FINANCE AUTHORITY OF MAINE

Testimony by Christopher Roney, Esq.

General Counsel

In Support of Acceptance of the

March 2017 OPEGA Report on New Markets Capital Investment Program

Government Oversight Committee

March 24, 2017

Senator Katz, Representative Mastraccio, and Distinguished Members of the Government Oversight Committee:

My name is Chris Roney. I am the General Counsel at the Finance Authority of Maine (FAME). I live in Freeport and am here to testify in support of acceptance of the report authored by the Office of Program Evaluation and Government Accountability (OPEGA) regarding the New Markets Capital Investment Program.

As you may recall, FAME was tasked by the Legislature in 2011 with helping to administer this program in partnership with Maine Revenue Services. It has been a learning experience, and we have done our best to administer the program and recommend improvements along the way. We have taken our role as co-administrator of the program very seriously, and have sought to administer our portion of the program with fairness, transparency, and accountability. We have consistently sought and obtained improvements to this complex program along the way, and, while it remains an imperfect program worthy of further refinements, we continue to believe that it is overall a successful and worthwhile program whose benefits to the state's economy outweigh its shortcomings.

FAME has enjoyed working closely with OPEGA staff over the past sixteen months and has appreciated their professionalism and thoroughness in approaching this complex topic. We are pleased to have fully cooperated with all requests in a prompt and thorough manner.

We largely agree with the findings and recommendations contained in the report, including that the Legislature should, if further funding is eventually approved, incorporate in statute the FAME rule limiting "one-day loans." If FAME is to be required to assume further responsibilities regarding capturing data needed for efficient and effective program evaluation and ensuring further reporting by program recipients, we will require significant additional resources.

I would be happy to answer any questions you may have.

Thank you.

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March 24, 2017

Testimony Regarding OPEGA Report on Maine's New Markets Capital Investment Credit

Senator Katz, Representative Mastraccio, Members of the Joint Standing Committee on Taxation, good morning, my name is Kris Eimicke, and I am an attorney in Portland, Maine. My practice focuses on tax and economic development issues. I am also the chair of the tax committee of the Maine State Bar Association, and last year I was an adjunct professor at the University of Maine School of Law where I taught corporate income tax.

It's vital that the State conduct objective non-partisan analyses of the State's economic development programs. We need to determine what works, what doesn't work, and what improvements we can make. OPEGA's report on Maine's new market tax credit program helps us do just that.

I regularly work with the new markets tax credit program. Anecdotally, I can tell you that the program works well; it has allowed businesses and non-profits to grow, put people to work, and make numerous improvements to our communities, particularly those with high poverty and low incomes.

Because of OPEGA's report, this Legislature no longer has to rely on anecdotes from me or anyone else in making decisions on how to structure our economic development programs. You can rely on OPEGA's objective analysis, which found several key facts:

1. Maine's new markets program will bring $15.8 million more revenue into the State's coffers than it takes away. In other words, a $76 million investment created a $91.8 million return to the State budget over a 9-year period. Many of these businesses and jobs will last well beyond those 9 years bringing even more money into the State budget.

2. Maine's Gross State Product (GSP) increased an additional $1.64 billion between 2013 and 2021 because of Maine's new markets program. Said another way, $21.67 of GSP was generated for every $1.00 of tax credit.

3. 73% of the investments under the program were north of Bangor, including 21% percent in Washington County, and 16% in Somerset County.

Simply put, the program attracts major investments that bring major benefits to the State. But it doesn't just create jobs, it also helps to build communities and help Mainers in ways that aren't susceptible to numerical measurement. For example, Rockland has become one of the most well known arts communities in New England, revitalizing the downtown and substantially increasing tourism visits in large part because of the impact of the Farnsworth Art Museum. Furthermore, the Farnsworth has expanded its arts educational programming to numerous schools in the area, which would not have happened without the new markets program. As another example, the St. Croix Tissue project involved funding a job training program that would not have existed but for the new markets program. Downtown revitalization, education, job training—these are substantial benefits that can't be measured by OPEGA's analysis, but are nevertheless, substantial successes.

The new markets program has proved to be a valuable economic development tool, attracting business and investment to Maine that would not have been here without the program. About $55 million of the State's new markets allocation is still unused. Two projects are currently working towards a closing using the program, including a very substantial investment in Oxford County that will utilize $37 million of the remaining $55 million of allocation. The rest of the allocation should be used this year, at which point, if action is not taken to renew the program, the State will be without a tool to attract major investments like St. Croix Tissue. These are investments that this State desperately needs.

The program works. OPEGA's recommendations will make it work better. I urge the Legislature to re-authorize the program with new allocation so that it can continue to help the state's economy grow.

Sincerely,

Kris J. Eimicke