this section. For purposes of calculation of employment and qualified investments of the certified applicant, the qualified employees and the qualified investments of the transferor prior to transfer must be considered the qualified employees and qualified investments of the transferee.
- (4) The Applicant or certified applicant may appeal in accordance with Title 5 Chapter 375, subchapter 7 any determination, action or failure to act by the commissioner.
18. On or before March 1st annually, a certified applicant shall file a report with the commissioner for the immediately preceding calendar year, referred to as the "report year", containing the following information:
 - (1) The employment of the certified applicant for the report year, including specific information on:
 - (a) The number of qualified employees that are employed by the certified applicant at the end of the report year;
 - (b) The total number of qualified employees hired during the report year;
 - (c) The number of qualified employees in positions that are covered by a collective bargaining agreement;
 - (2) The total dollar amount of payroll associated with employment in the report year; including specific information on:
 - (a) The average annual salary and wages for qualified employees; and
 - (b) The median annual salary and wages for qualified employees;
 - (3) The total dollar amount that was spent on goods and services obtained from businesses with an office in the State from which operations in the State are managed; and
 - (4) The incremental level of qualified investments made during the report year, including specific information on:

- (a) The amount of qualified investment in facility, production equipment and employee training and developed, reported as an aggregate sum;
- (b) The portion of the qualified investment reported under subparagraph (a) that was spent on goods and services

- from businesses with an office in the State from which business operations in the State are managed; and
- (c) Whether the certified applicant has qualified for the additional credit under 36 MRS §5219-RR(3)(B).

Please contact Andrea Smith, DECD's Director of Tax Incentive Programs, if your business requires assistance in following program guidelines and meeting required deadlines. Andrea can be reached at (207) 624-9813 or by e-mail at andrea.smith@maine.gov.

We extend best wishes for your success as you access the benefits of Maine's Shipbuilding Facility Investment Tax Credit Program.

Sincerely,



Heather Johnson
Commissioner

cc: Andrea K. Smith, Director, DECD Tax Incentive Programs
Laurie Brann, Deputy Director, Sales, Fuel & Special Tax Division, Maine Revenue Services
Richard E. Truman, Tax Analyst, Income/Estate Tax Division, Maine Revenue Services



JANET T. MILLS
GOVERNOR

STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT

MAINE.
ECONOMIC & COMMUNITY
DEVELOPMENT
HEATHER JOHNSON
COMMISSIONER

**MAINE SHIPBUILDING FACILITY INVESTMENT
GOVERNMENT OVERSIGHT COMMITTEE - QUESTIONS AND RESPONSES**

What steps did DECD take to verify that BIW's reported qualifying investment met the statutory definition of a qualified investment under 3 MRS §5219-RR(1)(I)?

DECD follows the reporting process prescribed by 36 MRS §5219-RR(9), which requires the company to submit a report containing the following information regarding qualified investment:

(4) The incremental level of qualified investments made during the report year, including specific information on:

- (a) The amount of qualified investment in facility, production equipment and employee training and development, reported as an aggregate sum;
- (b) The portion of the qualified investment reported under subparagraph (a) that was spent on goods and services from businesses with an office in the State from which business operations in the State are managed; and
- (c) Whether the certified applicant has qualified for the additional credit under [subsection 3, paragraph B.](#)

DECD requests and collects the information as required by statute, which does not include a mechanism for DECD to separately verify the amount of qualified investment reported by the company.

Can DECD provide information about why further steps were not taken to confirm that the qualifying jobs reported by BIW met the Shipbuilding Credit's job quality requirements, specifically regarding:

- *a qualifying retirement program (per 3 MRS §5219-RR(1)(H)(3)),*
- *group health insurance (per 3 MRS §5219-RR(1)(H)(4)), and*
- *income that exceeds the average annual per capita income in the state (per 3 MRS §5219-RR(1)(H)(5))?*

Similar to the topic above, DECD requests and collects the information as prescribed and required by statute regarding qualified jobs. We do not have clear statutory authority to request the confidential employee information required to verify that each reported qualified employee is meeting these standards.



JANET T. MILLS
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Can DECD provide more information regarding any steps the Department plans to take in response to the Shipbuilding Credit evaluation report?

As noted in our Department response letter and as recommended by OPEGA, DECD intends to further spell out the requirements for an employee to meet the “qualified employee” definition in our annual report request letter to the company and have the company confirm those requirements are met. We requested and received the company’s Maine preference purchasing policy with the most recent report and will continue doing so in future years. We will also continue requesting that the annual report be notarized as an attestation as recommended by OPEGA.

Can DECD provide copies of any documents the Department provided to BIW prior to, or during BIW’s application process for the Shipbuilding Credit, about what would count as qualifying investment for the credit? Can DECD also please provide information about what specific steps the Department took to review BIW’s application for the credit?

Copies of the company application and the issued Certificate of Approval are attached. Both refer to the statutory definition of qualified investment. DECD followed the application process laid out in statute: a company applies, DECD reviews the application to determine whether the applicant is qualified, and DECD issues a certificate of approval if the application shows the applicant is qualified.

Related question from OPEGA staff – during the evaluation, DECD provided us with a copy of BIW’s application for the credit and the certification letter DECD sent after review and approval of the application. Can these documents be shared with the Committee?

Yes, these documents have been attached for your review.

Committee Questions Following SHIP Presentation on 5.15.24

Questions for OPEGA

- **Can OPEGA provide additional information about what is included in the pre-incentive and post-incentive ETR analyses?**

EY’s Effective Tax Rate analysis standardizes the impacts of tax impacts on a business’s profitability. The difference between the pre- and post-incentive ETRs shows the impact of state and local incentives.

Pre-Incentive ETR – This measure is intended to allow for comparison between the differences in starting state tax systems. It includes corporate income tax, sales tax, property tax, franchise tax, and unemployment taxes to estimate the starting state and local tax burden faced by the ship and boatbuilding industry in comparison states.

Post-Incentive ETR – The post-incentive ETR modeling starts with the pre-Incentive model for each state and incorporates the specific business incentives available to a business in that location. The incentives included in the ETR model for each state are listed in the table below (table 11 excerpted from OPEGA’s report).

Summary of Incentives Included in the Analysis, by State and Type					
State	Property	Sales and Use	Income	Grant	Incentives
CA		√	√		CA Competes Tax Credit, CAEAFTA SUT Exclusion Program, Special Purpose Building SUT exclusion, San Diego Business Cooperation Program
CT	√		√	√	Manufacturing Machinery and Equipment Tax Exemption, Fixed Capital Investment Credit (FCIC), JobsCT, Enterprise Zone
ME	√		√		Tax Credit for Maine Shipbuilding Facility Investment, Business Equipment Tax Exemption, Maine Capital Investment Credit, Municipal Tax Increment Financing Rebate
MS	√		√	√	Manufacturing Investment Tax Credit, Jobs Tax Credit, Industrial Property Tax Exemption
VA				√	Major Employment and Investment Project (MEI)

Source: EY research of state tax websites and tax incentives codes.

- **What are the details of the profile used for the hypothetical shipbuilder in EY’s ETR model?**

A high-level summary of the profile of the hypothetical shipbuilder is included in Table 8 of Appendix B in OPEGA’s report. Additional details about the hypothetical shipbuilder are included in EY’s full report and are excerpted below.

Metric	Source	Ship and Boat Building (3366)
Investment Amounts		
Furniture & Fixtures	EY Calculation, BEA Fixed Assets	\$644,634
Office Equipment, Computers	EY Calculation, BEA Fixed Assets	\$3,725,052
Motor Vehicles	EY Calculation, BEA Fixed Assets	\$3,962,974
Machinery & Equipment	EY Calculation, BEA Fixed Assets	\$112,370,153
Industrial Structures	EY Calculation, BEA Fixed Assets	\$76,199,711
Commercial Structures	EY Calculation, BEA Fixed Assets	\$3,097,476
Total initial investment	Maine OPEGA	\$200,000,000
Operating Profile		
Employment	County Business Patterns data	6084
Average compensation	County Business Patterns data	\$71,032
Payroll	EY Calculation	\$432,147,833
Income and receipts		
Business receipts per employee	IRS Corporate Source Book	\$279,676
Business receipts	IRS Corporate Source Book	\$1,701,499,674
Other receipts	EY Calculation	\$16,556,039
Total Receipts	EY Calculation	\$1,718,055,713
Deductions		
Cost of goods	IRS Corporate Source Book	\$1,139,786,689
Labor in CGS	EY Calculation	\$289,483,657
Materials & other inputs	EY Calculation	\$850,303,032
Compensation of officers	IRS Corporate Source Book	\$18,529,656
Salaries and wages	IRS Corporate Source Book	\$142,664,176
Interest paid	IRS Corporate Source Book	\$17,771,228
Amortization	IRS Corporate Source Book	\$9,670,031
Other deductions	EY Calculation	\$232,706,607
Total Deductions	EY Calculation	\$1,561,128,387
Net Income	IRS Corporate Source Book	\$156,927,326
Profit margin	EY Calculation	9.1%
Business Receipts / Total Receipts	EY Calculation	99.0%

- **If the Shipbuilding Credit had been available to more Maine boat builders and shipbuilders, would there have been more economic impacts?**

OPEGA did not assess the potential economic impacts that could stem from extending the Shipbuilding Credit to additional businesses as part of this evaluation. With that said, we note that expanding the eligibility for the credit would be expected to increase economic impacts if the availability of the credit influenced additional boat builders and shipbuilders in Maine to make investments or create or retain jobs that they would not have absent the credit. However, expanding eligibility would also increase the cost of the tax credit to the state and present opportunity costs regarding how the state spends available funds, and how the economic impacts in this hypothetical expansion might compare to the increased cost is unclear.

- **How does the cost-benefit of the Shipbuilding Credit compare to other state incentives?**

Comparing cost-benefit across incentives is complicated by the fact that policymakers may have differing views about whether some benefits justify a higher cost than others. The level of cost-benefit that is considered acceptable or successful can also shift over time, depending on evolving economic development priorities, making it difficult to compare across programs established in different eras. Additionally, a cost-benefit calculation relies on the benefits being quantifiable, and some benefits are notoriously difficult to quantify but may still be of high importance to policymakers.

In the end, whether the cost-benefit of a particular incentive is good, or better than others, is a subjective assessment and policy decision. As non-partisan legislative staff, OPEGA provides data to support legislators in making informed decisions on these matters, and if more or different data is needed OPEGA can gather it for the Legislature at the direction of the GOC. Additionally, a process by which the cost-benefits of various incentives are weighed in relation to each other before state funds are committed could allow more transparency on the cost-benefit that is expected for any given incentive.

- **Did OPEGA confirm that the qualified investment reported by BIW meets statutory requirements?**

OPEGA considered confirming that qualified investment reported by BIW met statutory requirements. However, we determined that this work would not be the most cost-effective use of OPEGA's staff resources, in large part because "qualified investment" is defined so broadly in the Shipbuilding Credit statute that it includes most types of project-related expenses:

"'Qualified investment' means expenditures incurred on or after January 1, 2018 that total at least \$100,000,000 and are related to the construction, improvement, modernization or expansion of a Maine shipbuilding facility, including, without limitation, all expenditures for investigation; planning; design; engineering; permitting; acquisition; financing; construction; demolition; alteration; relocation; remodeling; repair; reconstruction; design, purchase or installation of machinery and equipment; clearing; filling; grading; reclamation of land; activities undertaken to upgrade a waterway serving the facility; training and development of employees; capitalized interest; professional services, including, but not limited to, architectural, engineering, legal, accounting or financial services; administration; environmental and utility costs, including, without limitation, sewage treatment plants, water, air and solid waste equipment and treatment plants, environmental protection devices, electrical facilities, storm or sanitary sewer lines, water lines or amenities, any other utility services, preparation of environmental impact studies, informing the public about the facility and environmental impact and environmental remediation, mitigation, clean-up and protection costs; related offices, support facilities and structures; and any of the foregoing expenditures made or costs incurred prior to or after the effective date of this section or certification of an applicant..." (Title 36 §5219-RR(1((1)))

In making this determination we also considered the fact that MRS has audit authority for the credit. Furthermore, we were mindful of the historical direction OPEGA has received from Committee Members to complete evaluations in a time-sensitive and efficient manner and to limit the burden that tax expenditure evaluations place on businesses to the degree possible. However, the Committee can always direct OPEGA to do additional work in this area, or any other specific area.

Committee Questions Transmitted to BIW by OPEGA

- Can BIW speak to whether Maine’s tax environment and the availability of the Shipbuilding Credit have impacted the shipyard’s ability to make competitive bids or be awarded contracts? If so, can BIW please explain how?
- Can BIW speak to whether Maine’s tax environment has impacted investment decisions in the state and to whether the credit has influenced those decisions? If so, can BIW please explain how?
- Can BIW provide the dollar amounts of incentives received from the state from 2018 to 2022 broken down by incentive? Please specifically address municipal TIFs, BETR & BETE, Net Energy Billing Agreements, Efficiency Maine rebates, and workforce training reimbursements.
- Can BIW provide more information about how the most recently reported qualifying jobs (6,343 from the DECD report dated March 7, 2024) meet the Shipbuilding Credit’s job quality requirements, specifically regarding:
 - a qualifying retirement program (per 3 MRS §5219-RR(1)(H)(3)),
 - group health insurance (per 3 MRS §5219-RR(1)(H)(4)), and
 - income that exceeds the average annual per capita income in the state (per 3 MRS §5219-RR(1)(H)(5))?
- Can BIW provide more information about how the \$200M in reported qualified investment meets the statutory definition of a qualified investment under 3 MRS §5219-RR(1)(I)?
- Can BIW speak to whether the shipyard’s operations, including hiring, have been impacted by housing availability? If so, can BIW please explain how?

Committee Questions Transmitted to DECD by OPEGA

- What steps did DECD take to verify that BIW’s reported qualifying investment met the statutory definition of a qualified investment under 3 MRS §5219-RR(1)(I)?
- Can DECD provide information about why further steps were not taken to confirm that the qualifying jobs reported by BIW met the Shipbuilding Credit’s job quality requirements, specifically regarding:
 - a qualifying retirement program (per 3 MRS §5219-RR(1)(H)(3)),
 - group health insurance (per 3 MRS §5219-RR(1)(H)(4)), and
 - income that exceeds the average annual per capita income in the state (per 3 MRS §5219-RR(1)(H)(5))?
- Can DECD provide more information regarding any steps the Department plans to take in response to the Shipbuilding Credit evaluation report?
- Can DECD provide copies of any documents the Department provided to BIW prior to, or during BIW’s application process for the Shipbuilding Credit, about what would count as qualifying investment for the credit? Can DECD also please provide information about what specific steps the Department took to review BIW’s application for the credit?