ERC Innovation Subcommittee

Additional concrete suggestions/ideas received from Subcommittee members, thought leaders, and key stakeholders since last Innovation Subcommittee meeting on June 11.

Equity-Funded Maine Companies (startups and tech companies predominantly) – CEO Roundtable (representing 20+ companies) – list of needs, opportunities, ideas

- Better digital connectivity - provide more funding for the Connect ME authority - $15M bond helps, need much more – critical to individual workers but also to businesses in remote areas who need Internet of Things for monitoring systems and remote monitoring to work; cell reception an issue for some as well – Go big, go bold

- Maine has a window of opportunity to aggressively promote itself as a great place to work/live - would be great to see more incentives for this (a la VT with their $10K work and live incentive)

- Expand Seed Capital Tax Credit to anyone outside of Maine – including individuals and family offices; raise the cap

- Funding support for R&D/Innovation that otherwise is getting squeezed out of expense budgets from shrinking revenues

- More visibility from the State into potential business guidelines if/when we experience a second or third wave of infections - for planning now and being prepared – helping companies but also key to boosting consumer confidence

- Assistance/forgiveness of lease obligations as many are moving remotely semi or fully permanently

- Assistance and/or funding for digital advertising given the shift to online

- The SBA EIDL has been especially helpful, some also found PPP to be important bridge – both critical capital during this slow down

- It would be nice to see the MTI development loan lower the criteria for approval in terms of timeline, paperwork, etc. also to provide forgiveness, like PPP

- More support for K-12 and higher ed in the state to avoid a skill gap for the students lost in the shuffle or otherwise not effectively learning remotely – inequities magnified by remote schooling

- Maine has done a good job setting aquaculture regulations

- Ensure regular direct flights and mass transport between Maine cities and larger hubs
• Expand SBIR program that makes grant writers and technical assistance more available
go for Federal grants - the support MTI offers is great

• Help with refinancing or converting debt (whether MTI, bank debt, etc.)

• Increase MTAF and expand qualification

• Co-working spaces need to expand - more breakout rooms and offices should be made available – open spaces not what is needed post COVID and with more remote working

• Incentives for and access to general health and wellness habits/resources

• Anti-bias training for companies and investors; training on attracting and including
diverse workforce for small businesses

• State law making it easy for access to utility poles...require pole owners to publish GIS
maps of their poles and make it easy for ISPs and munis to scope fiber projects and
streamline pole attachment (PUC) (infrastructure)

• up the definition of broadband to 100/100 for subsidizing projects. 25/3 is way too low.

• Go for a 500mil state money vehicle - it is what business groups recommended as one of
a few key priorities for Mills administration last year

• We are way too far behind right now to advertise broadband as an advantage here -
unfortunate because the remote working/work from home shift could be the biggest
thing for Maine's economy in decades if capitalized on. Nonetheless, make hay, do
some high-profile projects in select towns, and make them 'gigabit cities/towns'...then
advertise the quality of place in a remote worker campaign in the entire east coast
megalopolis...get the Boston and NY refugees especially.

• Unemployment benefits; unwind the disincentive to return to work...lower wage
employees are being paid more to stay home. Let them keep some or all this benefit if
working part time or if making less full time such that the incentives flip to returning to
work

• Health insurance; take a bold swing at making coverage universal

• In furtherance of attracting incoming remote workers, waive state income taxes for first
3 years of residency
Vaughn Woodruff summarizing solar industry input from stakeholder conversations the short-term initiatives we might be able to implement to help the solar industry drive economic growth. Below is a summary of those short-term measures.

- Direct MSHA to authorize and publicize loans for solar on multifamily housing projects and determine other ways that MSHA can bring renewable energy back into their efforts.

- Identify opportunities on guarantees for solar loan products to support expansion of residential and commercial solar loans with community banks and credit unions. Clean Energy Credit Union in Colorado has a model that can be replicated and has been replicated here in Maine.

- Advocate extension of federal tax credit with DC delegation

- Advocate that USDA Rural Development clarify that replacement reserves can be invested in solar for multifamily housing with DC delegation

- Intervene with PUC on C&I metering requirements, which are undercutting intent of legislation passed in 2019

- Intervene on interconnection costs and delays that are affecting construction timelines

- Direct PUC to contract development of uniform interconnection process that can be subscribed to by the utilities that includes automated standard forms, online payment, and progress tracking for installation companies and customers

- Guidance from DECD on occupational health and safety related to work in people’s homes or businesses


- Immediately support and fund the formation of a Maine Seafood Marketing Institute or Maine Seafood Marketing Council modeled after the hugely successful Alaska Seafood Marketing Institute. This Institute will be charged with marketing all Maine seafood, wild-caught and farm raised, under the “Maine” brand. Initial steps can include funding initiatives like Coastal Enterprise Inc.’s “Maine Seafood Marketing Initiative”. However, given the shift to direct to consumer sales caused by the collapse of the service sector, particular focus must be given to marketing efforts that get all types of Maine seafood
directly to consumers. This work may be further supported by national movements to reinstate the National Seafood Marketing Council.

- DECD, DMR and ACF should create a grant program designed to support seafood producers developing value added products.

**Governor’s Climate Council – recommendations are being made over the next two days in a series of meetings- Energy Working Group Recommendations found here:**

Specifics around innovation found in Energy Working Group report out:

“Promoting and Advancing Innovation Resource-rich Maine has uncommon opportunity to embrace innovation to meet the state’s energy goals and drive economic growth. The state has taken steps to support floating offshore wind, energy storage, renewable fuels, and other technologies. The state should continue these efforts and encourage studies and pilot projects and/or procurements to assess whether these technologies could advance the state’s objectives, including the renewable portfolio standard. Federal funding should also be pursued for energy innovation and initiatives, especially as any federal stimulus funds become available. Additionally, Maine should promote existing resources – and seek out new ones – to support energy innovation and associated industries. The energy sector is never stagnant, and technologies are constantly being developed and improved. Therefore, it is vital for the state to encourage and support Maine’s entrepreneurial spirit as the industry creates new solutions to energy, climate, and cost challenges.”

**Inputs gathered by Co-Chair Josh Broder:**

- Launch MTAF 3.0

- Expand the Seed Capital Tax Credit. The recent extension has been popular, and the changes in limits have had a mixed reception – the cut back to 40% didn’t reduce enthusiasm for the credits. The drop from $5MM eligible investment to $3.5MM has been unpopular, seems to limit our aspirations.

- Maine Venture Fund has a very low statutory investment limit. What about bumping that way up so we can do more audacious things, and providing some additional see funding to get it started?

- Maine New Markets Capital Tax Credits expired again with unused allocation. However, because they expired during a state of emergency, the Governor could extend the deadline by executive order.
• FAME Loan Guarantee program has been popular with small business and helped bigger initiatives launch. Could we provide FAME with deeper reserves, and increase the caps on insured loan facility size? This would allow them to soften underwriting where it made sense and enable more aspirational projects.

• Incubator ideas – currently being shared with sector focused sub-committees on them but at some point, it might make sense to bundle them together and make it an innovation recommendation.

• Chapter 11 technical support recommendation from the Maine legal community: [New Federal small business chapter 11 statute](#) can now be a very powerful tool for small businesses, and this was updated just before COVID to be more small business friendly, and many don’t even know about it. Traditionally chapter 11 was too complicated and expensive for small businesses, so it was chapter 7 or nothing. Chapter 11 has recently been amended to provide a bridge between the ease of chapter 7 and usefulness of chapter 11 at a more reasonable cost. Educating small businesses about recent chapter 11 bankruptcy law changes is useful and urgent. Now Chapter 11 is a powerful tool that if approached with some planning buys a business-critical time -six months of debt abeyance. Unstructured insolvency is bad for everyone, it kills the business for good, banks spend money to recover very little, suppliers get nothing. Specific actions:

  Get a whitepaper into the hands of small businesses, banks, credit unions, law firms, CPAs, and those that advise small businesses (various COGs, CEI, FAME, Maine Ventures, MTI) on how this recently changed chapter 11 law essentially provides debt collection abeyance for something like six months without the costs traditionally associated with larger businesses using this chapter. A law firm as volunteered to draft that for us pro bono.

  Carve out a fund of COVID19 response funds to cover bankruptcy legal fees and assign some members of the committee and/or DECD to organize willing law firms to provide these services state-wide and within the reimbursable fee caps. Secure commitments from those firms to add attorneys to their bankruptcy teams to deal with this demand and have a plan to educate these attorneys (and additional court personnel if needed) on how to do this.

  Then we need a way to support the community banks and credit unions, ask FAME to work with our infrastructure group and DECD to come up with a plan for loan insurance for these businesses as they secure debtor in possession financing, as well as post-bankruptcy loans, and figure out how to back stop the community banks on losses coming out of chapter 11 so we don’t impair them as critical infrastructure in the state.

• MTI provides a little equity today from time to time. Increase their budget and ask them to take a more active role.

Rob Brown, Director, Business Ownership Solutions, Cooperative Development Institute recommendations on conversions to employee ownership structures

June 19, 2020
Despite the staggering number of workers who’ve been laid off and filed for unemployment in the last few months, the largest single source of avoidable job loss over time is actually from business closures due to owner retirement. This is a trend that will only accelerate, as a generation of baby boomer business owners look to retire, and, as a more immediate threat, face the uncertainty and upheaval caused by the current economic and public health crises and decide to “throw in the towel”. A coordinated, comprehensive, “rapid response” approach to identify and reach out to these business owners and provide education and technical assistance around the process and options for exit planning would help minimize sudden, disruptive and often preventable business closures that cost jobs and community assets. Methodical, paced exit planning is still relevant for and needed by many businesses that have been spared the worst of the current crisis.

- The need for this work has become even more relevant and urgent for the many businesses that are on the edge of survival. Older business owners, already thinking about how to retire, are the least likely to be willing to take on debt and put in the work and time required to rebuild and the most likely to suddenly “call it quits”. For them, the only plausible option for saving the business and jobs is going to come from an employee buyout. Ideally, a larger group of workers could form a cooperative to buy out the business, but it may be one entrepreneurial employee willing to take over, or a small group of managers. The point is, it is the workers who have the most at stake and are best positioned to “keep the lights on”.

Policies to consider:

- Maine, like all states, already has the makings of this response, as well as the resources. Federal tax dollars from the Workforce Innovation and Opportunity Act already flow into Maine and, in part, fund “Rapid Response” teams that can act quickly when a business closes to assist dislocated workers access job training and income, employment and other supports. However, by being focused in strategy and proactive in identifying and reaching business owners, there is an opportunity to support a wide number of employee buyouts, keeping the businesses from closing and the workers from being dislocated in the first place.

Unfortunately, many in the workforce development system are not even aware that WIOA statute explicitly identifies outreach, feasibility studies and training to support employee buyouts as an allowable use of funds. This very strategy is already being piloted through a partnership of the Northeast Workforce Development Board and the Cooperative Development Institute and could be taken to scale statewide.

- Numerous states allow laid off workers to access their UI benefits for the purpose of starting a small business, eliminating job search requirements and providing wrap around business development services. We should be doing the same and could focus the effort on supporting those who want to work together to take over a business from an owner who wants out.
Small Business Development Centers could coordinate with this strategy, providing business and financial planning and training for workers attempting an employee buyout. In fact, the recently enacted Main Street Employee Ownership Act mandates that SBDCs offer services and trainings that support worker cooperative and ESOP transitions, so this specific strategy should already be on their radar.

Numerous states are, or are considering, offering tax and other incentives for selling a business to the workers. A growing number of states have established Employee Ownership Centers to provide education, training and technical assistance for businesses considering employee buyouts. In Maine, LD 1520, which was passed unanimously by the Legislature’s Taxation Committee, House of Representatives and Senate, would do both of these things. LD 1520 is only awaiting the Appropriations Committee and Governor to approve the funding.

Family Development Accounts are special savings accounts for low-moderate income people to save money for specific purposes, like buying a home, pursuing education, buying a car or starting a small business. Historically, FDA savings were matched so there was a strong incentive to save, but this benefit was recently eliminated by the federal government. In the past, Maine offered a tax credit to encourage private citizens to contribute to FDA programs so matching funds are available to support low-income workers’ savings, but this state incentive was eliminated by the previous administration. LD 1305, another bill under consideration in this current legislative session, would restore this incentive for private citizens to contribute to FDA match programs. These funds would be particularly helpful to workers saving to build equity so they can buy out their business.

California is considering emergency legislation to invest in critical support for employee buyouts of otherwise healthy small businesses. The funding would come from multiple sources (e.g. CARES Act, Workforce Innovation and Opportunity Act funding, and the General Fund) and would fund education, technical assistance, and forgivable loans to businesses that transition to worker ownership, saving jobs and struggling small businesses across the State.

FOCUS MAINE – life science top recommendations:
- Develop a regional definition and identity
  Outcome: Establish a cohesive sector-focused regional branding identity for the life sciences that is used in internal and external communications.
  Actions: Develop an MOU with relevant stakeholders; Develop branding and marketing materials to support attraction, engagement, and retention efforts; Host a series of public events to publicize the brand building.

- Develop a meaningful life sciences workforce training program
  Outcome: Sector-focused training programs and practices that will be coordinated between employers and institutions.
  Actions: Conduct site visit to states with similar programs (NC or MA); Review curricula for related training; Coordinate with a working group including community colleges, higher education institutions, workforce development entities, Roux/Northeastern, MTI, and others.

June 19, 2020
• Identify an incubator facility or park to attract life sciences companies

Outcome: A life sciences lab incubator hub supported by marketing materials and incentives.

Actions: Identify a regionally-appropriate facility to upgrade to sector-specific, incubator-type office and lab capabilities; Develop a package of incentives for facility upgrades; Develop a package of marketing materials and incentives for future tenants.

From the Portal – two similar submissions around Energy – recommending a Consumer-Owned model:

Anne Butterfield, Scarborough –

“I am interested in the state taking a very serious and optimistic look at converting our electric transmission & distribution system into a Consumer Owned model, such as proposed in the legislature (LD 1646).

Investor-owned utilities are big financial operations with enormous capital expenses and they usually employ more lawyers than engineers, which tells you about their priorities. And their cash flows prioritize shareholder benefit over maintenance and/or new goals named by rate payers. It’s important that investor owned utilities be ushered out when the needs of rate payers (aka voters) demand it. Specifically, to address our crisis w/ the climate it’s important that Maine's utilities be able to use the extreme financial advantage of borrowing capital the way public entities do, at much lower cost than private companies can, so to build out better facilities that go with our climate goals. Otherwise, we cannot make those climate goals.

When capital investments happen in this public finance context, then cash flows will stay more in Maine than go out to distant shareholders. And when our electric service goes deeper all of Maine's energy needs, we have a bona fide chance of meeting our climate goals in a way that financially benefits our state. In that case, Maine will WIN economic vitality AND have a more robust and customer-centered system.

Please examine LD 1646 as a critical tool for helping Maine to embrace economic recovery.”

William Dunn, Yarmouth-

“One way to improve the economic recovery of Maine would be to get rid of a big drag on that recovery, the poor performance of Central Maine Power (CMP) and Versant (formerly Emera, formerly Bangor Hydro). The worst in the nation, reliability of these companies imposes costs on residential, commercial and industrial customers by forcing them to incur unnecessary costs for back-up generators, lost business, and lost production. How to fix the problem? Create a Consumer-Owned Utility (COU) to purchase the facilities of CMP & Versant and design, expand,
upgrade and maintain those facilities for the benefit of Maine ratepayers and not for the profits of foreign investors. By using lower-cost tax-exempt financing, reliability can be improved while, at the same time, lowering the costs to Maine ratepayers. Let's keep more of the money of Mainers in Maine!

**Multiple inputs around the support of embracing remote work as a strategy for Maine:**

[https://www.penbaypilot.com/article/maine-has-opportunity-promote-ideal-remote-work-state/134857](https://www.penbaypilot.com/article/maine-has-opportunity-promote-ideal-remote-work-state/134857) - excerpts below:

“Instead of merely sending survival money to unemployed Americans, Maine could adopt a modified version of the European approach. Many governments there subsidize companies to retain employees, keeping down unemployment payments. The twist would be that this kind of aid would go only to companies creating remote work opportunities. This would transform public assistance into economic development.

With the economy essentially restarting using a significantly new design, Maine economic development could suffer less from the state’s remote location.

The state could seize what is called “first-mover advantage” and, ahead of others, promote itself as the prime “remote work state.” The quality of life is well known and could be promoted as the ideal place to work from home. More young people could stay in the state or move to Maine.

Of course, the state would have come to terms with upgrading its electronic network to high-speed communication. It could also offer incentives to businesses that could assist remote work across the country, including by setting up training programs at community colleges. Education could add a focus on remote work management.

Major national operations would no longer have to bypass Maine because of its location. Some will be looking to move operations from abroad back to the U.S. With lower costs than many other parts of the country, Maine could be attractive, especially if it gave itself a distinct economic identity, linked to the new economy.”

**Childcare needs cutting across sectors and subcommittees – input via Vaughn Woodruff constituent email**

70% of children in Maine have all available parents in the workforce, whether the parent(s) is/are single, married, divorced, or the child is a part of a blended family.
Child care is an essential part of the current puzzle and the means by which families can go back to work...all forms of child care:

- summer camp
- after-school programs
- licensed child care (preschool, daycare, YMCAs, Head Start, child care centers, family child care programs)
- elementary schools (which are also child care, since families can't leave young children home alone).

I hope this thought will weave itself into conversations and that all the subcommittees, beyond the one tasked with child care, will keep this in mind. As you know, families are struggling right now. School has been "out" since March, many camps are closed, and half of all licensed child care programs were closed for much of this spring and only some have started to reopen.