

# Maine Opportunities for Offshore Wind Businesses

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## A. The Advantages of Maine

A strategic location, well-developed transportation nodes, and comprehensive business incentives are some of the key reasons for establishing a business in Maine. In addition, the cost of doing business in Maine is the lowest in New England.<sup>1</sup> Three major cities (New York, Boston, and Montreal) are within a day's reach. Several economic development agencies, technology institutes, and state offices offer tax incentives, infrastructure development support, grants, and incentives for new and expanding businesses.

Businesses relocating or starting in Maine have quick and cost-effective access to international and domestic markets via seaports, six commercial airports, highways, and rail service. Of particular interest to the offshore wind industry, Maine has three commercial deepwater ports—Portland, Searsport, and Eastport—with Free Trade Zones. They have been rehabilitated and are served by freight rail and highway connections. The Maine Technology Institute offers financing for R&D projects, and several research facilities exist, including state university Innovation Centers, which focus on the life sciences and renewable energy.

An active wind industry on land has created jobs in the supply chain and the Maine Wind Industry Initiative (MWII) is working to develop it further. It is a collaborative effort organized by several industry clusters including the Maine Composites Industry, precision manufacturing and machining, research and development, and the Maine Port Authority. According to MWII, early development of the first off-shore wind test facility on the Maine coast and a turbine blade prototyping and testing facility at the University of Maine present an advantage in the development of offshore wind technology.

MWII has also produced an online supply chain database that provides detailed information for company capacities and skill sets for the following industry categories: construction, precision manufacturing and fabrication, composites, marine trades, and professional services including engineering, environmental, legal, insurance, and financial. This database provides immediate information for the partnerships and support services needed for development and manufacturing expansion opportunities within the state. The link to the database can be found at [www.mainewindindustry.com](http://www.mainewindindustry.com).

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<sup>1</sup> [http://www.maine.gov/decd/business\\_in\\_maine/why\\_maine.shtml](http://www.maine.gov/decd/business_in_maine/why_maine.shtml)

## **B. Government Policies Pertaining to Offshore Wind Power**

### **Renewable Resource Portfolio Standard**

Maine's Renewable Resource Portfolio Standard (RPS) was adopted in 1999 by Maine's Public Utilities Commission requiring electricity providers to supply at least 30% of their total retail electric sales from renewable energy sources and energy efficiency measures. In 2007, Maine adopted a new RPS standard with an increasing yearly percentage of renewable energy supply. By 2017, the RPS capacity must be increased by 10% for Class I resources, which will mean that 40% of the state's electricity will then come from renewables. In addition, there are three goals for wind energy development: (1) at least 2,000 MW of installed capacity by 2015; (2) at least 3,000 MW of installed capacity by 2020, of which there is a potential to produce 300 MW from facilities located in coastal waters or offshore; and (3) At least 8,000 MW of installed capacity by 2030, of which 5,000 MW should be from facilities in coastal waters or offshore.<sup>2</sup>

### **Offshore Wind Planning**

Maine has been at the forefront of offshore wind planning. In 2009, the Governor convened an Ocean Energy Task Force to recommend strategies for, among other things, installing offshore wind capacity and promoting the research and testing of offshore wind facilities. The Task Force's recommendations formed the basis for legislation streamlining state permitting of offshore demonstration projects and for legislation setting goals for wind energy capacity by 2030. As a result, several testing facilities and offshore wind laboratories exist in Maine. The Governor's office and the University of Maine have signed a cooperative agreement to explore the technology's potential. Researchers at the University see vast potential to transform Maine's shipbuilding industry into a floating turbine industry where turbines can be built on dry docks and then floated out to sea.<sup>3</sup> For more information on R&D at the University of Maine's Offshore Wind Consortium, visit: <http://www2.umaine.edu/aewc/content/view/1/17/>

Maine's Public Utilities Commission has released RFPs for offshore energy production.

## **C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind**

The Maine Office of Business Development has a wide range of relevant programs and incentives for companies in the offshore wind supply chain. An array of incentives is available for large and small businesses. The Office has an online resource outlining more than 45 business assistance programs offered by 17 state agency partners. It is available here: <http://www.maine.gov/tools/whatsnew/attach.php?id=118833&an=1>

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<sup>2</sup> [http://www.dsireusa.org/incentives/incentive.cfm?Incentive\\_Code=ME01R&RE=1&EE=1](http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=ME01R&RE=1&EE=1)

<sup>3</sup> <http://www.forbes.com/sites/anthonykosner/2011/12/16/frack-that-the-innovators-in-maine-have-plans-to-power-the-entire-state-with-offshore-wind/>

## Business Incentive Loans and Bonds

**The Finance Authority of Maine (FAME)**, an independent state agency, offers various bonds and loan programs that may be of interest to the offshore supply chain. The programs include a seed capital tax credit program, which provides income tax credits to qualified investors.

**The Economic Recovery Loan Program** provides subordinate financing to help businesses remain viable and improve productivity. Eligibility criteria are based on ability to repay, and the loan is repayable over five years at a fixed interest rate.

**The Major Business Expansion Bond Program** provides long-term, credit-enhanced financing up to \$25,000 at taxable bond rates for businesses creating or retaining at least 50 jobs; up to \$10,000,000 is available for businesses which expand their manufacturing services. The bond proceeds may be used to acquire real estate, machinery, equipment, or rehabilitate or expand an existing facility. The interest rate is determined by market forces at the time of the bond sale.

**The Revenue Obligations Securities Program** provides manufacturing companies with state access to tax-exempt bonds. Companies may use bond proceeds to acquire or construct manufacturing facilities. Up to \$10,000,000 is available, though larger amounts are available for certain specialized projects. The loan term is structured with the provider of the credit enhancement.

**The Loan Insurance Program** provides businesses with loan insurance. Two types are available: Pro-rated insurance covering a certain percentage of lenders loss or Leveraged insurance covering 100% of lender's loss up to 25% of the loan amount. The program can help businesses access commercial credit.

**The Intermediary Relending Program** assists small businesses by providing subordinate financing for certain businesses activities. The maximum loan amount is \$150,000, and the term depends on the type of activity financed. Machinery and equipment financing, for example, is repayable up to ten years.

**The Linked Investment Program for Commercial Enterprises** reduces a borrower's interest rate. The Maine State Treasurer makes a certificate of deposit at up to 2 % less than the prevailing rate on the lender's loan to the business. This interest rate reduction program is available to manufacturers or to companies that are 50% owned by Maine residents. The maximum CD investment is \$200,000.

**The Maine Seed Capital Tax Credit Program**, FAME can authorize state income tax credits to investors for up to 60% of the cash equity they provide to eligible Maine businesses. Investments may be used for fixed assets, research, or working capital to businesses with annual gross sales of less than \$3 million. Of particular relevance to the offshore industry, eligible businesses must be manufacturers, or develop or apply advanced technologies, or bring significant permanent capital into Maine.

**The Secondary Market Tax-Exempt Bond Program** also provides tax-exempt interest rate bond financing for manufacturers. Up to 90% of the project debt may be financed, though FAME cannot exceed \$4,750,000 towards one company. The pricing is determined by market conditions at the time of the bond sale.

Additional information about these programs is available at:  
[http://www.famemaine.com/Business\\_Home.aspx](http://www.famemaine.com/Business_Home.aspx)

## **Tax Credits**

Maine has several tax credit programs designed to encourage growth in manufacturing and technology. These are offered through the State Department of Economic and Community Development and the Maine Revenue Services Program.

The **Work Opportunity Tax Credit** is based on wages paid to newly hired employees. A company can claim tax credits of between \$2,400 and \$9,000 per qualifying new hire after the first year of employment.

**Employment Tax Increment Financing** is aimed at for-profit, non-retail, non-utility businesses adding a minimum of five net new Maine jobs within a two-year period. Under the program, businesses are reimbursed up to 80% of their new employees' Maine income tax withholdings for up to 10 years. To qualify, new employees must receive an annual income greater the county's average per-capita income as well as be provided access to group health insurance and an Employee Retirement Income Security Act (ERISA)-qualified retirement program. Companies with current Maine employees must exceed their existing employment level. For companies relocating with no previous Maine presence, all employees are considered "new."

The **Pine Tree Development Zones** program is especially noteworthy and relevant to the offshore wind industry. It offers eligible businesses the chance to reduce, and sometimes eliminate, state taxes for up to ten years. Benefits include the elimination of sales and use tax, corporate income tax credits, and 80% employment tax increment financing. Eligible businesses include firms in the biotech, composite materials technology, environmental technology, manufacturing, and information technology sectors. This powerful tax incentive can be used in conjunction with other available benefits, such as federal tax credits.

The **Research Expense Tax Credit** is offered by the Maine Revenue Services program and is based on a percentage of the federal credit for increasing research activities. The program offers income tax credit for companies that incur qualifying research expenses in excess of the base period amount, which is the average of expenses incurred over the prior three years. The credit equals 5% of these qualified expenses such as in-house and contract research expenses in any business engaged in R&D activities. The credit can be carried for up to 15 years.

The **High Technology Investment Tax Credit** enables businesses engaged primarily in high-tech activities to purchase (or lease) eligible high-tech equipment. The credit can be carried forward for five years.

In addition to these tax credit programs, Maine offers **Sales Tax Exemptions** for manufacturing, R&D, and fuel and electricity. The sale of machinery or equipment for use or for R&D in Maine is eligible for a sales tax exemption. Any manufacturer is exempt from paying 95% of the sales tax on fuel or electricity used in the manufacturing facility.

Additional information on tax credits is available here:

[http://www.maine.gov/decd/mainebiz/business\\_assistance/tax\\_reimbursement/index.shtml](http://www.maine.gov/decd/mainebiz/business_assistance/tax_reimbursement/index.shtml)

## D. Human Resources Initiatives

In consultation with a company's human resource staff, the regional **CareerCenter** will develop and deliver a customized recruitment and screening process to take place at the regional **CareerCenter** and which, depending on the company's preference, may include any or all of the following:

- **Active marketing and promotion of open positions.** Maine's Job Bank is an internet-based job listing service that matches registered job applicants with the skills and qualification in a company's job listing. It is accessed by job applicants nationwide. In addition, the CareerCenter staff will coordinate and implement a hiring fair specific to the company's needs.
- **Applicant Pre-Screening and Assessment.** CareerCenter staff will provide forms and perform initial application screening per company criteria. CareerCenter staff will also coordinate and administer assessments to ensure applicants have appropriate occupational interests, aptitudes and work preferences.
- **Use of regional CareerCenter meeting rooms.** The CareerCenter will allocate large and small rooms for a company to conduct group orientations and interviews
- **Informational Resources.** Maine's Center for Workforce Research and Information (CWRI) can conduct an analysis of the regional labor force that can provide info on demographics, skills, wage levels, commuting patterns and more.

Maine also offers employee training and development programs.

- The **Maine Apprenticeship Program** (MAP) is an industry-led, nationally-recognized, workforce training program for employees that provides in-house skill development through provision of a structured on-the-job learning plan supplemented with technical and theoretical course work for which MAP pays 50% of the cost. Additional benefits include: ties school and college graduates to employment with a company, allowing for competitive labor costs on federal contracts, pre-training and screening.
- The **Maine Quality Centers Program** (MQC) operates through the Community College System. Maine offers free training and education to qualified new and expanding businesses. Under the MQC program, businesses—or consortia of small businesses—creating a minimum of eight new full-time jobs are eligible for customized recruitment and guaranteed fast-track training designed to employer specifications. Employers save on

expansion and training costs, and Maine employees receive free specialized training that can lead to quality, full-time jobs with Maine companies on the move.

- **SafetyWorks!** This program specializes in practical solutions to help make workplaces safer and healthier. Safety certification training is provided at no cost at the SafetyWorks! Training Center and depending upon the number of students may be provided at a company's site. In addition, safety experts can provide on-site safety consultations at a company's site.
- Workforce Investment System Resources
  - **On-the-Job Training** provides up to 50% wage reimbursement for qualifying new hires to offset the cost of job-specific, hands-on, shop floor skill development of new employees.
  - **Customized Training** funds 50% or more of the cost of both formal and hands-on training specific to company needs.
  - **Competitive Skills Scholarship Program** covers the full cost of new-employee skill development that will result in new employee earning a recognized industry credential, degree, license or certification.

## E. Other Applicable Incentives

The Maine Technology Institute (MTI), a non-profit organization established by the state Legislature in 1999, provides capital and commercialization funding for private companies and research laboratories to support R&D, innovation, and commercialization. Its funding is included in the Office of Innovation's budget. MTI provides grants and loans to Maine companies engaged in technology-based projects and also technology-based clusters. The following programs should be of interest to the offshore industry.

The **Maine Technology Asset Fund** is a competitive award program that funds capital and related expenses that support R&D, and commercialization projects that lead to significant economic growth in Maine. Expenses may include facility construction and renovation, machinery and equipment purchases, and land purchase. Award recipients have up to six months to meet the conditions of their awards and raise the required matching funds. Since 2008, MTI has awarded \$53 million to 35 projects.

**MTI's Cluster Initiative Program** awards up to \$50,000 for feasibility and planning and up to \$500,000 for collaborative initiatives that boost the strength and scale of high-potential technology intensive clusters. The \$500,000 awards are available in the technology sector to businesses supporting collaborative efforts and building partnership with research and service institutions. Awards may support efforts in any of the state's seven targeted technology areas: Advanced Technologies for Forestry and Agriculture, Aquaculture and Marine Technology, Biotechnology, Composite Materials Technology, Environmental Technology, Information Technology, and Precision Manufacturing Technology.

**Seed Grants** are offered three times per year to support early-stage research and development activities for new products and services that lead to the market. These grants are offered to

companies engaged in technological innovation, and funded activities may include concept work, prototype development, field trials, prototype testing, pilot studies, or technology transfer.

In 1997, the State Legislature also created the **Small Enterprise Growth Fund**, a professionally-managed venture capital fund that invests in Maine companies who demonstrate high potential for growth and public benefit. The fund has received \$13 million in capital contributions from the state and operates as a revolving fund. Companies in nearly any industry are eligible for funding, including seed and early-stage companies. On average, \$100,000 to \$300,000 is invested per company, and the program cultivates and introduces the company to many investors. For more information, visit: <http://www.segmaine.com/>