

SENATE

ELIZABETH M. SCHNEIDER, DISTRICT 30, CHAIR
NANCY B. SULLIVAN, DISTRICT 4
CHRISTOPHER W. RECTOR, DISTRICT 22

NATALIE L. HAYNES, Esq., LEGISLATIVE ANALYST
SUZANNE ARMSTRONG, COMMITTEE CLERK



HOUSE

NANCY E. SMITH, MONMOUTH, CHAIR
RICHARD C. CLEARY, HOULTON
W. BRUCE MACDONALD, BOWDOINHAM
THOMAS J. WRIGHT, BERWICK
JOAN F. COHEN, PORTLAND
ROBERT B. HUNT, BUXTON
JAMES R. MARTIN, ORONO
JAYNE CROSBY GILES, BELFAST
SUSAN M. W. AUSTIN, GRAY
KERRI L. PRESCOTT, TOPSHAM

O.F.P.R.
MAR 18 AM 11:00

STATE OF MAINE

ONE HUNDRED AND TWENTY-FOURTH LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

MEMORANDUM

TO: Senator Bill Diamond, Senate Chair
Representative Emily Ann Cain, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Elizabeth Schneider, Senate Chair *ES*
Nancy E. Smith, House Chair *NS*
Members, Joint Standing Committee on Business, Research & Economic Development

DATE: March 17, 2009

SUBJECT: Recommendations on the Governor's Proposed 2010-2011 Biennial Budget Bill

The Joint Standing Committee on Business, Research & Economic Development has worked diligently to review the funding levels in the Governor's Proposed 2010-2011 Biennial Budget Bill (LD 353). The Committee shares a strong commitment to the goal of advancing Maine's economy by strengthening our investments in research and development and innovation in a way that will advance Maine's economy and spur job creation and economic growth. Investments in innovation and research and development remains one of Maine's most valuable tools in stimulating economic growth, as these investments provide an impressive return on investment. In 2008, for every dollar of Maine state investment, 12 dollars of benefits were generated for the Maine economy. According to the Maine Comprehensive R&D Evaluation, the economic impact study demonstrated that companies served by R&D investments generated \$1.23 billion in revenues and produced a total economic impact of nearly \$2 billion in Maine for 2008.

Accordingly, the Committee has worked together in a bipartisan manner and voted unanimously to support a majority of the proposed budget (approximately 93% of the general fund appropriations under the Committee's jurisdiction), with the exception of 4 items listed below that the Committee will be prepared to have voted and report back to the Joint Standing Committee on Appropriations and Financial Affairs by Friday March 20th.

The Committee was unanimous in its recommendation to restore the reduction in funding of \$431 in FY10 and \$431 in FY11 (on page BRED-2, reference #1322), to support the Maine Economic Growth Council, a Maine Development Foundation program. The Maine Economic Growth Council was created in the early 1990s by the Legislature and is charged with the important task of setting a long-term vision for economic development, goals and benchmarks for evaluating progress. The Committee strongly supports their mission and believes that the Measures of Growth in Focus report by the Economic Growth Council is an extremely

valuable tool in measuring Maine's economic growth and evaluating its success in achieving a vibrant and sustainable economy.

The items in the budget that require further attention from the Committee totaling \$945,271 in FY 2009-10 and \$944,715 in FY 2010-11 and they are as follows:

1. **Item reference #1397** of the budget on page BRED-21: this initiative proposes to reduce funding to the Maine Technology Institute by \$755,567 in FY10 and \$755,011 in FY11. Given MTI's proven success in stimulating economic growth, providing at least a \$14 impact to the Maine economy for every dollar MTI awards, this proposed funding reduction generated a great deal of concern among Committee members and it warrants more deliberation as to how to improve funding levels for MTI.
2. **Item reference #1387** of the budget on page BRED-14: this initiative proposes to reduce funding to the Maine International Trade Center by \$57,984 in FY10 and \$57,984 in FY11. The Maine International Trade Center has been highly successful in its international trade development efforts and is a critical resource for Maine's small businesses in the area of international trade, research, training and technical assistance. This reduction will greatly impact MITC's ability to perform critical outreach services, as well as their ability to provide trade consulting services to the Maine business community. The Committee is also greatly concerned about this funding reduction, which warrants further deliberation by the Committee as to how to address the funding needs of this important resource.
3. **Item reference #1390** of the budget on page BRED-18: this initiative proposes to reduce funding to the Maine Small Business and Entrepreneurship Commission by \$76,720 in FY10 and \$76,720 in FY11. Some members of the Committee raised concerns about this reduction to the organization and its impact on its ability to provide counseling services to Maine businesses, which warrants greater discussion by the Committee.
4. **Page BRED-8:** The Committee is concerned about the steady reduction in funding of the Technology Centers in recent years (FY04: \$465,800; FY05: \$340,000; FY06: \$242,250) and the Committee is concerned about the current funding levels for the Technology Centers and if they will be able to function effectively at this level and serve the early stage needs of Maine's technology-based businesses with sufficient business-assistance, information exchange and other services. The Committee is considering the option of restoring the Technology Centers to their FY2004 levels, which would restore \$55,000 to their budget, but this issue requires greater deliberation by the Committee.

In addition, the Committee was asked to consider the straight appropriations bill ("spending bill") **LD 91**, An Act to Fund the Maine Downtown Center as well as LD 317, An Act to Facilitate Repairs to the Saco River Retaining Wall, and the Committee held public hearings on both bills. At this time, the Committee is prepared to support LD 91, for \$75,000 in FY10 and \$75,000 in FY11.

The Committee looks forward to reporting back to you on Friday March 20th with the remainder of its recommendations on the items described above. The Committee greatly appreciates your time and consideration of its recommendations on the Governor's Proposed 2010-2011 Biennial Budget Bill.

cc: Members, Joint Standing Committee on Business, Research & Economic Development

SENATE

ELIZABETH M. SCHNEIDER, DISTRICT 30, CHAIR
NANCY B. SULLIVAN, DISTRICT 4
CHRISTOPHER W. RECTOR, DISTRICT 22

NATALIE L. HAYNES, Esq., LEGISLATIVE ANALYST
SUZANNE ARMSTRONG, COMMITTEE CLERK



HOUSE

NANCY E. SMITH, MONMOUTH, CHAIR
RICHARD C. CLEARY, HOULTON
W. BRUCE MACDONALD, BOOTHBAY
THOMAS J. WRIGHT, BERWICK
JOAN F. COHEN, PORTLAND
ROBERT B. HUNT, BUXTON
JAMES R. MARTIN, ORONO
JAYNE CROSBY GILES, BELFAST
SUSAN M. W. AUSTIN, GRAY
KERRI L. PRESCOTT, TOPSHAM

STATE OF MAINE

ONE HUNDRED AND TWENTY-FOURTH LEGISLATURE

COMMITTEE ON BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

MEMORANDUM

TO: Senator Bill Diamond, Senate Chair
Representative Emily Ann Cain, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Elizabeth Schneider, Senate Chair *ES*
Nancy E. Smith, House Chair *NS*
Members, Joint Standing Committee on Business, Research & Economic Development

DATE: March 20, 2009

SUBJECT: Final Recommendations on the Governor's Proposed 2010-2011 Biennial Budget Bill

The Joint Standing Committee on Business, Research & Economic Development is pleased to provide a unanimous final committee report following its review of the funding levels in the Governor's Proposed 2010-2011 Biennial Budget Bill (LD 353). The Committee is very concerned about the impact of the nation's economic crisis on the State of Maine and shares a strong commitment to investing in research and development and innovation, as these investments are crucial drivers of economic growth and quality jobs. The Committee urges the Joint Standing Committee on Appropriations and Financial Affairs to invest in research and development and innovation, not just in times of prosperity, but also in times of economic hardship to mitigate the effects of an economic downturn. Investments in innovation and research and development are critical to stimulating economic growth, as these investments provide an impressive return on investment. In 2008, for every dollar of Maine state investment in research and development, 12 dollars of benefits were generated for the Maine economy. According to the Maine Comprehensive R&D Evaluation, the economic impact study demonstrated that companies served by R&D investments generated \$1.23 billion in revenues and produced a total economic impact of nearly \$2 billion in Maine for 2008.

The Committee has prioritized its budget to reflect its strong commitment to investments in innovation as critical to ensuring economic growth in Maine. Accordingly, the Committee has voted unanimously to support the budget as proposed, with the following changes:

1. **Item reference #1397** of the budget on page **BRED-21**: The Maine Technology Institute has proven to be one of the State's most valuable tools for stimulating economic growth, with a strong record of developing and administering funding programs that lead to quality jobs and innovation, providing at least a \$14 impact to the Maine economy for every dollar MTI awards. In these times of economic uncertainty, investment in MTI is imperative to mitigate the negative

effects of this recession. Therefore, any proposal to reduce funding to MTI generates a great deal of concern to the Committee, and the Committee would prefer no reduction in funding to the Institute and restoration in full of the proposed reduction of \$755, 567 in FY10 and \$755, 011 in FY11, a total of \$1,510,578 over the biennium. However, the Committee recognizes the difficult funding challenges facing the State and therefore unanimously supports a smaller funding reduction to MTI in the amount of \$505,567 in FY10 and \$505,011 in FY11. This modified proposal will be critical in allowing MTI to maintain its level of awards to companies and cluster development initiatives. This in turn will allow MTI to leverage approximately \$7,135,000 in additional private and public investment in the Maine economy, using the historical return on investment of MTI-funded projects.

2. **Item reference #1387** of the budget on page **BRED-14**: The Maine International Trade Center has been highly successful in its international trade development efforts and is a critical resource for Maine's small businesses in the area of international trade, research, training and technical assistance. This initiative proposes to reduce funding to the Maine International Trade Center by \$57,984 in FY10 and \$57,984 in FY11. This reduction will greatly impact MITC's ability to perform critical outreach services, as well as their ability to provide trade consulting services to the Maine business community. The Committee is greatly concerned about this reduction and therefore unanimously supports a reduction of \$7,984 in FY10 and \$7,984 in FY11.
3. **Page BRED-8**: The Committee is concerned about the steady reduction in funding of the Applied Technology Development Centers in recent years (FY04 – \$465,800; FY05 – \$340,000; FY06 – \$242,250; FY07 – \$242,250; FY08 – \$187,250; FY09- \$177,339). The Committee is concerned about the current funding levels for the Technology Centers and their ability to function effectively at this level, as it is not realistic for the Technology Centers to be self-funding. The Technology Centers serve the early stage needs of Maine's technology-based businesses with business-assistance, information exchange and other services. The Committee therefore unanimously supports restoring \$50,000 in FY10 and \$50,000 in FY 11 to the Technology Centers.
4. The Committee recommends restoring the reduction in funding of \$431 in FY10 and \$431 in FY11 (**on page BRED-2, reference #1322**), to support the Maine Economic Growth Council, a Maine Development Foundation program. The Maine Economic Growth Council was created in the early 1990s by the Legislature and is charged with the important task of setting a long-term vision for economic development, goals and benchmarks for evaluating progress. The Committee strongly supports their mission and believes that the Measures of Growth in Focus report by the Economic Growth Council is an extremely valuable tool in measuring Maine's economic growth and evaluating its success in achieving a vibrant and sustainable economy.
5. Although the Committee does not recommend any specific dollar changes to the budget for the Maine Small Business and Entrepreneurship Commission (**Item reference #1390** of the budget, page BRED-18), the Committee strongly supports its mission and the work of the Maine Small Business Development Centers as a leader in small business assistance and its ability to create and save jobs throughout the State. If it is possible to restore funding to the Commission, the Committee would strongly support such a restoration in funding to this organization and its valuable services to Maine businesses.

In addition, the Committee discussed the process for negotiating a new lease agreement for the Department of Professional and Financial Regulation with Chip Gavin, the Director of the Bureau of General Services and Anne Head, the Commissioner of the Department of Professional and Financial Regulation. The Committee reviewed this proposal thoroughly and found that it was reasonable in light of the process the Bureau and the Department have for moving forward on this proposal. The Committee has confidence that the Director of the Bureau of General Services is exceptionally well-equipped to handle the negotiations and the competitive bid process for a new lease agreement for the Department and encourages the Joint Standing

Committee on Appropriations and Financial Affairs to call upon the Director of the Bureau of General Services if any other questions arise about this process.

Lastly, the Committee was asked to consider the straight appropriations bill (“spending bill”) **LD 91**, An Act to Fund the Maine Downtown Center as well as LD 317, An Act to Facilitate Repairs to the Saco River Retaining Wall, and the Committee held public hearings on both bills. At this time, the Committee is prepared to support LD 91, for \$75,000 in FY10 and \$75,000 in FY11.

The Committee greatly appreciates your time and consideration of its recommendations on the Governor’s Proposed 2010-2011 Biennial Budget Bill.

cc: Members, Joint Standing Committee on Business, Research & Economic Development