

OPEGA Recommendation for Project Direction

Limited Scope Review of the Design of the Pine Tree Development Zones (PTDZ) Program Presented by OPEGA to the Government Oversight Committee – 129th Maine Legislature December 10, 2019

Background

The Government Oversight Committee (GOC) added a limited scope review of the design of the Pine Tree Development Zones Program to OPEGA's Work Plan on August 14, 2019.

Following the OPEGA report on PTDZ, presented in August of 2017, the Legislature enacted LD 1654 An Act To Protect Economic Competitiveness in Maine by Extending the End Date for Pine Tree Development Zone Benefits (PL 2017, c. 440). The PTDZ Program, which provides benefits to qualifying businesses for 10-years, was set to stop accepting applications in 2018 from new businesses seeking to qualify. Chapter 440 extended that date to 2021, meaning the benefits under the program would end in 2031 rather than 2028. Additionally, the law required OPEGA to report out a full evaluation of PTDZ to the GOC and TAX committee by January 15, 2021. Chapter 440 also provided language stating the specific public policy objective of the program and the performance measures to be used in future evaluations of PTDZ.

Completing the evaluation by the deadline set in Chapter 440, would have allowed only two years' of newly required program data to be collected by the Department of Economic and Community Development (DECD) and analyzed by OPEGA. The GOC determined that 2 years' worth of data might not be useful in showing trends and providing the information necessary for evaluating future decisions about PTDZ. With this in mind, and considering the limited OPEGA resources available for tax expenditure reviews and the current schedule of full reviews, the GOC reported out LD 1629 (PL 2019, c. 305). That bill removed the deadline for a future OPEGA evaluation from PTDZ's statute. It was passed during the First Regular Session of the 129th Legislature.

Subsequent to the removal of the PTDZ evaluation deadline from statute, the GOC considered how to best direct OPEGA's resources to provide additional information about the PTDZ Program prior to December 31, 2021 – the date at which the program is currently set to stop accepting new applicants. Given the newly stated public policy objective, the Committee directed OPEGA to conduct a limited scope review of the PTDZ Program to assess the degree to which the program's design – as altered by PL 2017, c. 440 – supports the program objectives designated in the law. Committee members also suggested the limited scope review include an assessment of changes to the program in response to OPEGA's initial PTDZ report, and an assessment of how the PTDZ Program's objectives align with the State economic development plan expected to be finalized late in 2019.

Below are the scope questions OPEGA proposes to address that direction. PL 2019, c. 305 and PL 2017, c. 440 are attached.

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OPEGA recommends this limited scope review of the PTDZ Program be conducted with a focus on the following:

1. The extent to which the PTDZ Program's current design effectively targets the program's newly stated objectives and intended beneficiaries.
2. The degree to which the recommendations of OPEGA's 2017 PTDZ report have been addressed.
3. The alignment of the PTDZ Program with the State's strategic economic development plan under development by the Strategic Planning Task Force led by DECD.