

Maine State Legislature
Tax Expenditure Review Task Force
5 State House Station
Augusta, Maine 04333

Sen. Anne M. Haskell
Senate Chair

Rep. Adam A. Goode
House Chair

October 11, 2013

Commissioner George Gervais
Department of Economic and Community
Development
59 State House Station
Augusta, Maine

Dear Commissioner Gervais:

The Task Expenditure Review Task Force, established by Public Law 2013, chapter 368, Part S, has been assigned the following duties:

- 1. Examine tax expenditures as defined in the Maine Revised Statutes, Title 36, section 199-A and evaluate specific tax expenditures that provide a direct benefit to business as a catalyst for economic growth or that exempt property from municipal taxation;*
- 2. Review best practices and standardized criteria used by other states for measuring the effectiveness of tax expenditures;*
- 3. Determine the purpose of each tax expenditure identified by the task force for evaluation and the data required to measure the economic impact of each tax expenditure, including, but not limited to, revenue loss compared to economic gain, jobs created or retained and administrative burden for taxpayers and the State;*
- 4. Prioritize tax expenditures and give highest priority to those tax expenditures that reduce the tax burden on necessities of life, that avoid pyramiding of taxes or that are essential to Maine's economic growth and job creation;*
- 5. Develop a process, including a time frame and criteria, for ongoing evaluation of tax expenditures that may include the establishment of an independent commission, tax expenditure budgets, tax expenditure caps and sunset reviews; and*
- 6. Recommend the repeal or reduction of tax expenditures to achieve a savings of at least \$40,000,000.*

The task force realizes that several of these tasks overlap with the efforts of the Department of Economic and Community Development. We are also aware that the department has contracted with an outside consultant to prepare a comprehensive evaluation of state investment in economic development.

We are sorry that you and members of your staff were unable to meet with us at our meeting on September 30th. We invite you and relevant members of your staff to meet with us at one of our future meetings. The task force is scheduled to meet from 9:00am to 2:00pm on October 21st, November 4th, November 18th and December 2nd. Because your work and the work of the contractor appear to overlap with the duties of the task force, we have many questions regarding the department's experience in

administering economic development and your knowledge of the impact of Maine's tax expenditures on business decision-making. We believe we could benefit greatly from a discussion with the department's experts. The following specific questions have arisen in our discussions thus far.

1. We are aware that DECD has contracted to conduct an evaluation of state investments in economic development.
 - A. Please identify for us which tax expenditures the contractor will be evaluating.
 - B. Has a work plan been established for the evaluation? Have further guidelines or details regarding expectations been provided to the contractor by DECD? Are there any intermediate status updates or other reports the contractor will be providing to DECD? If so can you provide us with copies?
 - C. How will these evaluations be coordinated with other efforts underway to evaluate tax expenditures?
 - D. Will a report on the results of this contract be submitted to the Legislature? When?

3. Based on DECD's experiences in supporting economic development in Maine please describe the role that tax expenditures play in DECD's economic development strategies compared to other economic development tools available to the department. Are there tax expenditures that overlap with each other or other economic development incentives? Are some tax expenditures more valuable than others for attracting investment in Maine?

4. Please describe attempts by DECD over the last 10 years to evaluate the effectiveness of Maine's tax expenditures and quantify the amount of economic activity attributable to tax expenditures. What data, funding and administrative resources are needed in order to make that determination?

5. Are you aware of efforts by other states or private sources to evaluate the impact of tax expenditures on economic development and identify the most successful tax strategies for a state to expand economic development? Can you recommend any models for us?

We hope that you are available to join us at one of our future meetings. The task force believes that an open conversation with the commissioner would be most valuable in assisting us in accomplishing our goals. Please let us know if you or a member of your staff will be able to meet with us by contacting us or our staff, Julie Jones at julie.jones@legislature.maine.gov or 287-1631. If you are unable to attend, we welcome written responses and any other material you can provide us.

Thank you.

Sincerely:

Sen. Anne M. Haskell
Senate Chair

Sincerely:

Rep. Adam A. Goode
House Chair

cc: Micki Mullen, Governor's Office