



SEN. ROGER J. KATZ, SENATE CHAIR
REP. ANNE-MARIE MASTRACCIO, HOUSE CHAIR

MEMBERS:

SEN. NATHAN L. LIBBY
SEN. PAUL T. DAVIS, SR.
SEN. BILL DIAMOND
SEN. GEOFFREY M. GRATWICK
SEN. THOMAS B. SAVIELLO
REP. JEFFREY K. PIERCE
REP. JENNIFER L. DECHANT
REP. MATTHEW A. HARRINGTON
REP. DEANE RYKERSON
REP. PAULA G. SUTTON

**MAINE STATE LEGISLATURE
GOVERNMENT OVERSIGHT COMMITTEE**

**MEETING SUMMARY
September 27, 2018
Accepted November, 2018**

CALL TO ORDER

The Chair, Sen. Katz, called the Government Oversight Committee to order at 9:02 a.m. in the Burton Cross Building.

ATTENDANCE

Senators: Sen. Katz, Sen. Libby and Sen. Saviello
Joining the meeting in progress: Sen. Davis and Sen. Diamond
Absent: Sen. Gratwick

Representatives: Rep. Mastraccio, Rep. Pierce, Rep. Rykerson and Rep. Sutton
Joining the meeting in progress: Rep. DeChant
Absent: Rep. Harrington

Legislative Officers and Staff: Danielle Fox, Director of OPEGA
Matthew Kruk, Principal Analyst, OPEGA
Scott Farwell, Senior Analyst, OPEGA
Amy Gagne, Analyst, OPEGA
Ariel Ricci, Analyst, OPEGA
Etta Connors, Adm. Secretary, OPEGA

INTRODUCTION OF GOVERNMENT OVERSIGHT COMMITTEE MEMBERS

The members of the Government Oversight Committee introduced themselves.

SUMMARY OF THE AUGUST 20, 2018 GOC MEETING

The Government Oversight Committee accepted the August 20, 2018 Meeting Summary as written.

82 State House Station, Room 107 Cross Building
Augusta, Maine 04333-0082
TELEPHONE 207-287-1901 FAX: 207-287-1906

NEW BUSINESS

• OPEGA Information Brief on Sales of Timber Harvested From Public Lands

Sen. Katz said the GOC asked a number of individuals to be at today's GOC meeting. He noted that several of the people at the meeting had been subpoenaed and explained that the Committee was not interested in delving into their businesses and is not suggesting that anyone has done anything wrong. He said on behalf of the Committee he wanted to make those individuals asked to the meeting to feel as comfortable as possible.

Sen. Katz said the members of the GOC will be careful to keep their questions to the scope of the OPEGA Information Brief on Sales of Timber Harvested From Public Lands, only. The purpose of the inquiry is to gather additional details and further understanding of the events, communications, explanations and impact described in OPEGA's Information Brief. More specifically what, if any, role the Administration had in the February 2018 decision to: divert deliveries of spruce and fir harvested in the western and eastern regions of the State from a set of sawmills to another sawmill; who made that decision; why that decision was made; what, if any evidence or information was that decision based on; and when and how was the decision communicated to the impacted sawmills (Stratton Lumber (Stratton), Moose River Lumber (MRL) and Pleasant River Lumber (PRL)). Sen. Katz stated that the purpose of this meeting is to not debate soft wood tariffs or to consider the appropriateness of timber harvested on Maine's Public Lands being sold to mills in Canada. The questions will be carefully considered in order to be mindful of bringing information into the public domain that might be sensitive to business practices in a competitive market place and business relationships, including information about prices, purchased volume and inventory.

Sen. Katz said, for this inquiry, the GOC is governed by: Title 3, Chapter 37 which governs the GOC and OPEGA; Title 3, Chapter 21 which governs the Legislative Investigating Committee Statute; and Title 1, Chapter 13 which is the Freedom of Access Act. Because the GOC voted to issue subpoenas for this inquiry they are required to abide by certain provisions in the law, most of which will be address by a proposed order of procedure. The order of procedure is that all proceedings and testimony will be held in public session and will be broadcast over the internet and available to televising and filming as is normal protocol and required under the FOAA. Witnesses may submit written comments if they wish prior to their testimony being taken. All witnesses will be permitted to make any introductory comments that they wish before the GOC begins asking their questions. All witnesses at the meeting subject to subpoena and others, the Committee has voted to place under oath, will be placed under oath prior to taking their testimony. Testimony will be taken in the following order, with there being no particular reason for the order: Peter Smith, the former Regional Manager for the Western Region; Chuck Simpson, the Regional Manager for the Eastern Region; Doug Reed, the former Forester in the Eastern Region and currently Acting Regional Manager for the Western Region; Nicolas Fontaine, co-owner of Stratton with Allan Ryder, President of Timber Resource Group; Rich Smith, wood buyer for MRL/PRL; Jason Brochu, co-owner of MRL/PRL; and Jay Haynes of HC Haynes. All questions will come from GOC members or Committee staff. Any staff questions will be posed through the Chairs or Leads unless the Chair directs otherwise. There will be no questioning of witnesses by other witnesses or their counsel. After all testimony is taken, the Committee will provide opportunity for any witness to offer further, or clarifying, information and after all testimony is taken the Committee may recall particular witnesses for follow-up questions to those subpoenaed so for them to remain after they have been before the GOC because Committee members may want to ask them additional questions.

Motion: That the Government Oversight Committee moves to also place individuals asked, not necessarily subpoenaed, to the meeting under oath. (Motion by Sen. Katz, second by Sen. Saviello)

Discussion: Rep. Sutton asked for clarification on exactly who would be placed under oath. Sen. Katz said the GOC wanted and invited a number of people to come to the meeting. Some of them said they could not come to the meeting without a subpoena, so the GOC subpoenaed them. Placing individuals under oath is only for those

the Committee invited to the meeting as subpoenaed members will be sworn as required by procedure – no motion necessary.

Note: Motion passed by unanimous vote of 10-0. (Rep. DeChant voted on the motion when she arrived at the meeting in accordance with the GOC's rules.)

Motion: In accordance with Title 3, section 422, I move that the Committee approve the orders of procedure as outlined by the Chair. (Motion by Chair Mastraccio, second by Sen. Saviello. Motion passed by unanimous vote of 10-0.) (Rep. DeChant voted on the motion when she arrived at the meeting in accordance with the GOC's rules.)

Sen. Katz said the witnesses may offer their own testimony, or make a statement before being asked any questions by the GOC and at any time while before the Committee may ask questions of the Chair about the order of the proceeding and if they do not understand a question that is being asked of them, to please say so. He said witnesses should not be afraid to ask someone to rephrase their question if they do not understand it. Witnesses may be recalled, or they may request the opportunity to make additional comments, at the end.

- Additional Information, GOC Questions for Invited Attendees

Sen. Katz administered the oath to Peter Smith.

Mr. Smith said he retired as Regional Manager in the Western Region on June 22, 2018 with about 15 years of service in that position. Prior to that, he was a Forester in the Western Region. As Regional Manager he was in charge of all aspects of the Western Region, including overseeing Foresters and Forest Technicians. They would produce a management plan for a given piece of land which then went through an approval process and sold stumpage. Approximately 3 or 4 years ago they made the transition from stumpage sales to contract-for-logging services where the Bureau would market the wood and sell the wood to various mills. Prior to that transition, the stumpage contractor was responsible for marketing the wood.

Sen. Saviello said when the State took over the stumpage responsibility they marketed the wood being harvested on public lands to the best place. Mr. Smith agreed and said the process was for them to bid out certain parcels and receive prices from bidders for cutting and hauling to various mills. The State analyzed those prices to get the overall best prices looking at the trucking distance and the prices that were bid to determine which mill would be the best fit.

Sen. Saviello said in November 2017, Stratton contacted Mr. Smith and said they needed more wood and was willing to pay extra for it. Mr. Smith thinks that is correct and believes it was a situation where the wood was split with some going to MRL/PRL and some to Stratton. He said, typically in that area, the wood would have gone to Stratton because it was close, but a deal had been worked to split it. As wood became tight for Stratton they were requesting to get that wood back. Sen. Saviello asked if Stratton had offered to pay more money for the wood and if PRL was notified of the change. Mr. Smith said Stratton did offer to pay more and they talked about it. Sen. Saviello asked if Mr. Smith made that agreement. Mr. Smith said he talked with Director Denico about it.

Sen. Saviello stated his understanding that a decision was made in February to divert the wood. He asked who made that decision and what was the reason for making that decision? Mr. Smith said Director Denico made that decision and he thought it best to talk with the Director about that because Mr. Smith was not involved. Sen. Saviello stated for clarification that the decision in February to divert the wood was made in Augusta, unlike the decision in November where it was talked about with Mr. Smith and then he notified PRL of what was going on. Mr. Smith agreed.

Sen. Saviello asked why the Telos Wood was not moved to Stratton. Mr. Smith thought the wood would be too expensive to take from Telos to Stratton and would be a good question for Mr. Ryder. Sen. Saviello asked if it was correct that, after the wood was initially moved, MRL's Procurement Forester and Mr. Brochu

both approached him to see if after a period they could get the wood back. Mr. Smith was not sure that request came to him directly, but if it did, he would have referred them to Director Denico.

Sen. Saviello noted that he understood that the State lost about \$20,000 with the wood being moved to Stratton and asked if that was because it cost the State more to move the wood to Stratton. Mr. Smith said he was not clear on the figures.

Rep. Pierce asked if Mr. Smith read the OPEGA report and if he had, did he agree or disagree with it. Mr. Smith said he read the report a couple of times and agreed with it.

Rep. Mastraccio wanted to clarify that Mr. Smith did not propose, or recommend, diverting the wood and asked when and how he first heard about wood being diverted. Mr. Smith agreed that it was not his decision and he was at a meeting in Bangor and Director Denico called Vern Labbe, the Deputy Director at that time, and Mr. Labbe passed the information on to those at the meeting.

Sen. Saviello stated for confirmation that, when dealing with wood between the State and a procurement forester there is no written contract, it has been a handshake. He asked if there were any contracts with other mills who feel more comfortable with a contract. Mr. Smith said for any of the small mills it is basically a discussion on the phone. There are no real contracts. They have contracts with some of the pulp mills for deliveries, but do not have anything in writing that he is aware of with the sawmills. Sen. Saviello asked if a written contract would be provided if asked for. Mr. Smith said he is sure they could request one.

Sen. Katz recounted that in November 2017, Mr. Smith described a situation where it was clear that Stratton needed more wood and he talked to Director Denico about it. A decision was made to divert some wood to Stratton. Mr. Smith said historically it would have all gone to Stratton and then they separated some out to go to MRL/PRL in late summer of 2017. He said that had been done before, noting it had been split from Richardson Township, where historically it had gone to Stratton, but MRL/PRL was tight on wood so they agreed to split the wood at that time also. Sen. Katz asked at the time that wood was split, did Mr. Smith have discussions with Stratton about being short on wood and needing more. Mr. Smith said he took that information to Director Denico who said go ahead and do that.

Sen. Katz noted that the situation in February sounded like it was different and was just a directive Mr. Smith received from Director Denico. Mr. Smith agreed. Sen. Katz asked if anyone communicated with Mr. Smith in February that they wanted more wood. He said yes, it was clear mills were all very tight on wood. Sen. Katz asked if Mr. Smith had communicated that to Director Denico. Mr. Smith said he did in November, but not in February because he thought the Director was fully aware of their situation just by being in the loop of the State's Foresters and others talking with him. Sen. Katz said that is the time of year when other mills, including PRL, would have been low on wood? Mr. Smith said it is crunch time and at a point the weather could go soft and roads get posted. A winter short by a few weeks can make a big difference and that could be a problem so is a tough time of year for all the mills. Sen. Katz realized that Mr. Smith could not answer for Director Denico, but from his perspective, did he have any reason in February to think that Stratton was in more need of wood than PRL was in need of wood or was it just that he knew that everybody needed more wood at that time? Mr. Smith said other than someone calling him saying they were low on wood he does not have a good indication of their inventory. It is a tough time of the year and the mills' spring could hinge on those last few weeks of February on whether they get into March. Sen. Katz asked if Mr. Smith knew if Stratton was more in need of the wood than PRL was in need of the wood. Mr. Smith said he did not.

Rep. Mastraccio said after Mr. Smith heard that wood was going to be diverted to Stratton did he call the Brochus to tell them? Mr. Smith said he did not. The transfer of wood was going on as he was going out-of-town, but he did get some calls from Rich Smith and he directed him to Director Denico.

Sen. Diamond asked if it was the State's responsibility to make sure private companies have wood. Mr. Smith did not know if it is the State's responsibility, but it is State of Maine wood coming from State owned lands, it would make sense that they try their best to deliver the wood to Maine mills. Sen. Diamond asked if

that was the policy or procedure. Mr. Smith said it definitely is in their marketing policy to favor Maine mills and it may be in the statute also.

Rep. Sutton referred the GOC to page 5 of the Public Lands Spruce/Fir and White Pine Deliverable document provided by Director Denico where it states "the Bureau will favor in-state markets wherever they provide outlets for equivalent products." That statement is from the Public Lands Integrated Resource Policy.

Sen. Katz administered the oath to Chuck Simpson.

Mr. Simpson said he is the Regional Manager for the Eastern Region of the Public Lands. He thought Mr. Smith described what the duties and responsibilities of the position are so did not repeat that information. He has been employed by the State of Maine for 13 years and prior to that was a Woodlands Manager for the University of Maine for 22 years doing similar type work managing the University's properties, including selling wood harvested off that land.

Rep. Pierce asked if Mr. Simpson agreed or disagree with OPEGA's report. Mr. Simpson said he agreed with the report.

Rep. Pierce asked if Mr. Simpson thinks it is the State's responsibility to supply wood to private mills solely or should they be able to sell the wood where they wanted to. Mr. Simpson thought it was a philosophical question that goes beyond him. The wood and land is owned by a million Mainers, it is their wood and their land, so he thinks it has a benefit keeping it in the State. He did note that they have to shift markets all the time, sometimes weekly, and that is why they split the wood between different mills that normally might only go to one. A lot of what they have done over the last 3 or 4 years with their marketing has been controlled by quotas from the mills. They have been trying to keep everybody happy and at the same time to keep the relationships they have developed with the different mills intact so if they can do something with a relatively minor gain or loss to the State, so it is well worth considering.

Sen. Saviello asked if Mr. Simpson was involved in the November 2017 shifting of wood to Stratton or was it all out of the Western Region. Mr. Simpson said the wood came from the Eastern Region and noted that the other 2 Regional Managers did the selling of wood where he did not. He chose to give that job to his Forester II, Doug Reed, who will be testifying next. Mr. Simpson said Mr. Reed had interest in the selling of wood so he was not actively involved. As a Regional Manager he attended a couple of meetings a year with the mills because he felt it helped cement relationships that they were trying to develop. Topics at those meetings included whether the mills had been satisfied with the way the business had been conducted, had the Regions been doing what the mills needed and how could things be smoothed out, etc. Mr. Simpson was aware of what was going on because Mr. Reed would copy him on decisions of wood being switched, but the diversion of wood to Stratton was not in his purview.

Sen. Saviello asked if Mr. Reed was more involved in the wood being diverted. Mr. Simpson said Mr. Reed can answer for himself, but he thinks it has been mentioned in OPEGA's report and in Mr. Smith's comments, that basically the diversion of wood to Stratton was a decision that came from Director Denico.

Sen. Saviello asked if Mr. Simpson had any written contracts with any other businesses he provides wood to. Mr. Simpson said sometimes some mills want a monthly wood order and that is based on a one page sheet which states during this specific timeframe we will try to deliver so many tons of wood. A couple of mills might use that type of contract.

Sen. Saviello asked if Mr. Simpson, in his career, had seen wood shifted from one mill to the other. Mr. Simpson said he had, but it was more due to a surplus of wood that caused extra wood to be moved around.

Sen. Saviello asked if Mr. Simpson knew why the Telos wood was not moved. Mr. Simpson said he heard it was because it was far away and was referred to as expensive wood. Usually mills have zones in which they

pay different rates based on zones, particularly miles to be delivered. They have had wood from Telos that they would barely break even on because of cost or drop in prices.

Sen. Katz asked if in November some wood from the Eastern Region, which had been designated for MRL/PRL, went to Stratton. Mr. Simpson said he did not recall the November events.

Sen. Katz asked if the decision in February to divert wood came from Director Denico. Mr. Simpson said it did. Sen. Katz asked if there were other instances where a decision to divert wood came directly from the Director without input from Mr. Simpson's Office. Mr. Simpson could not think of any. The Regional Managers meet on a monthly basis to go over budgets, things in general and always tried to compare notes of what was happening with the different mills regarding the demand and price so that they could seize an opportunity to shift wood to another mill if it was more financially advantageous. Sen. Katz sought to clarify as to the fact that did not happen in February, it was just a communication from the top. Mr. Simpson agreed.

Sen. Diamond asked if Mr. Simpson thought the State was obligated to get wood to the Maine mills when they were short on wood and if there is an understanding that it is the State's obligation? Mr. Simpson said his personal opinion is that if the State, on a short term basis, could help out a mill, he would not be opposed to that

Rep. Mastraccio said OPEGA's report indicates there is not the documentation for the February diversion of wood like they have for the November one. All that is known is that the decision to divert the wood came from the Director and it is only he said/she said. Mr. Simpson said that is accurate and is what he meant when he said he agreed with the report.

Sen. Katz administered the oath to Doug Reed.

Mr. Reed said since July 1, 2018 he has been the Acting Regional Manager for the Western Region and before that was a Forester in the Eastern Region. He has been with the Bureau for 18 years. In his Forester position he handled various harvest operations, as well as, the marketing of wood for the Region.

Rep. Pierce asked if Mr. Reed agreed or disagreed with OPEGA's report. Mr. Reed said he agreed with the report.

Sen. Saviello asked if Mr. Reed was involved in the November decision to move wood to Stratton that was designated for MRL, or did he have wood coming out of the Eastern Region that was changed as a result of the November decision. Mr. Reed said there was no change. From the time he had been doing the marketing in the Eastern Region Stratton has always been too far away to send wood to. But in November, they met with Stratton at one point and started discussing buying wood in Passadumkaeg. At that point when they were developing their harvest volumes they talked about sending Stratton a small percentage of wood.

Sen. Saviello asked if Mr. Reed had any wood that was affected by the decision to divert wood to Stratton in February. Mr. Reed said he did and the reason he was given for the diversion was because Stratton was low on wood. That direction was from Director Denico and he heard about it from the same conversation in Bangor that Mr. Smith spoke about earlier.

Sen. Saviello asked if Mr. Reed had ever seen where a mill was not communicated with when a change was made. Mr. Reed said he has never had to make a change like this. Typically the experience they have had in the past is when a mill did not want any more wood so they had to find another home for it.

Sen. Saviello asked if anybody had ever asked for a contract and Mr. Reed said not that he could recall.

Rep. Pierce asked if it is the State's obligation to try to provide wood for everybody, but if wood is diverted, is it solely the State's choice to make that diversion or should the State have to talk to companies to see if it is

okay. Mr. Reed said such a decision is outside his realm of responsibility. Rep. Pierce asked if the State had an obligation to sell to any one company or mill. Mr. Reed said not to any one mill over another.

Sen. Katz stated that he understood that in November Mr. Reed met with Stratton and they told him they needed more wood and he made a decision to divert wood that had been going somewhere else. Mr. Reed said there was no diversion because at that time the State was not selling wood, they were in the fall mud season so this is talking about wood that would be sold that winter. In response to Sen. Katz regarding wood delivered to Stratton in November, Mr. Reed said he did not think that happened until December. Sen. Katz sought to confirm that was done as a result of discussions with Stratton about their need. Mr. Reed did not recall the meeting he had with Allan Ryder as far as it being a desperate need at that point, but they were starting to buy wood in a location that they normally would not. Sen. Katz said he understands that in February the decision to divert wood to Stratton came from Director Denico. He took some wood that had previously been going to PRL/MRL and sent it to Stratton instead. He asked if Mr. Reed had any conversations with anybody from Stratton in February about their need or capacity to take more wood. Mr. Reed said no.

Sen. Katz asked Mr. Reed if this was the first time there was a directive from the Director to take wood that had been going to one place and send it somewhere else. Mr. Reed said yes.

Nicolas Fontaine and Allan Ryder were sworn in by Sen. Katz.

Mr. Fontaine is the President and owner of Stratton. He oversees the operation of the business and, although does not get involved in the day-to-day operation, pretty much oversees everything that goes on at Stratton. Mr. Ryder is the President of Timber Resource Group (TRG). TRG is a division, or subsidiary, of Stratton. He has been buying logs for Stratton since 1990 and worked his way up in the company.

Rep. Pierce asked if Mr. Fontaine and Mr. Ryder agreed or disagreed with OPEGA's report. Mr. Fontaine said he agreed with the report. Mr. Ryder said there is a correction he would like to make on page 5 "During December, the Timber Resource Group, the wood procurement company for Stratton Lumber, opened a log yard in Passadumkaeg." He said that happened in November.

Rep. Pierce asked if either Mr. Fontaine or Mr. Ryder thought the State had any obligation to sell wood to any one mill or company. Mr. Fontaine did not think the State had any obligation to do that.

Rep. Pierce asked if Mr. Fontaine or Mr. Ryder thought Maine has the right to divert lumber to any one mill or company the State chooses. Mr. Fontaine said that is a State decision that he cannot comment on.

Sen. Saviello asked if TRG was owned by Stratton. Mr. Ryder said TRG is their own entity, but owned by Stratton.

Sen. Saviello asked Mr. Fontaine to talk about the comments in his September 6, 2018 letter to Ms. Ricci, OPEGA analyst. Mr. Fontaine referred to the Maine Forest Product Council's legislative reception in January 2018 where individuals get to talk with State representatives. He said he has not spoken with Director Denico many times and never talked with him in a formal context where he will call him or will ask to meet with him. The last time he spoke with Director Denico was at the January reception where he thanked him for what he had done for Stratton. Sen. Saviello said going back to that conversation, in November, Mr. Ryder asked specifically for wood to come to him in the split and that Stratton would be willing to pay more for it. Mr. Ryder agreed. Sen. Saviello said it is his understanding that PRL was part of that conversation and they could decide to match the price. Mr. Ryder did not know what the State discussed with PRL, but he said he increased the price early and then later increased the price again in order to get the wood. Sen. Saviello said it appears that Mr. Ryder communicated directly with the Regional Managers saying you needed extra wood and offered more money for it. Mr. Ryder said that was in November.

Sen. Saviello sought to clarify, that in January, other than Mr. Fontaine's conversation at the legislative reception, Mr. Ryder himself did not request any extra wood. Mr. Ryder said he usually stopped in to see Peter Smith every 2 weeks and would discuss inventories and what the production was. He would ask for more wood probably every time he stopped in. He said he had paid extra per ton for the November wood and in February he paid a lot extra for the long haul wood to get it to Stratton.

Sen. Saviello asked when and by whom Mr. Ryder was notified that Stratton was going to be receiving the extra wood. Mr. Ryder said Peter Smith told him sometime around February 12th.

Sen. Saviello asked why Mr. Ryder did not take the Telos wood if that had been made available to him. Mr. Ryder said Telos wood is very far away from Stratton and they were never able to buy any of the wood out of the Northern Region. In early November they put a log yard in Passadumkaeg, in the Eastern Region, and that is when he started talking with Mr. Reed about getting some wood. Later on that winter Mr. Ryder said he contacted Marc Deschene to try to get some wood out of the Northern Region, but at that point Mr. Deschene had made all his deals for the winter and had no extra wood available. Sen. Saviello said Mr. Ryder mentioned that the wood came from Greenville, Shirley and Seboomook and asked if they were all contract sales or was Greenville a stumpage sale and was the original destination going to be Stratton or PRL. Mr. Ryder said he did not know what the original destination was. He said he paid extra to get that wood delivered to Stratton.

Rep. Mastraccio said, other than the casual mention at the Legislative reception, neither Mr. Fontaine nor Mr. Ryder recalled requesting extra wood in February. Mr. Ryder said he requested wood just about every time he stopped in to see Mr. Smith. Rep. Mastraccio asked if Stratton was any shorter on wood than they usually are at that time of year. Mr. Fontaine said Stratton was desperate and was in a worse situation in January and February than they were in the fall of 2017 when the State shifted the wood to Stratton. He said his "requesting" means to place an order. When speaking with a reporter and the reporter kept asking him if he "requested" extra wood he said for him if you make a request and you get the wood, it's because you ordered it. He said Stratton was asking not only Maine, but all of their business partners, for wood because it was bad for Stratton. He did not formally ask Director Denico at the legislative reception, but did talk about wood and he said that Stratton was not where they wanted to be and could use any wood the State could supply. He did not make a formal request for wood because that is Mr. Ryder's job.

Sen. Saviello asked if Mr. Fontaine knew if other mills were in the same dire situation. Mr. Fontaine said Stratton shifted 3 times the amount of wood from Woburn, Quebec than what Stratton received from Maine. Sen. Saviello noted that the Woburn Mill and Stratton are owned by the same people and they made a shift of their own wood.

Sen. Katz asked when Stratton began telling folks from Public Lands that they could use more wood. Mr. Ryder said in the fall of 2017 they were very low and continued to be low.

Sen. Diamond asked who Stratton contacts to convince the State to help out when they are in great need of wood. Mr. Ryder said he will call or stop in to see Doug Reed and Peter Smith.

Sen. Davis referred to what Mr. Fontaine said about bringing wood down from Woburn, noting it was about 30 miles away from Stratton and asked how many days of wood was that for and if it was all Canadian wood. Mr. Fontaine said it was for 3 weeks and that a small portion was US wood.

Sen. Katz noted that if anyone testifying felt uncomfortable answering a question, to please say so.

Sen. Diamond asked what percentage of Stratton's wood comes from Maine. Mr. Fontaine said that is VPI and could not answer.

Rep. Sutton reminded the GOC that they were not going to go outside the scope of the review and cautioned them on what was agreed upon at the beginning of the meeting regarding business secrets.

Sen. Katz agreed and reminded any witnesses if they felt Committee members were treading into sensitive materials to let them know because they will not always know when they are doing that.

Sen. Saviello asked if Stratton owned any logging equipment and if the fire in Seboomook was theirs. Mr. Ryder said it was not.

Sen. Katz said the equipment fire was not Stratton's, but asked if the equipment was working on wood that was intended to go to Stratton. Mr. Ryder said the equipment fire happened with a contractor and thinks Stratton was getting that wood, but after the fire, the contractor slowed down so Stratton did not get that wood.

Mr. Fontaine wanted to clarify what he said in response to Sen. Davis' question of whether there was any wood from the State of Maine going to Stratton's Canadian operation. He said it was not from the State's Public Lands, it was from privately own land between Stratton, Maine and Woburn, Quebec.

Sen. Katz administered the oath to Rich Smith.

Mr. Smith said he is the Manager for wood procurement for sawmills in the State, their Pine Mill in Ellsworth, Spruce Mills in Dover and Jackman. He is responsible for making arrangements to buy the volume and quality of wood that their two spruce mills need and talks with landowners and loggers. He develops a wood budget, presents it to the owners and comes up with a procurement plan.

Mr. Smith said he agreed with OPEGA's report. Rep. Pierce asked if the State had any obligation to sell wood to any one company or mill. Mr. Smith said not an obligation to sell to any one mill, but does believe they have an obligation to fulfill the terms of an agreement that may have been made.

Rep. Pierce asked if Mr. Smith had the right to refuse wood. Mr. Smith said they do, but the only time that happens would be in a situation on white pine in the middle of summer when it might stain and they do not have the watering capacity to handle the inventory. He said spruce or fir is never declined for Jackman or Dover.

Sen. Saviello asked what happened in November in relation to the Public Lands' wood supply? Mr. Smith said Peter Smith and Allan Ryder described the situation accurately. Stratton was low on wood and PRL/MRL was in a little better shape. He said the wood was offered and Peter Smith and he discussed it, but at the time he passed on it because it was not going to work out for them financially. Sen. Saviello asked if that was a fully open discussion and Mr. Smith said it was.

Sen. Saviello referred to the February 5th conversation Mr. Smith had with Director Denico and asked him to describe the discussion. Mr. Smith said it might have been late January and he was uncomfortable talking about it because it is personal. He said he relayed all the information to Ms. Ricci at OPEGA. Sen. Saviello asked, without going into the details, if it was a heated discussion to start. Mr. Smith said it was and the 2 mill owners heard the beginning of the conversation and came down to find out what the problem was. He said after a bit the conversation calmed down.

Sen. Saviello asked if anyone from the Public Lands came to Mr. Smith to let him know they were diverting the wood, and if not how did he find out about the diversion. Mr. Smith said no one advised him about the wood being diverted. The loggers called him, and then the truckers, to ask what was going on, why weren't they hauling wood to him anymore? He knew nothing about it so he called Peter Smith and Mr. Reed. Mr. Reed said that was the directive he got. Mr. Smith said there was no negotiation or discussion, it was not price or anything else it was just the directive. Sen. Saviello said he was trying to reconcile the fact that Stratton paid more money for the wood and according to Director Denico the State lost \$20,000.

Sen. Saviello asked if Mr. Smith had ever been involved in a situation where the State changed one destination of the wood over another without communicating. Mr. Smith said no. His dealings since they have gone to contract logging have been very professional and if there is an issue they discuss it and try to figure it out.

Sen. Saviello asked Mr. Smith why he did not take the Telos wood. Mr. Smith said he talks with the forester in Ashland twice a year. He has email conversations to try to price the wood competitively, but it falls outside of PRL/MRL's budget. He cannot buy too much expensive wood at a time and expects to get the deals that they normally get from people so to lose one deal and having to pay more for other wood did not make sense at the time. Sen. Saviello asked about getting wood from Baxter State Park. Mr. Smith said on occasion they do get wood from Baxter when it works financially for the landowner, Baxter and them.

Rep. Mastraccio noted that Mr. Smith said earlier that the diversion of wood that happened in February was unusual and unexpected. Mr. Smith agreed and said you hear rumors from loggers all the time, but it is not usually about something like this. There was no communication when the diversion of wood happened.

Sen. Saviello said we know about November and we know what happened in February and asked if there were any other circumstances similar to this that has happened in the past. Mr. Smith recalled a situation last fall where they had a blow down of pine in Bradley and PRL/ MRL had a lot of pine so did not need it, but they worked together to try to find a solution.

Sen. Saviello asked Mr. Smith to describe PRL/MRL's wood supply in February. Mr. Smith said by the 3rd week of January everybody was in a tough place because no logging was going on, everyone is worried about the next 10 weeks and whether they will get enough wood to get through mud season so at that point he couldn't say if PRL/MRL was a week ahead or behind. He said they were probably equally concerned.

Rep. Pierce asked if communications had gotten better since February. Mr. Smith said he talked with Mr. Simpson in February about getting pine logs and asked him and Mr. Reed if there was anything they could do to help PRL/MRL out. He kept communicating with his normal chain of communications with the regional foresters. Rep. Pierce said communications did not work at the end of January. Mr. Smith said not with the people he normally works with, they were not even informed of what was going on, it was a last minute decision made above them.

Rep. DeChant commented there was a conversation at a legislative reception and all of a sudden wood was delivered to Stratton. Mr. Smith said he was not sure attendance at a legislative reception would qualify as communication that you needed wood.

Sen. Libby referred to the miscellaneous correspondence in late November between Doug Reed and Mr. Smith regarding pricing. Mr. Smith said the emails were probably negotiations for the winter season and believes PRL/MRL had an understanding to receive a certain volume of wood for a certain time period. Sen. Libby said in Director Denico's letter he asserts that he is not hearing anything from MRL for that winter period. Mr. Smith said that was not accurate. Public Lands delivered wood to PRL/MRL all through January under the new terms of their winter arrangement and then it stopped. Sen. Libby noted that from the information the GOC received there were large gaps in emails between MRL/PTL and the Department. Mr. Smith said he did not know what the gaps were about. He said there was the one meeting with Director Denico about a week before the decision was made to divert wood away from MRL/PRL. He felt like some of the issues had been worked out and that the meeting ended on a positive note so was surprised when he learned that the wood was not being delivered to MRL/PRL. Mr. Smith said there is a communication that happens with the Regional Foresters and Managers when he has any kind of an issue and that did not happen here. Sen. Libby asked how Mr. Smith found out that the wood delivery was not coming. Mr. Smith said the loggers and truckers called him asking him what he had done, what was going on, and how come all of a sudden deliveries to him were stopped. He contacted the Regional Foresters, Peter Smith and Doug Reed, the people at the State he usually deals with. Sen. Libby asked if Mr. Smith and Mr. Reed said it was a directive from Director Denico and Mr. Smith said he believed that was an accurate statement.

Sen. Saviello asked if MRL/PRL had a written contract for wood and Mr. Smith said not with the State. He asked if Mr. Smith has asked for a written contract in the future. Mr. Smith thinks he mentioned to Mr. Reed and Mr. Simpson in June that he had something that could be used for a contract, but they did not want it at that time.

Sen. Saviello referred to Mr. Smith's earlier comment where he said he thought the diversion of wood was premediated and not a glitch in communication because normally the communication is with the Regional Managers so that was something different. Sen. Saviello asked if MRL/PRL was in trouble because of not receiving the wood. Mr. Smith said they were, and when the diversion of wood happened he knew the State was not going to help and he would have to go somewhere else to replace the diverted wood. He said it is difficult at that time of the year to do that because not everybody else is willing to break an agreement to help you out at that point.

Rep. Pierce asked if MRL/PRL ran out of wood. Mr. Smith said they did not, but came close. He asked if Mr. Smith thought the lack of communication at the end of January, first of February, was intentional. Mr. Smith said in his opinion it was. The decision to divert the wood was made by Director Denico, it was not the Governor or the Regional Managers.

Sen. Libby referred to Director Denico's letter to the GOC that says "that the wood being referenced as going to Canada was offered to MR/PR three times from late November 2017 through late January 2018. This wood was only going to Canada because the log buyer for Moose River declined to buy it." Mr. Smith did not know if the number of times of communication was right, but said he does communicate with the Forester in Ashland and MR/PR passed on the wood because it was too expensive.

Sen. Libby asked if Mr. Smith left his meeting with Director Denico with the assumption that he was going to be procuring more wood from Public Lands. Mr. Smith said the expectation was things were going to continue as they began that winter and they would get roughly the agreed upon volume of wood for the arrangements they made.

Sen. Libby noted that Director Denico said in late January 2018 that Mr. Smith declined to purchase the wood. Mr. Smith said just like he did in December and noted it was out of Telos. Wood from Telos is difficult because it is off road trucking and you have to re-handle it.

Rep. Rykerson said Mr. Smith said the decision to divert wood was made by Director Denico and not the Governor and asked what basis he has in saying that. Mr. Smith said it was his intuition just knowing the personalities involved and the situation.

Sen. Katz asked if Mr. Smith has talked with Director Denico since the February diversion of wood and, if so, has he given any explanation about why he directed the change. Mr. Smith said he has talked with the Director several times, but he has not specifically given a reason for the diversion. Sen. Katz asked if Mr. Reed, Mr. Smith or Mr. Simpson told him anything they had been told about why Director Denico directed the change in the delivery of wood. Mr. Smith said the testimony each gave earlier in the meeting was accurate.

Sen. Katz administered the oath to Jason Brochu.

Mr. Brochu said he is one of the owners of PRL/MRL. They have owned PRL since 2004 and have expanded out since then. Mr. Rich Smith has been in charge of their procurement for a decade so they are very knowledgeable as far as how wood is brought, sold and moved throughout the State.

Rep. Pierce asked if Mr. Brochu agreed or disagreed with OPEGA's report. Mr. Brochu agreed with the report and thinks it brings to light some of the informal nature of how wood is bought and sold in the State, regardless of who the landowner is.

Rep. Pierce said, from what has been said at the meeting, the wood business uses fairly informal agreements. Mr. Brochu said they negotiate volumes and pricing twice a year with all the landowners. There are adjustments that are made throughout the term, but those are generally detailed type adjustments, they are not major adjustments. He said mills make those agreements and they expect the volume to come in during that period.

Rep. Pierce asked how Mr. Brochu's relationship with the State is currently. Mr. Brochu said his relationship with the State as land managers has been very similar to those of the private landowners and land managers. They follow the same procedure of negotiating a couple times a year, make little adjustments here or there, but it has always been very good and they have never had any issues. He said how MRL/PRL bought wood from State owned land historically has always been very typical of how they bought wood from private owned land. The relationship is good. Mr. Brochu said it is the first time they have ever had a quantity of wood just pulled out from under them as part of the agreements. When that happened Mr. Smith had to scramble and said another word for scramble is money. As a company it cost them money to replace the wood that was diverted to Stratton.

Rep. Pierce asked if Mr. Brochu thought he was just not communicated to and if he thought it was intentional. Mr. Brochu said there has never been such a diversion of wood since he and his brother have been involved in the procurement. When one mill is short on wood, because of the relationships, including with the State, you have communications that say this particular mill is not doing as well, and you communicate as to what your own needs are at that time as well. He said that was the real anomaly and if they had received a call and asked how they were doing on wood they would have said they were hurting and needed wood. If they were told the wood was going to be diverted they would have begged and pleaded for them not to do that. Mr. Brochu said PRL/MRL's needs at the time of the diversion were as dire as any mill because at that time of the year everybody needs wood.

Rep. DeChant said if the diversion happened just the one time, but was completely disruptive, said maybe the agreements should be more formalized. She said Mr. Brochu thinks it is all good now with the State and asked him what is it that is not good and what was the problem? Mr. Brochu said he can answer what was done and can give his experiences on why it was such an anomaly, but as far as why it was done, you would have to ask Director Denico. He thinks it has been clear throughout the proceedings that the decision to divert the wood came directly from the Director. After the meeting that happened in Dover Foxcroft, it was not long after PRL/MRL heard that all wood had been diverted to Stratton.

Sen. Saviello sought to clarify that after the wood was diverted Mr. Brochu contacted Mr. Reed to ask why and if the wood could come back. He asked what the response was. Mr. Brochu said communication was by email. He asked if the wood could come back because they were in a bad situation too. The response was diluting two mills doesn't help either so basically he said no, the wood was going to keep going to Stratton. Mr. Brochu said the response also said it is too bad you didn't buy the Telos wood and you should look at that next year. He said the Telos wood was going to a Canadian mill.

Sen. Saviello asked if Mr. Brochu has asked about having a contract for wood. Mr. Brochu said he has not personally, but Mr. Smith has offered contracts and their response was not yet.

Sen. Libby referred to an email between Mr. Brochu and Director Denico on February 28th in which the Director said we plan to keep assisting Stratton as long as production trucking continues and that Mr. Brochu should look at Telos next year. Mr. Brochu replied that it is very disappointing that the State cannot help him out. He had committed to 6,000 tons during the billing cycle, but was only going to receive about 2,000. Sen. Libby said MRL/PRL is short about 4,000 tons, but Public Lands' wood is going to Canada and Director Denico refutes that in his letter to the GOC. He asked if Mr. Brochu had evidence to show the wood went to Canada. Mr. Brochu said Telos' wood went to Canada and the reason MRL/PRL does not buy Telos wood is because of the proximity, but in this situation that is irrelevant if a mill needs wood.

Rep. Pierce asked if Mr. Brochu thought the State of Maine is obligated to sell wood to any one mill or company or to where the State chooses to sell it. Mr. Brochu said when you say we as the State of Maine, the Bureau of Parks and Land does not own that land. They manage Public Lands on behalf of the citizens of Maine so the people are making the decisions on behalf of the Maine tax payers and have a responsibility to do what is best for the tax payers. He thinks that is the distinction. Mr. Brochu said the fundamental issue is that they did not receive wood PRL/MRL was promised and were counting on.

Sen. Katz administered the oath to Jay Haynes.

Mr. Haynes is part owner in a family business that moves wood products, owns timber lands and is a timber broker. He said they have been moving forest products for 50+ years in the Eastern Maine area and works on the Eastern Unit for Public Lands. As a contract logger, they do the best job they can to load the wood and deliver it to whatever location the foresters or Mr. Simpson directs them to go.

Sen. Katz said Mr. Haynes provides a service directly to the State of Maine. He cuts the wood for a fee and then delivers it to wherever the owner of the wood, in this case is Public Lands, tells him to deliver it. Mr. Haynes said that is correct and in the situation being talked about, he was the contract logger.

Sen. Saviello asked if Mr. Haynes also had State wood that comes into his wood yard. Mr. Haynes said he did and once the wood is in his yard, it belongs to HC Haynes once they purchase and pay for it. Sen. Saviello asked if HC's contracted wood was being delivered to Stratton and to PRL. Mr. Haynes said his contract was that he was delivering a small percent to his yard in Chester and to start, two loads a week to Passadumkaeg which would be TRG or Stratton and the rest of the volume per week would have been going to PRL. He said that would have been in November.

Sen. Saviello referred to February and asked if Mr. Haynes was told to divert all of that wood to Stratton and none to PRL. Mr. Haynes said Mr. Reed called him one day and told him the wood needed to go to Passadumkaeg from that point on and that is what he did. Sen. Saviello asked if the wood HC Haynes purchased also went to Passadumkaeg. Mr. Haynes said it did.

Sen. Katz referred to the wood owned by HC Haynes and asked if it was Mr. Haynes' decision where to send it. Mr. Haynes said no, not at all, because he was working as a contract logger. Sen. Katz asked if Mr. Haynes was given any reason by Mr. Reed as to why the wood was being diverted from one place to another. Mr. Haynes thinks he started to say something and Mr. Reed just grinned and said don't ask.

Rep. Pierce asked if Mr. Haynes read the OPEGA report and if he did, did he agree or disagree with it. Mr. Haynes said he did not read the report.

Rep. Pierce asked if the State has any obligation to any one mill or lumber yard. Mr. Haynes said he feels the State has no obligation unless it was contractually put together ahead of time, although being someone who sells timber all the time, if a mill is under hardship, and with all the mills that have been lost in the State of Maine, he would certainly take it upon himself, and feels that the State should too, to help in a situation where a mill was under duress.

Sen. Saviello asked if HC Haynes had a written contract with the State or is it a handshake and an agreement for the wood they purchase. Mr. Haynes said it is just a handshake and an agreed price. Sen. Saviello asked if it cost Mr. Haynes more money to send the wood to Stratton than it did to send it to MRL. Mr. Haynes said he is contractually paid different trucking rates per mile and the State pays the difference.

Sen. Saviello acknowledged that Mr. Haynes did not want to be at the meeting, but wanted to let him know how much he appreciated his candor in answering the questions and thanked him.

Sen. Katz asked if there was anybody that testified that Committee members would like to ask any additional questions to. No one came forward.

Sen. Katz asked if there was anybody who testified at the meeting who, in light of what they heard from others, would like to add something. There was nobody.

The members of the Committee thanked all the individuals for coming to the meeting and providing information and answering their questions.

- Public Comment Period

Sen. Katz asked if there was anybody who wanted to comment on OPEGA's Brief. Hearing from no one at the meeting who wanted to testify, he closed the public comment period.

Sen. Katz said the GOC originally asked Director Denico to come to the August 20th GOC meeting, but he communicated to OPEGA staff that he could not be at a meeting that day because of a conference he was attending out west so the GOC changed the date for him come before the Committee at today's meeting. Director Denico said the conference was actually today and that is why the Committee is meeting on October 3rd. Director Denico will be at the October 3rd meeting to answer the Committee's questions.

Sen. Katz said there is nothing further for the GOC to do at this time.

Motion: In accordance with Title 3, Chapter 429, I move that testimony from today's proceedings shall be released as a full audio recording of the testimony subject for an opportunity for witnesses to object in accordance with criteria provided in Chapter 429 and a subsequent Committee decision on the objections. (Motion by Rep. Mastraccio, second by Rep. Pierce. Motion passed by unanimous vote of 10-0.)

RECESS

Chair Katz recessed the Government Oversight Committee at 11:26 a.m.

RECONVENED

Chair Katz reconvened the GOC meeting at 11:40 a.m.

UNFINISHED BUSINESS

- **OPEGA Report on Temporary Assistance for Needy Families Program (TANF)**

- **Continued Committee Work Session**

Director Fox said at the GOC's August 20th meeting the Committee had follow-up questions on the TANF program and OPEGA had requested responses from the Department of Health and Human Services (DHHS) for this meeting. OPEGA did receive DHHS' response this morning and referred members to the letter being distributed to them. She said because the Commissioner's letter had just been received she had not had the opportunity to read it.

Director Fox said that at the last GOC meeting Sen. Gratwick said, although he agreed to endorse the report, there were issues that he felt were important to include if the report were to inform future Legislatures about the TANF program and funds. She understands that Sen. Libby and Sen. Gratwick have been in communication and there is a draft addendum. Sen. Libby distributed his memo regarding the TANF program.

Sen. Libby said OPEGA had a scope for their review of the TANF program and through the Committee communications, particularly at the public comment period, Sen. Gratwick, himself and others thought more

questions were being raised about the TANF program and they were not necessarily able to get those questions and answers incorporated into the body of the report. What the GOC has done, at least once in the past, is to include an addendum to a report and that is what he is seeking to do.

Sen. Katz was not certain if adding Sen. Libby's information required a formal vote of the Committee. Director Fox requested time to speak with Sen. Libby and Sen. Gratwick to ensure that the single addendum meets both of the members' requirements for what they want included. She also wanted to make sure it follows proper protocol used for addendums that have been considered in the past. Sen. Katz asked if that was acceptable to Sen. Libby. He said it was so the Chair said Director Fox will work with both Sen. Libby and Sen. Gratwick to get that work accomplished.

Sen. Katz said because the GOC just received DHHS' letter and members did not have time to digest it right now, suggested that the TANF discussion be continued until October 3rd. Members of the Committee agreed.

- **OPEGA Report on the Child Protection System: A Study of How the System Functioned in Two Cases of Child Death by Abuse in the Home**

- **Brief Review of Recent Legislation Relative to Child Protection System**

Sen. Katz said the Legislature has acted on several bills offered by the Governor in the Special Session and referred to Director Fox for more information regarding the legislation.

Director Fox referred members to the Summary of legislation enacted during Second Special Session of the 128th Legislature related to child protective services document in their notebooks. (A copy is attached to the Meeting Summary.)

Director Fox said the GOC asked OPEGA to continue their work on the Child Protective Services issues. OPEGA will be gathering information from frontline workers that deal directly with decisions of child safety. That work is ongoing and OPEGA will be gathering the information in various ways throughout the month of October. The second part of the special project was for OPEGA to review the initiatives that the Executive Branch put forward as concerns they identified and wanted to take on in terms of improving the system overall. OPEGA will be looking at what efforts have been taken to move those concerns forward. Director Fox said at this time it is not clear whether OPEGA will have a formal report, or an information brief, prior to the new GOC being seated.

Sen. Katz asked if the Director could explain how OPEGA is approaching their outreach to Child Protective Service workers. Director Fox said there had been efforts to ensure that all regions of the State are represented at the various levels of child protective workers. Permanency, assessment intake, and supervisors will be administered surveys and there will also be follow-up with in-person interviews. OPEGA will be going to DHHS staff to minimize the disruption of their ongoing work and will try to make the interviews as convenient as possible.

Sen. Katz asked what OPEGA is building in so the confidentiality and the identity of people will be preserved so DHHS staff will feel comfortable being as candid as they want. Director Fox said OPEGA has been working with DHHS to make sure they understand what is happening and has designed the survey in a way so that their confidentiality is maintained in terms of their responses. There have been identified samples of people OPEGA may want to speak with, but in terms of DHHS' staff responses, those will be aggregated and the responses will not be identified to any one individual.

Sen. Diamond said he was concerned that the GOC was not going to be coming to a conclusion, or at least, evidence that may result in legislation that may/should be presented in the next session. He asked if Committee members can get as much of the information as possible prior to the adjourning of this GOC so that those members who are returning who would like to put in legislation will have a little more information

and would not have to wait until a new committee comes in and gets organized. He asked if the GOC would be able to get at least some information at a point when there is still the 128th GOC. Sen. Katz asked for the best time frame that could be given for OPEGA's work. Director Fox said OPEGA is coordinating and scheduling when they can meet with DHHS staff and has not yet had all of the feedback in terms of what works best for them. If all goes as planned, interviews would not even be complete until the end of October so it depends on the Committee's meeting schedule. She would want to confer with OPEGA staff with regard to what information could be presented in any manner that would be useful to inform decisions beyond what information the Committee may have already. She was not comfortable saying OPEGA could present something that could inform GOC members' decision between now and when this Committee ceases to exist in early December. She will gather more information to answer Sen. Diamond's question at the October 3rd meeting or will send the information out to the GOC by email.

Sen. Katz said the GOC Chairs talked with Director Fox before this meeting about releasing information and thinks the challenge of the calendar is that even if members receive the feedback in mid-November, the GOC would have to hold additional work sessions and that is going to be difficult. The alternative is to turn the matter over to the next Committee. Hopefully there will be some members of this GOC on the next one. Sen. Katz said that is not ideal, but it does not seem there is going to be time to receive the information and have a work session or two to draft legislation. That is a challenge.

Sen. Diamond said he was not looking for a completed product, but thinks OPEGA will have some information gathered by December before this GOC ends, and notwithstanding any work sessions that this, or the next Committee may have, he is looking for some information. It does not have to be information that has been reviewed through a work session, it is just information that they, as a Committee, may have.

Rep. Mastraccio said she wants to make sure they continue the process. She said the Committee can introduce legislation at any time and are not bound by cloture so whether Sen. Diamond is sitting on the next GOC, or not, he will be involved in whatever the 129th GOC comes up with. She thought it made more sense to let the process happen and then see where it leads rather than to hurry it because she is worried it will be more difficult to get legislation through unless it has the basis of where it is coming from.

Director Fox expressed her concern that as OPEGA gathers the information they do it without any outside influence. Once the GOC has assigned them work, if they release data before they come up with a final product, they would be vulnerable to that influence and may not maintain the level of independence that is required of OPEGA and that OPEGA would want to maintain in terms of presenting the information.

Sen. Diamond asked if this matter will be on an expedited track and will be moved forward so the next GOC will have that interpretation from this GOC. Sen. Katz said it has been designated as a priority and that can be reaffirmed to the next GOC.

Director Fox said she hears the GOC's concern and will speak to OPEGA staff to get a sense of when they might be able to report. Sen. Diamond said he does not want Child Protection Services to be pushed aside because there are 3 more things that come in the next session and this becomes 4th. Sen. Katz thought a strong letter from this Committee unanimously sent to the next GOC expressing how important they think this issue is and unless there is something extraordinary that happens to take its place, this review should remain number 1.

- Continued Committee Work Session

The Work Session will continue at the October 3rd GOC meeting.

- **OPEGA Report on State Lottery**

- **Review of Final Revisor Copy of GOC Initiated Legislation**

Director Fox said the GOC had reviewed and approved the legislation regarding the State Lottery. The legislation has been processed in the Revisor's Office and is in a final version. Barring any changes, the plan is that this legislation will be submitted for consideration to the First Regular Session of the 129th Legislature as the GOC had previously voted. (A copy of the State Lottery Legislation is attached to the Meeting Summary.)

ANNOUNCEMENTS AND REMARKS

None.

REPORT FROM DIRECTOR

- **Status of Projects in Progress**

Director Fox said **ReEmployME System** is in the preliminary research stage. The **Special Project: Office of Child and Family Services** was talked about earlier. The **ETIF Tax Expenditure** review is in the reporting phase, and **Maine Capital Investment Credit** is in the planning stage. The other review in progress is the **Maine Citizen Initiative Process** with some planning and fieldwork done, but the review keeps being put on the back burner at the GOC's direction due to other projects that have come before them.

Director Fox said the primary agenda items for the October 3rd GOC meeting is the appearance of Director Denico to answer members' questions regarding OPEGA's Information Brief on the Sales of Timber From Public Lands. She has received confirmation that the subpoena was received and from all indications expects the Director will be at the next meeting. The Committee will have the opportunity to review Sen. Libby's memo regarding OPEGA's Report on TANF so there could be final action taken on that. Sen. Katz asked if the Child Protection System will be on the Agenda for an update on OPEGA's work. Director Fox said it would be.

NEXT GOC MEETING DATE

The next GOC meeting is scheduled for October 3, 2018 at 9:00 a.m.

ADJOURNMENT

The Chair, Sen. Katz, adjourned the Government Oversight Committee at 12:02 p.m. on the motion of Sen. Davis, second by Sen. Saviello, passed by unanimous vote.

**Summary of legislation enacted during Second Special Session of the 128th Legislation related to child protective services
Government Oversight Committee meeting September 27, 2018**

LD	Title	Enacted law summary	Public Law chapter
LD 1920	An Act to Modify the Expungement Requirements for Records under the Child and Family Services and Child Protection Act	Current law governing records held by DHHS in connection with the department’s child protective activities requires the department to maintain unsubstantiated child protective case records for no more than 18 months (except some unsubstantiated records related to certain persons eligible for Medicaid Services under the federal Social Security Act Title XIX which are retained for 5 years). Public Law 2017, chapter 472 increases that retention period to 5 years.	P.L. 2017, c. 472 Effective 12/13/18
LD 1921	An Act to Grant the Department of Health and Human Services Access to Criminal History Information To Achieve the Purposes of the Child and Family Services and Child Protection Act	Current law authorizes DHHS to take appropriate actions to help prevent child abuse and protect the health and safety of children (22 MRSA §§4003 and 4004). Public Law 2017, chapter 473 adds to the list of those appropriate actions, the authority to request and receive certain confidential criminal history record information (and public criminal history information) from the Department of Public Safety as defined under the Criminal History Record Information Act (17 MRSA c. 7).	P.L. 2017, c. 473 Effective 12/13/18
LD 1922	An Act to Amend the Child and Family Services and Child Protection Act	Current law lists as a purpose of the Child Protection Act making family rehabilitation and reunification a priority as a means for protecting the welfare of children. Public Law 2017, chapter 470 amends this purpose statement to require DHHS to make reasonable efforts to rehabilitate and reunify families.	P.L. 2017, c. 470 Effective 12/13/18
LD 1923	An Act to Improve the Child Welfare System	<ol style="list-style-type: none"> 1. Provides funding to increase the daily reimbursement rates for the various categories of foster homes; 2. Provides funding to create a new Child Welfare Investigator position; 16 Human Services Casework Supervisor positions; 2 Regional Associate Director for Child Welfare positions; 16 Human Services Caseworker positions; and 8 Customer Representative Associate II positions within the Department of Health and Human Services, Office of Child and Family Services; 3. Provides funding for a \$5 per wage-hour stipend payment for Caseworkers, Caseworker Supervisors, Assistant Program Administrators and Program Administrator positions; 4. Provides funding for a \$1 per wage-hour stipend payment for Caseworkers, Caseworker Supervisors, Services Assistant Program Administrators and Program Administrator positions for those holding or obtaining a relevant master’s degree; 	P.L. 2017, c. 471 Enacted as an Emergency Effective 9/7/18

		<p>5. Provides funding for the procurement of a pilot program to provide supportive visitation, including supervision of court-ordered visitation with the child’s relatives and evaluation of parental capacity;</p> <p>6. Provides funding for the procurement of clinical support and guidance of caseworker practice, including direct consultation with a clinician, training, staff functioning and debriefing;</p> <p>7. Provides one-time funding for the development of a new comprehensive child welfare information system and directs the Department of Health and Human Services to conduct a needs analysis for its comprehensive child welfare information system, review possible solutions to meet those needs and purchase or develop a new system;</p> <p>8. Requires the Department of Health and Human Services to contract for a 3rd-party independent rate study to develop a separate rate for MaineCare reimbursement for trauma-focused cognitive behavioral therapy to be billed under rule Chapter 101: MaineCare Benefits Manual, Section 65; and</p> <p>9. Requires the department to report on the progress of the department in implementing the provisions of the legislation to the joint standing committee of the Legislature having jurisdiction over health and human services matters by January 31, 2019.</p>	
LD considered but not enacted			
LD 1919	An Act to Criminalize the Failure to Make a Report of Child Abuse or Neglect As Required by Statute	In addition to being subject to the existing civil penalty, a person who is required to make a report to DHHS or a DA’s office when the person knows or has reasonable cause to suspect child abuse or neglect and who intentionally or knowingly fails to make the report is guilty of a Class E crime. (For purposes of this section, a Class E crime is punishable by up to 30 days imprisonment or a fine up to \$500.)	Not enacted

Final draft of GOC legislation regarding OPEGA report on the Maine State Lottery – to be submitted to the First Regular Session of the 129th Legislature pursuant to 3 MRSA §997 sub-§2

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 8 MRSA §372, sub-§2, ¶H, as amended by PL 1991, c. 780, Pt. Y, §109, is further amended to read:

H. Certify monthly to the ~~Treasurer of State,~~ the commission and the commissioner a full and complete statement of lottery revenues, prize disbursements and other expenses for the preceding month; ~~submit an annual report, subject to the approval of the commission, that must include a full and complete statement of lottery revenues, prize disbursements and expenses, to the Governor and the Legislature, together with recommendations for changes in this chapter;~~

Sec. 2. 8 MRSA §372, sub-§2, ¶I, as amended by PL 2003, c. 673, Pt. MM, §1, is further amended to read:

I. Carry on a continuous study and investigation of the lotteries throughout the State and the operation and administration of similar laws that may be in effect in other jurisdictions. The director, subject to the prior approval of the commission, may enter into a written agreement with a multijurisdictional lottery association for the operation, marketing and promotion of a joint lottery or joint lottery games with other jurisdictions.

Any final agreement entered into with a multijurisdictional lottery association must provide that the director has the authority to terminate the agreement upon the provision of reasonable notice, not to exceed 6 months. The final agreement must further provide that the director may terminate the agreement at any time, without prior notice, in the event that the director's authority is withdrawn or limited by law; ~~and~~

Sec. 3. 8 MRSA §372, sub-§2, ¶J, as enacted by PL 1991, c. 780, Pt. Y, §112, is amended to read:

J. Assign duties as necessary to a designee; and

Sec. 4. 8 MRSA §372, sub-§2, ¶K is enacted to read:

K. Beginning February 15, 2020, submit a report annually, subject to the approval of the commission, to the Governor and the joint standing committees of the Legislature having jurisdiction over lottery matters and appropriations and financial affairs. The joint standing committee of the Legislature having jurisdiction over lottery matters may submit to the Legislature any legislation based on the report. The report must include:

(1) A list of the decisions made by the commission and resulting actions for the preceding calendar year relevant to lottery operations;

(2) A complete statement of lottery revenues, prize disbursements and expenses and appropriations from the General Fund, if any, for the preceding calendar year;

(3) A 5-year history of the account used to manage lottery operations, which must include the amount of revenues deposited into the State Lottery Fund and the amounts transferred to the General Fund;

(4) A detailed statement of the expenditures made to promote lottery sales through marketing, advertising and recruitment of agents for the preceding calendar year;

(5) A description of the lottery marketing and advertising activities for the preceding calendar year. The description must identify each radio station and television station, if any, that broadcast or distributed the advertising;

Final draft of GOC legislation regarding OPEGA report on the Maine State Lottery – to be submitted to the First Regular Session of the 129th Legislature pursuant to 3 MRSA §997 sub-§2

(6) For each radio station and television station identified pursuant to subparagraph (5), the format of advertising activity and amount of the expenditures for the preceding calendar year associated with each station; and

(7) Any recommendations for changes to this chapter.

Sec. 5. 28-A MRSA §83-B, sub-§11, as enacted by PL 2013, c. 476, Pt. A, §9, is amended to read:

11. Certification. Certify monthly to the ~~Treasurer of State and the~~ commissioner a complete statement of expenses and revenues collected in accordance with the licensing and enforcement functions of the bureau. ~~The bureau shall submit an annual report that includes a complete statement of expenses and revenues collected in accordance with the licensing and enforcement functions of the bureau to the Governor and the joint standing committee of the Legislature having jurisdiction over alcoholic beverage matters, together with recommendations for changes to this Title.~~

Sec. 6. 28-A MRSA §83-C, sub-§7, as enacted by PL 2013, c. 476, Pt. A, §9, is amended to read:

7. Certification. Certify monthly to the ~~Treasurer of State and the~~ commissioner a complete statement of revenues from and expenses for the sale of spirits by the bureau ~~and submit an annual report that includes a complete statement of the revenues and expenses of the bureau to the Governor and the joint standing committee of the Legislature having jurisdiction over alcoholic beverage matters, together with recommendations for changes to this Title;~~

Sec. 7. 28-A MRSA §84, sub-§5, as amended by PL 2015, c. 430, §2, is further amended to read:

5. Certification. Certify monthly to the ~~Treasurer of State and the~~ Commissioner of Administrative and Financial Services a complete statement of revenues and expenses for liquor sales for the preceding month ~~and submit an annual report that includes a complete statement of the revenues and expenses for the bureau to the Governor and the Legislature, together with recommendations for changes in this Title; and~~

Sec. 8. 28-A MRSA §84, sub-§6, as enacted by PL 2015, c. 430, §3, is amended to read:

6. Implement a spirits sales data reporting system. Collect from reselling agents data on spirits sales made by each reselling agent to establishments licensed to sell spirits for on-premises consumption. The data must include, but is not limited to, the amount and date of sale of each product code sold to on-premises licensees by the reselling agent. For the purposes of this subsection, "product code" has the same meaning as in section 461. For the purposes of collecting on-premises spirits sales data from reselling agents, the director shall enter into a contract with a trade association representing states that control and manage the sale of spirits. The contract must require that neither the bureau nor the trade association may make publicly available any information that would specifically identify the reselling agent, including, but not limited to, the reseller's name, the name of the reseller's agency liquor store, the reseller's agency liquor store's address or the address of any associated storage facility of the reselling agent; and

Sec. 9. 28-A MRSA §84, sub-§7 is enacted to read:

7. Annual report. Beginning February 15, 2020, submit a report annually, subject to the approval of the commission, to the Governor and the joint standing committees of the Legislature having jurisdiction over alcoholic beverage matters and appropriations and financial affairs. The joint

Final draft of GOC legislation regarding OPEGA report on the Maine State Lottery – to be submitted to the First Regular Session of the 129th Legislature pursuant to 3 MRSA §997 sub-§2

standing committee of the Legislature having jurisdiction over alcoholic beverage matters may submit to the Legislature any legislation based on the report. The report must include:

- A. A complete statement of the revenues and expenses for the bureau for the preceding calendar year;
- B. A complete statement of the information required by section 83-B, subsection 11 for the preceding calendar year;
- C. A complete statement of the information required by section 83-C, subsection 7 and section 84, subsection 5 for the preceding calendar year;
- D. The information required by section 83-C, subsection 9; and
- E. Any recommendations for changes to this Title.

SUMMARY

This bill implements recommendations of the Government Oversight Committee based on the report on the Maine State Lottery issued by the Office of Program Evaluation and Government Accountability in April 2017. The bill removes a provision of law that requires the director of the Bureau of Alcoholic Beverages and Lottery Operations within the Department of Administrative and Financial Services to certify certain financial information related to lottery operations to the Treasurer of State monthly. The bill modifies the bureau's annual reporting requirements related to lottery operations. It requires the director to submit an annual report to the Governor and the joint standing committees of the Legislature having jurisdiction over lottery matters and appropriations and financial affairs. The report must include specific information on lottery activities and finances and marketing and advertising efforts and a listing of decisions made by the State Liquor and Lottery Commission and actions taken as a result.

The bill also amends several provisions related to monthly certification and annual reporting requirements related to administration of the State's spirits business and the bureau's oversight of the manufacture, distribution and sale of liquor in the State to make them consistent with the bill's proposed requirements for lottery operations reporting. Finally, the bill authorizes the joint standing committee of the Legislature having jurisdiction over lottery and alcoholic beverage matters to submit legislation based on the reports required to be submitted by the bureau.