



**2013
PROGRESS
REPORT**

MAKING MAINE WORK

CRITICAL INVESTMENTS FOR THE MAINE ECONOMY



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*Progress Report from the
Maine State Chamber of Commerce
and the Maine Development Foundation*

The original *Making Maine Work* report was released in 2010 in the run-up to Maine's gubernatorial election. The purpose of the report was to provide a focused statement from Maine businesses on the **critical economic issues that affected their investment decisions** and to convey that to the candidates in an effort to help guide discussion on the economy. The report offered 12 recommendations for improving productivity and growing the economy.

Our efforts were successful and helped to shape the economic debate during the 2010 election and beyond. The *Making Maine Work* effort expanded to include three topic-specific reports and continues to help shape the economic discussion in both the public and private sectors.

Three years from its initial release, and now approaching the 2014 election season, the Maine State Chamber of Commerce and the Maine Development Foundation are checking in to see what progress has been made on the original 12 recommendations.

The following *progress report* offers an update on the movement Maine has made in advancing those 12 recommendations since 2010. We are happy to say that there has been good progress. That is not to say that there isn't more to do. Change doesn't happen overnight and will take more time, but some very substantive changes have happened in three years, and we played a role in making that happen.

HEALTH CARE

1 Challenge Maine's health care leaders to reduce annual increases in health care spending below the national average every year.

- **The next governor must call together major health care providers and stakeholders within the first year of coming into office, and create a public-private strategy to meet the health care cost inflation:** MaineCare is working closely with providers and private insurers to coordinate its new Value-Based Purchasing approach. In addition, MaineCare submitted an application for a grant from the Center for Medicare and Medicaid Services for a State Incentives Model Initiative project, which includes a plan to work closely with the Maine Health Management Coalition.

2 Use wellness prrams, education, and incentives to improve the health status of every Maine person.

The state must promote this goal by:

- **Making healthy foods, healthy living, and exercise an essential component of public education:** This is happening as part of the work of the Healthy Maine Partnerships.
- **Using the food stamp program to promote healthy eating:** The Supplemental Nutrition Assistance Program (SNAP) is run by the federal government through funding in the Farm Bill. Currently, SNAP dollars cannot be used to buy tobacco, alcohol, non-food items, ready-to-eat foods, foods that you heat in the store, or any other food that can be eaten in the store. Discussion continues to happen at the federal level to incent the purchase of healthier foods – particularly locally-grown farm foods – via the SNAP benefits. The Wholesome Wave Foundation's successful "Double Dollar" program that extends the value of SNAP transactions at farmers' markets up to \$10 per visit is being replicated in many markets statewide and federal and state programs have made electronic benefit transaction (EBT) machines widely available to more markets. Forty farmers' markets in Maine (approximately one-third of the total) are now offering SNAP acceptance at market, and most are doing so with support from outside entities.
- **Providing tax and other incentives for employers to provide wellness programs for their workers, and for insurers to provide discounts to such businesses:** PL 90 was passed during the 125th Legislature and made significant changes to Maine's health insurance laws. One piece of the bill establishes financial incentives for wellness programs. The incentives are geared at the small employer and the insurance provider.



HEALTH CARE GOALS:

- Every year, Maine's health care costs will move closer to the national average.
- Over the long term, Maine will become the healthiest state in the nation.



3 Use state government's purchasing power to encourage best health care practices in Maine.

The state should work with Maine's health care providers to design a MaineCare program that rewards efficiencies and value while reimbursing at a rate that mitigates the need for provider cost-shifting to the commercial market, including:

- **Promoting the use of clinics rather than expensive emergency care:** Both the Patient Centered Medical Home (PCMH) and Value-Based Purchasing efforts are emphasizing the role of primary care versus emergency rooms and focus on linking MaineCare members to primary care. The new Behavioral Health Homes initiative that will be rolled out later this year will focus on individuals with severe mental illness and will embed primary care into community mental health agencies.
- **Replacing payment-per-service for an approach that rewards prevention and penalizes excessive procedures:** MaineCare is a partner in the statewide PCMH pilot, which provides per-member-per-month payments to primary care providers to allow them to better manage care and to focus more on prevention. As a part of this pilot, community care teams have also been formed to provide connections to care management, community resources, etc.
- **Rewarding wellness programs:** No work is being done to regarding MaineCare rewarding employers for wellness efforts. PL 90 includes a wellness tax credit for employers with fewer than 20 full-time employees who offer wellness programs for their employees. This goes into effect January 1, 2014.

The state should work to raise MaineCare reimbursements to a level close to actual costs: There is no formal discussion about raising MaineCare reimbursement to levels that reflect actual cost. The conundrum here is that it is frankly very difficult to determine what "cost" is in health care. The "price" does not necessarily reflect cost. The fundamental problem is that health care costs too much for everyone. The trend of increasing total spending on health care needs to level off, which will require fundamental changes in the way that care is delivered and paid for. Fee-for-service drives high costs. The recently concluded work of the MaineCare redesign taskforce includes some recommendations to restore reimbursement for smoking cessation benefits and to explore dental benefits for some adults that have gotten emergency dental services in hospital emergency departments. These would both need legislative action.

The state should stay on top of federal health care changes and work collaboratively with private and non-profit partners to ensure that benefits are maximized and problems minimized: The state has advertised for a staff person to help with the development of the Exchange. Many Maine non-profits are interested in the potential of serving as designated navigator organizations to assist individuals in purchasing insurance products through the Exchange. The state should carefully weigh the benefits and repercussions of full participation in federal health reforms.

ENERGY

4 Limit short-term energy costs, even while creating long-term energy alternatives.

The state should promote improved access for Maine business to all types of power – from wind to solar to hydro to natural gas to oil to nuclear: The Renewable Portfolio Standard, passed by the Legislature, has continued the state’s progress toward its clean energy goals while also increasing economic opportunities that will flow to Maine (see London Economics study at www.maine.gov/tools/what-snew/attach.php?id=349454&an=1). A bill was passed during the 125th Legislature that gave the Finance Authority of Maine (FAME) the ability to better underwrite natural gas projects in Maine.

The state should reduce immediate energy costs by:

- **Supporting the efforts of the Efficiency Maine Trust to increase investment in energy-saving lighting, insulation, and industrial processes:** The Maine Public Utilities Commission is currently reviewing the Efficiency Maine Trust’s three-year plan and will make the final decision on future funding.
- **Supporting time-of-day pricing as a way to encourage energy users to be more efficient:** Time of Use (TOU) rates are now being offered by the utilities, which should provide some important pricing signals to users.
- **Promoting a Liquefied Natural Gas (LNG) terminal in Washington County:** All efforts have been blocked, and there are currently no new proposals. The recent boom in domestic natural gas production has caused the international LNG industry to slow development of ports along the Eastern Seaboard.
- **Negotiating with Canadian providers for favorable rates for Maine businesses in return for transmission lines through the state:** Maine-Canadian Legislative Advisory Committee met in Quebec City in 2011 to discuss this scenario. Under current market conditions this is unlikely. There is no incentive for Hydro-Quebec to export power at lower-than-market rates. The Governor submitted a bill designed to encourage Hydro-Quebec to sell power in Maine, but that was defeated. The discussion has also focused on charging Canadian producers a “fee” to connect infrastructure through Maine and into the greater Northeast market.

ENERGY GOALS:

- In the short run, Maine will act to reduce the burden of high electricity costs on business.
- In the long run, Maine will have a balanced energy portfolio, and not be overly dependent on any one single source.

TAXATION & REGULATORY POLICY GOALS:

- Reform Maine’s over-all tax structure in a way that:
 - ✓ Reduces the tax burden;
 - ✓ Promotes more private investment;
 - ✓ Preserves existing business incentives, such as the Business Equipment Tax Reimbursement (BETR) program;
 - ✓ Provides adequate revenue for needed public investments; and,
 - ✓ Increases the stability and predictability of revenues.
- Reform Maine’s regulatory structure in a way that:
 - ✓ Reduces burden; and,
 - ✓ Increases stability and predictability.

TAXATION & REGULATORY POLICY

5 Don’t stop now with tax reform.

The state must continue to monitor and limit state and local spending inflation through the LD1 process, and to promote government efficiencies through consolidation, technology and cooperation: Monitoring and reporting are ongoing.

The state must **continue the tax reform efforts** by finding responsible ways to sustain revenues and reduce volatility while at the same time:

- **Bringing down the top income tax brackets:** The top income tax bracket was reduced from 8.5% to 7.95%.
- **Providing property tax relief:** Nothing new in this area, and various property tax relief tools are being debated in the current budget discussion.
- **Bringing the estate tax into conformance with federal laws:** The Maine estate tax exemption was doubled from \$1 million to \$2 million. Though not in conformity with the federal exemption, it is heading in the right direction.

6 Change the government “culture of regulation.”

The first thing that a new governor must do is to change the bureaucratic culture in Augusta, so that regulators see their jobs as helping Maine people and Maine businesses to succeed: A major accomplishment of Governor Paul LePage was to change the bureaucratic culture in Augusta. Permitting time for businesses has been reduced substantially, and within the Maine Department of Environmental Protection (DEP), the following permitting improvements have been made:

- **Shortened DEP’s processing time to a 20-day average** for a permit from the Bureau of Land and Water Quality’s Division of Land Resource Regulation was an improvement from the 22-day processing time in 2011 and the 24-day time in 2010.
- DEP’s Bureau of Air Quality also **reduced its backlog of minor source air permits** dating back to 2006 by 92 percent.

Secondly, **the state must empower the Regulatory Fairness Board to collect information on state regulatory review times and costs; to set benchmarks for regulatory performance, and to evaluate progress towards meeting the benchmarks:** The 125th Legislature passed LD 1, *An Act To Ensure Regulatory Fairness and Reform*, which accomplished the following:

- Created the **Office of Small Business Advocate** in the Secretary of State’s office;
- Established an **Environmental Audit Program** within the DEP that create incentives, including penalty reductions, for businesses that discover and voluntarily disclose and correct environmental violations through a management audit and compliance management system;
- Authorized agencies to conduct a **benefit-cost analysis** of proposed rules; and,
- Required agencies to include citations of up to three **primary sources of information** relied upon by an agency when proposing or adopting rules. One of those sources can be “professional judgment.”

EDUCATION

7 Create an integrated state approach to education.

The Commissioner of Education's **strategic plan does an excellent job of looking at the student**, though it could do more with post-secondary. There is a vision, and each time there is discussion in the Education committee, legislators talk about what can be done to continue this work/vision beyond one term.

- **The governor must prepare a global budget covering all education sectors** (has not happened), **and submit an annual state of the education report, as a start to bringing the pieces together:** There has been considerable talk about education, but no comprehensive statement.
- **This global budget should also include explicit student-centered outcomes at all levels of the "system" – from early childhood development through workforce training:** There has been a lot of activity, but it isn't a P-20 system of delivery. The creation of the State Agency Interdepartmental Early Learning Team (with the Maine Department of Health and Human Services) is a good thing, and the legislature's Workforce Development committee has done a nice job of bringing in educators emphasizing the education and economy link.

8 Support lifelong learning among all age groups.

- **The state must make the new Maine Center for Innovation at the redeveloped base in Brunswick a state-of-the-art model for continuing education:** The University of Maine and Southern Maine Community College (SMCC) have partnered to form the Maine Advanced Technology and Engineering Center at SMCC's Mid-Coast Campus at Brunswick Landing. UMaine's Brunswick Engineering Program offers the first two years of a Bachelor's degree in science and engineering, using an innovative curriculum. The first incoming class began in Fall 2012. In Fall 2013, nearly 30 students are expected in this program. SMCC has A.S. degrees in Pre-Engineering and Composites, with additional programs, such as Precision Manufacturing and Heavy Equipment Repair, to be added soon. SMCC also offers a wide range of programs in nursing, art, and others at the Mid-Coast Campus.
- **New models for life-long learning need our support:** Some good examples include Many Flags, One Campus; the Hermon Bridge Year program; and, the work that Senator Brian Langley is supporting regarding students experiencing a disruption in education and high school equivalency exams. There are many more articulation agreements among private sector / higher education / public, like the one between the Bucksport High School, the Town of Bucksport, Verso Paper Mill, and Kennebec Valley Community College. They are working on a curriculum that will allow BHS students to get a Pulp and Paper certificate or work towards a degree while still in high school.

EDUCATION GOAL:

- Meet the Maine Compact for Higher Education's goal – the proportion of Maine's working age population that has earned a college degree or post secondary certificate will exceed the New England average by 2020, requiring an additional 40,000 degree holders above current projections.





INNOVATION

9 Increase innovation in large and small businesses in Maine.

- The state should work with regional governors and premiers, and groups such as Maine & Company and the Maine International Trade Center, to connect Maine businesses and research organizations with potential R&D partners beyond Maine's borders. University of Maine representatives have participated in MITC missions.
- The state should work through existing regional small business counseling and economic development organizations to provide innovation training to 10,000 small Maine businesses in the next eight years. Approximately 1,000 individuals, representing 100 unique businesses, have completed the University of Maine's Innovation Engineering program.

INNOVATION GOALS:

- Expand private investment in research and development;
- Increase business startups and expansions from the R&D effort; and,
- Embrace innovation as a means to expanding Maine's existing businesses.

CONNECTIVITY

10 Create balanced and affordable transportation and communications systems to connect Maine businesses to customers and markets beyond our borders.

- **The state must find a better funding mechanism for transportation; explain it well to the public; and, generate the support needed to make the change:** No progress has been made, and it could be argued that matters have become worse with the repeal of motor fuel tax indexing.
- **The state should evaluate all options for making railroad service available on a competitive basis to Maine businesses – including the option of setting up a state rail authority to own key sections of track:** Advancements in rail have occurred with passenger rail and the Downeaster's expansion to Brunswick. Overall ridership is up, including out-of-state visitors to Maine. Discussions for freight and service to other parts of the state are ongoing, but there have not been noticeable advancements there.
- **The state should encourage on-going private investment in communications infrastructure to increase access to and the availability of high-capacity broadband:** The ConnectME Authority, other state agencies, and the University of Maine System, routinely work with the state's communications providers to encourage build out and to provide resources for the expansion and modernization of the telecommunications system in Maine. Public-private partnerships are key to broadband expansion in the most rural areas of Maine.
- **The state should also work with communications providers and Maine's congressional delegation to modernize federal communications regulations:** The ConnectME Authority is in close contact with the congressional delegation on a regular basis, providing background information and legislative review for issues that affect the availability of advanced communications in Maine. For example, the authority provided information and support for a letter from members of the delegation to the Secretary of Agriculture regarding changes to the Rural Utilities Service's Community Connect grant program. The recommended changes would provide resources for broadband projects in rural areas of Maine. The state was a major stakeholder in creating legislation and providing support that enabled a 1,100-mile high-capacity fiber-optic network to be installed in Maine spanning 110,000 households, 600 schools, libraries and other institutions and 38 government facilities.
- **The state should support ConnectME's efforts to identify and fill gaps in the communications network:** The state has supported the ConnectME Authority's ongoing infrastructure investment and build outs of broadband to the unserved areas of Maine. In the past two years, broadband was made available to 8,877 households awarding \$5,529,394 million in grants for a total cost of \$8,657,024. Through an ongoing surcharge on in-state retail communications, the state continues to support ConnectME's grant program. In the past two years, ConnectME has awarded four grant rounds. ConnectME has also leveraged a federal grant to create geographic information system layered maps that identify to road segment level those areas in Maine that have broadband but more importantly, those areas that do not. This aids ConnectME and communications providers in designating where to invest funding for building out broadband networks.

CONNECTIVITY GOALS:

- Create a balanced freight transportation system with viable business options for rail, road, air, and water transport.
- Make high speed internet service available at reasonable costs to businesses throughout Maine.

QUALITY OF PLACE

11 Support Quality of Place efforts to conserve landmark places and views in Maine, and to invest in Main Streets.

QUALITY OF PLACE GOAL:

- Preserve and enhance our assets, including vibrant community centers; arts, cultural, and historic institutions; and, natural views, refuges, parks, and trails.

- The state must implement the new Quality of Place legislation that requires state, regional, and local organizations to work to identify, protect, invest in, and market our most important assets, both natural and built: If the operable word is “requires” then the answer is zero progress has been made. If an operable word is “organization” then certainly some progress has been made by the private sector. The Maine Downtown Center has done a very good job with this. And beyond the very few communities which have actually overhauled and revised their comprehensive plans to include downtown master plans (which require an inventory of historic and character defining buildings), not much has happened in this area within municipalities. Land conservation has grown based on voter-approved state bonding and private enterprise.
- The state needs to create a public-private effort to aggressively promote Maine as a place not just to visit, but to live and work. Private companies in Maine with experience in marketing the “Maine brand” should be called in not only to help create a compelling message, but also to actively promote the message to existing and potential businesses: No coordinated statewide public-private effort has occurred to accomplish this goal. The Maine Office of Tourism has a new website and some new messaging, which is geared specifically to the visitor and not around working or living here. A number of Main Street Maine communities are trying to brand themselves as places to live, work, play and visit (Waterville, Skowhegan, Biddeford, Saco, Rockland, and Bath). Tourism promotion has happened via public and private efforts across the state.

BUSINESS FINANCE

12 The state should do all within its power to increase capital access for Maine businesses.

- **Encourage state and federal banking regulators to allow banks more flexibility in assessing business credit risks:** There has been no concerted effort on the part of the state to encourage banking regulators to allow more flexibility. It has been raised with the federal delegation and some state legislators, but not in a formal way. The Maine Department of Economic and Community Development has removed state regulations that limited the usage of Community Development Block Grants funds so that it is as flexible as the federal regulations allow.
- **Promoting Maine's investment tax credit programs (such as the Maine Investment Tax Credit):** The two tax credit programs with which FAME works are the New Markets Tax Credit (NMTC) and the Seed Capital Tax Credit (SCTC). Pursuant to statute, all of the NMTC allocation was given out a year ago. The allocators promote the program. FAME sends interested companies to them. The process is so complex that only financially-sophisticated companies can really benefit, so FAME limits promotion. For the SCTC program, FAME is close to being out of allocation and has been promoting softly and cautiously this past year. For the other tax credits, DECD's account executives promote the tax credits that are available when working with businesses.
- **Issuing bonds for FAME and other entities, such as the Maine Technology Institute, to turn into business loans:** This has not occurred.

BUSINESS FINANCE GOAL:

- Restore business credit market so that existing businesses can maintain lines of credit; entrepreneurs can find start-up capital; and investors from beyond the state's borders find Maine an attractive place to invest.





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