



STATE OF MAINE
DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT



PAUL R. LEPAGE
GOVERNOR

GEORGE C. GERVAIS
COMMISSIONER

127th MAINE LEGISLATURE
THE JOINT STANDING COMMITTEE ON INSURANCE AND FINANCIAL SERVICES

DOUG RAY
LEGISLATIVE LIAISON, MAINE DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT

FEBRUARY 3, 2015

Re: LD 24: An Act to Create a Public State Bank

Senator Whittemore, Representative Beck, distinguished members of the Joint Standing Committee on Insurance and Financial Services:

I am Doug Ray, Director of Legislative Affairs and Communications at the Maine Department of Economic and Community Development. On behalf of DECD and the Administration, I am here to express testimony in opposition to LD 24.

We appreciate Representative Russell's desire to try something bold to help Maine businesses gain access to capital. We at DECD share her goal of implementing policies to help grow our economy. Unfortunately, we believe creating a public state bank could put Maine at an economic disadvantage, making Maine an outlier. We cannot risk negatively impacting our ability to compete in a global market.

This idea is nothing new. The Legislature has considered the creation of a state bank in the past, and like every other state that has weighed such a venture in the last 60 plus years, this concept has been rejected and with good reason. The only state bank was created almost a hundred years ago under a much different set of circumstances. There is no modern example of how creating a state bank in the modern era would work successfully or satisfy an unmet need.

Simply put, a state bank is unnecessary in the State of Maine. The Finance Authority of Maine is already in the business of providing access to capital to Maine businesses and citizens, and it does so in partnership, not in competition, with the private sector. FAME has a proven track record and a process



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in place to serve this mission. We do not need to put precious state resources at risk with no protections to taxpayers to re-create the wheel and create a new massive bureaucracy.

Also, Maine banks are adequately capitalized to meet the needs of Maine businesses big and small. Over the last four years, with the support of the Legislature, we have extended and improved the Seed Capital Tax Credit Program, which reached its statutory limit. This means more money is now available for Maine businesses. Maine businesses can also assign certain tax reimbursement claims under E-TIF and BETR in order to help secure loans from FAME, giving businesses greater access to up-front capital when they need it most. We've also created the New Markets Capital Investment Program, also administered by FAME, to ensure the Program continues to serve as a vital tool for job creators.

DECD is one of the many partners that work with FAME on a regular basis to help businesses gain access to capital. More than 400 direct and indirect jobs are remaining and/or headed to Washington County thanks to developments at St. Croix Tissue, Inc. as a result of this partnership. This \$125 million investment is proof our economic development infrastructure is working for Maine people. We echo FAME's testimony and suggest that if the Legislature wants to see even more economic activity, consider investing more money in a proven entity with a proven track record instead of authorizing a new, risky bureaucracy.

Regrettably, this bill seems largely to be a radical solution in search of a problem. Creating a new, massively expensive and risky bureaucracy is not what Maine taxpayers and businesses are asking for or deserve.

Thank you for your time and for once again considering this risky legislation which the Administration again urges you to oppose.