

March 24, 2016

Maine House rejects competing measure to minimum wage referendum

Narrow margin means its passage is still a possibility

In a 69-78 vote, the Maine House of Representatives has initially rejected the idea of including a “competing measure” to a citizen’s-initiated referendum question that would, among other things, raise Maine’s minimum wage to \$12 an hour.

For the past few weeks, a broad coalition of business associations, including the Maine State Chamber of Commerce, have been working diligently to convince legislators that Maine citizens need a more reasonable alternative to the question posed by the Maine People’s Alliance (MPA). Recently certified by the Maine Secretary of State to appear on the

November 2016 ballot, that proposal would incrementally increase Maine’s minimum wage to \$12 an hour by 2020. It would also eliminate the “tip credit” used by restaurateurs with wait staff and would insert an automatic escalator into Maine wage and hour law by indexing the minimum wage annually starting after 2020 by changes to the Consumer Price Index (CPI). It currently takes the legislative shape of **LD 1661, An Act to Raise the Minimum Wage.**

Because the MPA proposal is likely to be devastating to Maine’s small business

Continued on Page 2...

Governor LePage and Senator Alford partner on education bills in bipartisan effort to secure Maine’s future workforce

Three bills hope to strengthen Maine’s position on higher education

STEM bill would provide much needed loans to students...

On Tuesday, March 22, the Joint Standing Committee on Education and Cultural Affairs held a public hearing on **LD 1655, An Act to Increase the Number of Science, Technology, Engineering and Mathematics (STEM) Professionals in the State.** The bill seeks to increase the number of students pursuing graduate and undergraduate degrees in the fields of science, computer science, technology, engineering, and mathematics. LD 1655 would create a STEM loan program administered by the Finance Authority of Maine (FAME). Under the bill, loans with varying rates would be provided to students depending on their future residency and employment:

- Loans with a 0% interest rate would be available to students who remain in or return to the state and work in the STEM fields upon graduation;

Continued on Page 4...

ACTION ALERT!

Business community calls for competing measure on the citizen’s initiated referendum to increase the minimum wage

Please contact your legislator today and urge them to **include a competing measure** on the citizen’s initiated referendum to increase the minimum wage. Maine people need a more reasonable alternative!

To find your legislator, please visit
<http://maineprosperity.com/lookup.asp?g=maine>.

CONTACT YOUR SENATOR:

3 State House Station, Augusta, Maine 04333-0003
(207) 287-1540 or (800) 423-6900

CONTACT YOUR REPRESENTATIVE:

2 State House Station, Augusta, Maine 04333-0002
(207) 287-1400 or (800) 423-2900

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About the Maine State Chamber of Commerce:

Since 1889, the Maine State Chamber has been fighting to lower your cost of doing business. Through our Grassroots Action Network and OneVoice program, we work with a network of approximately 5,000 companies statewide who see the value in such a service and provide the financial support that keeps our access, advocacy, and assistance efforts going strong. As Maine's Chamber, we make sure that the business environment of the state continues to thrive. The Maine State Chamber of Commerce advocates on behalf of their interests before the legislature and regulatory agencies and through conferences, seminars, and affiliated programs.

Minimum Wage...

(Continued from Page 1...)

community, the Chamber and others began working on an alternative – the inclusion of a competing measure to the MPA question on the November ballot. The Maine Constitution allows for such a proposal, and in many ways, envisions it by requiring the Maine Legislature to review each citizen-initiated question. By acting as a “check and balance” on the referendum process, legislators ensure citizens are asked the right question on an issue.

This process is by no means unheard of or unusual—multiple competing measures were included in the various forestry referendum questions of the mid-1990s, and as recently as 2003, the legislature authorized a competing question to accompany a referendum question on school funding.

Developed by the business community and supported by Governor Paul LePage, the proposal called for an incremental increase in the state’s minimum wage over four years, until it reached \$10 an hour by 2020. Indexing and eliminating the tip credit are not part of our proposal.

Contrary to some of the misinformation being circulated in the Statehouse, the Maine State Chamber and other business associations, including the Retail Association of Maine and the Maine Restaurant Association, did not oppose increasing the minimum wage in Maine last session. It is true that the Maine State Chamber did oppose the eight different bills submitted and heard in the Labor, Commerce, Research and Economic Development (LCRED) committee, but that was because the bills represented a mish-mash approach to the policy issue. Some included indexing; others set the wage too high; and, others eliminated the tip credit – something the LCRED committee earlier in the session rejected unanimously!

In testimony delivered to the LCRED committee, Peter Gore, vice president of government relations for the Maine State Chamber, testified that:

“From our observation, the reality of this public policy issue probably falls somewhere between doing nothing and raising the minimum wage. Perhaps the time has come, given the unlikelihood that the federal government will act on this issue, for Maine to, in a measured way, address the minimum wage situation unilaterally. But in doing so, there should also be a real recognition such action contains a price. Increasing wage and hour costs cannot be done for free. Those higher costs of doing business will need to be made up by the business – mostly small businesses – somehow. And those workers currently receiving wages above the minimum will see their wages go up as well. And those costs will have to be figured in to any impacted business’ bottom line.

To be clear – we are strongly opposed to a \$12 an hour minimum wage. We are opposed to the elimination of the tipped wage credit, and we are strongly opposed to a built-in cost escalator applied to wages – now or in the future.

But, should this committee be interested in undertaking a real dialogue on what this state’s minimum wage ought to be – that may be bearable by this state’s small business community – then we stand ready to work with you on this effort.”

Ultimately, the committee’s Republicans and Democrats split on the best way to address the issue. Republicans supported a \$9 an hour minimum wage increase, while Democrats proposed \$9.50 an hour. Neither proposal contained indexing, nor proposed eliminating the tip credit. In the end, neither the House nor the Senate could agree on the same version of the bill, and it was defeated between the bodies.

Continued on Page 7...

Maine clean elections tax haven proposal still unfinished business in Senate

Maine State Chamber supports Republican proposal to fund Maine clean elections

LD 1634, *An Act to Provide Tax Revenue to Offset Transfers to the Maine Clean Election Fund*, still remains on the Senate calendar under “unfinished business.” On Tuesday, March 8, the Maine House of Representative voted 77-67 to engross LD 1634. The bill comes from the Taxation committee with a report divided 6-6 along party lines. As drafted the bill would offset the transfer of \$3 million from the General Fund to the Maine Clean Election Fund by requiring corporations that file unitary income tax returns in Maine to include income from certain jurisdictions outside the United States in net income when apportioning income among tax jurisdictions.

As you may recall, Maine voters passed last November the Maine Clean Election referendum question (55% to 45%) that requires the Taxation committee to report out a bill, within 45 days of the effective date of the law, to permanently eliminate \$6 million of “corporate tax expenditures” over the biennium (\$3 million per year) to fund clean elections campaigns. The measure also requires that the \$6 million in business tax expenditures *must* come from “low performing” incentives identified by the Office of Program Evaluation and Government Accountability (OPEGA).

The Taxation committee worked on this bill for several weeks, struggling to decide where to get the resources to increase the Maine Clean Elections fund. Because the referendum did not define “corporate tax expenditures,” it was unclear what constituted that definition. As a result, the term “corporate tax expenditures” could have included any one of the 400-plus tax expenditures that are currently on the State’s books. In addition, OPEGA has not even begun to conduct its performance review of tax expenditures, so it would be premature for OPEGA to recommend the elimination of any tax expenditure prior to conducting the review.

Ultimately, Republicans proposed to require the measure be funded from the general fund rather than from eliminating corporate tax expenditures. Whereas, the Democrats on the committee voted to fund the measure through adopting language similar to what was found in **LD 341**, *An Act to Prevent Tax Haven Abuse*.

The Maine State Chamber strongly opposed that bill during the first regular session in 2015. The bill eventually died in non-concurrence. Like LD 341 (as drafted), LD 1634 would have established a “black list” of countries, labeling them as “tax havens,” where there was a premise that companies located there to avoid paying taxes on income generated. The “blacklisting” of countries was arbitrary and discriminatory. It targeted some countries, but not others.

Maine companies would have been subjected to tax on income generated in those countries and Maine income tax as well, essentially double taxation. Even though the bill tries to avoid it, it would be literally impossible to do. The U.S. has always adopted what is called the “arms-length” or “waters-edge” approach to taxing income. In that situation, the tax is imposed in the country where the income is generated. This legislation would have interfered with federal tax treaties already in place and would have threatened U.S. trade relations. Last year, in response to a similar proposal, the embassies of Liechtenstein and Luxemborg both wrote letters to Taxation committee members and to the Legislature urging them to vote against this legislation.

While Maine voters did approve the statewide clean elections referendum question (Question 1) on the ballot in November 2015, the vote was a lot closer than early polls showed.

The Maine State Chamber will continue to monitor LD 1634. If you have any questions, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □



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Public Hearings

Public hearings are open to everyone. This public hearing schedule is subject to change. Questions may be directed to the Secretary of the Senate's Office at (207) 287-1540. For the most current schedule, please visit <http://legislature.maine.gov/lto/committee-membership/9089/> or contact the committee clerk.

Tuesday, March 29, 2016

Taxation

1:00 p.m.; State House, Room 127

LD 1670, An Act To Attract Investment to Loring Commerce Centre (Sponsor: Rep. Martin of Eagle Lake)

LD 1672, An Act To Improve Priority of Tax Liens and the Collection of Sales Taxes (Sponsor: Sen. McCormick of Kennebec) □

Education Initiatives... (Continued from Page 1...)

- Loans with a 5% interest rate would be available to students who remain in the state or who return to the state; and,
- Loans with an 8% interest rate would be available to students who live and work outside the state upon graduation.

The committee held a work session on the bill immediately after the hearing and generated a divided report. The majority voted to report out the bill "as is" with minor changes. The minority report would limit the loans to students who live and remain in the state. The bill has not yet been reported out of committee.

STEM bond bill before Appropriations committee...

The Joint Standing Committee on Appropriations and Financial Affairs held a public hearing on Tuesday, March 22 on **LD 1656**, *An Act to Authorize a General Fund Bond Issue to Fund Loan Repayment Programs for Graduates in the Fields of Science, Technology, Engineering and Mathematics*. The funds provided in the bond total \$10,000,000 and would be used to attract and retain college and university graduates who work in Maine in the fields of science, technology, engineering and mathematics by helping to reduce their postsecondary loan debt as stated in LD 1655. The bill is still in committee.

Educational Opportunity Tax Credit would expand credit for students and employers alike...

On Tuesday, March 22, the Joint Standing Committee on Taxation held a public hearing on **LD 1657**, *An Act to Simplify and Expand the Educational Opportunity Tax Credit*. The Governor's Bill is sponsored by Sen. Justin Alford. The committee held a work session immediately following the public hearing and voted unanimously "ought to pass as amended" (fiscal note) on LD 1657. The Maine Chamber's Linda Caprara testified

in strong support of the bill, on behalf of the business community, and thanked Governor LePage and Senator Justin Alford for bringing forth this legislation.

Caprara testified that given the state's workforce issues and its difficulty in attracting and retaining talent, anything Maine can do to encourage students to attend school in Maine and live here after graduation is something we ought to be doing. It is critical to Maine's economy and helps to ensure a future workforce.

The Maine Educational Opportunity Tax Credit provides a credit to students who earn college degree (bachelors or associates) from an accredited Maine college, community college, or university and continue to live and work in the state after graduation. However, under current law, a student who earned more than 30 credit hours from a non-Maine college prior to 2016 does not qualify for the credit. The bill amends the credit to allow a qualified student that received a degree from one of the qualified institutions during 2008-2015 to be eligible for the credit regardless of the number of transfer credits earned at a college or university outside the state.

LD 1657 also removes the principal cap that limits the amount of the credit employers can claim, providing an incentive for employers to pay the student loans of their employees, and allows the employer credit to include graduate degree earned by qualified employees. Many students emerge from college saddled with enormous debt. This bill helps to attract new hires/graduates and helps these new hires with paying off the debt when they find work.

The bill is now headed for the Senate and the House and will likely end up on the Appropriations table. The fiscal impact of LD 1657 is approximately \$400,000 in FY 2017, \$1 million in FY 2018, and \$1.8 million in FY 2019.

The Maine State Chamber would like to thank the Taxation committee for its unanimous vote on this important bill. If you have any questions or need more information, please contact Linda Caprara by calling (207) 623-4568, ext. 106, or by emailing lcaprara@mainechamber.org. □

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Digest of New Legislation

Maine Chamber staff have studied each of these recently printed bills to assess potential impact on business trends. If you have concerns regarding any bill, please communicate those concerns to a member of our governmental services staff at (207) 623-4568.

EDUCATION

LD 1655, An Act To Increase the Number of Science, Technology, Engineering and Mathematics Professionals in the State.

(Senator Alford, D-Cumberland) *Joint Standing Committee on Education and Cultural Affairs.* The purpose of this bill is to increase the number of students pursuing graduate and undergraduate degrees in the fields of science, computer science, technology, engineering and mathematics. This bill creates the Maine Science, Technology, Engineering and Mathematics Loan Program administered by the Finance Authority of Maine. Under the bill, loans with varying interest rates will be provided to participating students depending on their future residency and employment: loans bearing an interest rate of 0% annually will be available to students who remain in or return to the State and work in the fields of science, computer science, technology, engineering and mathematics upon graduation; loans bearing an interest rate of 5% annually will be available to students who remain in or return to the State upon graduation but are not employed in the fields of science, computer science, technology, engineering and mathematics; and loans bearing an interest rate of 8% annually will be available for students who live and work outside the State upon graduation. The bill also authorizes the Commissioner of Education to grant funds to the program's Maine Science, Technology, Engineering and Mathematics Loan Fund if they become available.

LD 1656, An Act To Authorize a General Fund Bond Issue To Fund Loan Repayment Programs for Graduates in the Fields of Science, Technology, Engineering and Mathematics.

(Senator Alford, D-Cumberland) *Joint Standing Committee on Appropriations and Financial Affairs.* The funds provided by this bond issue, in the amount of \$10,000,000, will be used to attract and

retain college and university graduates who work in Maine in the fields of science, technology, engineering and mathematics by helping reduce their postsecondary loan debt.

LD 1657, An Act To Simplify and Expand the Educational Opportunity Tax Credit.

(Senator Alford, D-Cumberland) *Joint Standing Committee on Taxation.* This bill, for tax years beginning on or after January 1, 2016, allows a qualified individual who earned a bachelor's or associate degree from an accredited Maine community college, college or university after December 31, 2007 but before January 1, 2016, to be eligible for the educational opportunity tax credit regardless of the number of transfer credits earned at a non-Maine community college, college or university. Under current law, an individual who earned more than 30 credit hours from a non-Maine community college, college or university prior to 2016 does not qualify for the credit.

The bill, for tax years beginning on or after January 1, 2016, allows a resident of Maine who is employed at least part time in a position on a vessel at sea to qualify for the educational opportunity tax credit. Under current law, an individual, other than an individual deployed for military service, does not qualify for the credit if the individual works outside Maine for more than three months.

The bill, for tax years beginning on or after January 1, 2016, encourages employers to pay student loan payments by expanding the employer credit to include graduate degrees earned by qualified employees and by removing the principal cap relative to qualified employees.

TAXATION

LD 1657, An Act to Simplify and Expand the Educational Opportunity Tax Credit.

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(Sen. Justin Alford, Governor's Bill) *Joint Standing Committee on Taxation.*

The bill allows a qualified individual who earned a bachelor's or associate degree from an accredited Maine community college, college or university after December 31, 2007, but before January 1, 2016, to be eligible for the educational opportunity tax credit regardless of the number of transfer credits earned at a non-Maine community college, college or university. Under current law an individual who earned more than 30 hours from a non-Maine community college, college or university prior to 2016 does not qualify for the credit. The bill for tax years beginning on or after January 1, 2016, allows a resident of Maine who is employed at least part time in a position on a vessel at sea to qualify for the educational opportunity tax credit. Also, for tax years beginning on or after January 1, 2016, the bill encourages employers to pay student loan payments by expanding the employer credit to include graduate degrees earned by qualified employees and by removing the principal cap relative to qualified employees. □

Source: State of Maine's web site



Minimum Wage...

(Continued from Page 2...)

Two facts are worth pointing out: *First, the competing measure being proposed by the business community is fifty cents higher than that proposed by the Democratic majority last session. Second, the Maine State Chamber and others have made it clear that we found either the Republican or Democratic proposal acceptable, that we supported either increase.* Opponents of the competing measure persist in mischaracterizing the Maine State Chamber's position on last session's minimum wage debate. It is time to set the record straight.

Elimination of the tip credit would be particularly harmful to Maine's tourism industry, which accounted for more than \$8.2 billion in statewide economic impact in 2015, with \$2.5 billion accounted for by Maine's restaurant industry. Under the tip credit, Maine restaurants currently pay half of the hourly minimum wage, or \$3.75 per hour. This is because wait staff receive the bulk of their remuneration through gratuities – or tips. So on a good night, wait staff can earn upwards of hundreds of dollars. But, if on any given night that worker does not, for some reason, at least earn the state minimum wage of \$7.50 an hour, then the owner of the restaurant is responsible for making that worker's wages whole. Every state east of the Mississippi utilizes the gratuity based system. In fact, only seven other states in the country have done what is being proposed in Maine, and eliminated the tip credit.

Eliminating the "tip credit" will dramatically increase the cost of doing business for restaurants, and others involved in Maine's tourism industry. It will result in workers earning less than they currently have the opportunity to do now, and it will lead to significantly higher costs of doing business for one of the chief economic engines of our state. It will cost jobs, and it will result in small restaurants closing their doors.

The indexing of the minimum wage places wage and hour costs on auto pilot –

out of the control of the business owner – and increases costs even in the worst possible economic times. Business owners will have limited options to absorb higher wage costs, and this in turn may lead to reduced benefits, less 401k contributions, and health insurance options, and well as inhibit job growth. In fact, if the MPA proposal passes in November, wage and hour costs will increase permanently in this state from January 2017 forward. Some will applaud that, but doing so ignores the very real "laws of unintended consequences."

The competing measure proposed by the Maine State Chamber and others is a *real, significant, and sincere* attempt to increase wages in this state in a *sustainable* manner. The broad coalition behind it supports not only including the competing measure on the ballot, but also the ballot proposal itself. That means employers would rally behind the \$10 an hour increase, rather than be forced to oppose the measure in total.

There is still time to address this issue. Currently, LD 1661 sits on the table in the Maine State Senate, where it is likely that the competing measure proposal will be attached to the bill. This would mean the bill will go back to the House in "non-concurrence," and the House would be forced to vote on the measure one last time.

The initial House vote was far closer than opponents would like. Only a handful of democratic legislators need to change their votes, and privately, some have indicated they support the business community's actions.

If you have not done so already, please take the time to **contact your elected officials** (see page 1) and urge their **support for the minimum wage competing measure**. The Maine State Chamber continues to follow this issue very closely. If you have questions or need additional information, please contact Peter Gore by calling (207) 623-4568, ext. 107, or by emailing pgore@mainechamber.org. □



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Lewiston/Auburn:

Tuesday, April 26 ♦ Hilton Garden Inn

Greater Bangor:

Tuesday, May 3 ♦ Husson University

Northern Maine:

Wed., May 4 ♦ University of Maine Presque Isle

Greater Portland:

Tues., May 10 ♦ Anthem Blue Cross & Blue Shield

Maine State Chamber's annual **Regional Business Breakfasts** bring "the Chamber to your region," enabling us to hear first-hand about the concerns of each region's local businesses, as well as providing an opportunity to present the latest public policy information that employers there need to know. *Space is limited and "first come, first served."*

Please **RSVP** to Amy Downing by emailing adowning@mainechamber.org.