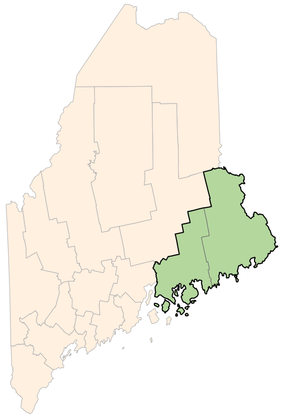

CHARTING MAINE'S FUTURE:

AN ACTION PLAN FOR PROMOTING SUSTAINABLE PROSPERITY AND QUALITY PLACES

A PROFILE OF DOWN EAST MAINE: HANCOCK AND WASHINGTON COUNTIES

Maine stands within reach of a new prosperity. After decades of industrial restructuring and drift, the pace of transformation is quickening, and the slow replacement of the old order is yielding a new one that may bring better lives for Mainers. At the same time, Maine remains very much a work in progress. For that reason, its mood seems anxious, even disturbed by the tenor and pace of change.

Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places, a new report by the Brookings Institution Metropolitan Policy Program, assesses this critical moment and suggests a route forward. More specifically, the report seeks to help Mainers move beyond gridlock by offering the state a unifying view of its situation followed by a focused agenda for state-level policy reform aimed at promoting a new era of sustainable prosperity in Maine.

Because much variation exists throughout the state, this region-specific profile details how certain trends identified in the statewide report are impacting Down East Maine. Also discussed are the sources of these trends and a policy framework for responding to them.

Emerging Trends in Maine:

Down East Maine is growing again, even as it ages

Down East Maine's population is growing again after years of stagnation. The region actually lost population in six out of the ten decades between 1900 and 2000, adding only 3,200 people in the 100-year period. But Down East Maine grew faster than three other regions in the 1990s and continues to grow since 2000, now at a rate of about 0.3 percent per year.

Much of Down East Maine's recent growth owes to accelerating in-migration from other states. After recording a net gain of 480 people from other states between 1995 and 1999, Down East Maine experienced a dramatic in-migration increase, netting nearly 2,300 new migrants 1999 to 2004. This includes a 1,600-person gain in Hancock County and almost 700 new net migrants in Washington County. The fact that Down East Maine—including the state's easternmost county—experienced such an impressive gain underscores how dramatic the statewide in-migration trend really is.

The number of young adults aged 25 to 34 in Down East Maine decreased by nearly 3,000 in the 1990s. Down East Maine's 23-percent decline in young adults matched the state average and far exceeded the national loss of 7.6 percent.

Likewise, Down East Maine's population is rapidly growing older. From 1990 to 2000, the share of the region's population aged 65 or older grew from 15.6 percent to 16.5 percent—by far the largest percentage of all regions, over two points higher than the state as a whole, and over four points higher than the national figure of 12.4 percent.

Down East Maine's changing economy is struggling

The steady decline of Maine's manufacturing and natural resource based industries is especially challenging in Down East Maine. From 1970 to 2004, Maine lost 62,000 jobs in manufacturing and resource-based industries, with rural areas absorbing the bulk of the losses. Losses in these industries—a significant component of Down East Maine's economy—totaled over one-third of the state's traditional employment.

Nevertheless, Down East Maine is creating jobs, albeit slowly. From 2001 to 2004, Down East Maine added nearly 300 jobs for a 0.7-percent gain, equaling the state average. Hancock County actually added close to 500 jobs for a 1.9-percent increase. This gain was offset by Washington County's 200-job loss.

At the same time, Down East Maine has the lowest average annual wages in the state. In 2004, average wages for Down East Maine remained stable at $27,400, trailing Northern Maine's average annual wages by $1,100. Hancock County's $28,500 in annual wages lags the state average of $31,900 while Washington County is $6,700 behind at $25,200 per year.

Wage growth in the region is also weak. From 2001 to 2004, real average wages increased only 2.6 percent, less than the state average of 3.8 percent but exceeding the national average of 1.9 percent. For its part, Hancock County did fairly well with a wage increase of 3.2 percent. Washington County, however, experienced an increase of only 1 percent.

Down East Maine is dispersing and sprawling

Down East Maine's regional hubs—cities and towns that contain a majority of the state's jobs, commercial activity, and social resources—contain a declining share of the region's population. In 1970, 41 percent of Down East Maine's population resided in its 10 regional hubs—places like Ellsworth, Machias, Calais, and Bucksport. Today, only 36 percent of the region's population lives there as residents increasingly choose to locate in farther-out, rural locales.

While the majority of Down East Maine's recent population growth is occurring outside of its regional hubs, growth in the region is more centralized than the rest of the state. From 2000 to 2005, Down East Maine's regional hubs captured 41 percent of the region's 1,400-person population increase, far surpassing the share in all other regions. Still, almost 800 new residents were absorbed by Down East Maine's more sparsely-populated towns such as Tremont, Trenton, Cutler, and Whiting—all now growing faster than the state and at least three times faster than the region as a whole.

Development is quickly converting Down East Maine's rural land. Over 110,000 acres were converted from low-density rural land to higher-density suburban land in Down East Maine between 1980 and 2000, bringing the share of developable rural land down from 67 percent to 56 percent in 20 years. Almost 70,000 rural acres were lost in Hancock County, bringing its share of rural land down to under 50 percent. Meanwhile, Washington County lost over 40,000 rural acres, leaving less than two-thirds of its developable land in truly rural form.

Emerging Implications of Maine's Trends:

Maine's recent growth and development trends present Down East Maine with both opportunities and challenges.

Population dynamics bring the hope of new vitality to Down East Maine, but serious workforce challenges remain

Down East Maine's higher educational attainment is fairly competitive. Perhaps in part due to an influx of highly educated people to the state between 1995 and 2000, 23.7 percent of Down East Maine's working-age population holds a college degree—trailing only Southern and Mid-Coast Maine. Hancock County's impressive 28.4-percent attainment rate exceeds the state average of 24.8 percent while Washington County's 16.2-percent rate falls far behind.

Down East Maine's respectable B.A. attainment rate may improve the region's economic prospects. Down East Maine's decent rate of college attainment—particularly in Hancock County—may make it easier for the region to attract good jobs that require higher skill and education levels. This could result in higher incomes: the average full-time worker with a four-year degree in Maine earns $36,400 while those with just a high school diploma earn $25,400.

Innovation-oriented industry clusters are growing, but remain a small part of Maine's economy

The state's key traditional clusters—interrelated or similar firms—are growing. Maine's traditional top export industries—tourism, health care, non-store retailing, and finance and insurance—outperformed their national counterparts between 2000 and 2004, posting a 2.5-percent annual rate of job growth versus the U.S. rate of 2 percent.

Maine's innovation clusters are keeping pace with the nation, but remain a small share of the state's economy. Maine's biotechnology and information technology clusters—industries of growing importance for Down East Maine—each employ just 3,000 people, making up just 0.6 and 0.5 percent of all jobs in Maine, respectively. The advanced materials, forest products, and precision manufacturing clusters are larger, with 20,000 employees per cluster, but account in each case for just 3.3 percent of the state's jobs

Some higher-value industry clusters hold promise for Down East Maine. Jackson Laboratories, in Bar Harbor, is the key player in the state's growing biotechnology sector—an innovation industry with high wages and excellent potential for future growth. Meanwhile, Franklin is emerging as an important aquaculture hub. SeaBait Maine, with help from the USDA's National Cold Water Marine Aquaculture Center and the University of Maine's Center for Cooperative Aquaculture Research, are quickly expanding the operation of North America's first marine worm farm. Down East Maine will also benefit from the recent decision by the Canadian firm Cooke Aquaculture—which has plants in Eastport and Machiasport—to invest $60 million in the state's salmon farming industry.

Maine's development patterns are giving some regional hubs in Down East Maine new life, but suburbanization drives up costs and threatens the state's "brand"

After years of relatively slow growth or decline, some of Down East Maine's regional hubs are experiencing a revival. Ellsworth more than doubled its rate of population growth, going from annual gains of 50 people per year in the 1990s to over 110 per year since 2000. Bar Harbor is likewise now adding 60 people per year, up from 40 before 2000. Meanwhile, Eastport and Calais, while still losing population, significantly slowed their rates of decline since 2000.

But increased demand for residential development in Down East Maine—especially along the coast—threatens scenic corridors and picturesque landscapes. Pristine natural amenities are a major component of Maine's venerable quality of life. This is especially true in Down East Maine; however, increasing development along the coast and the Route 1 corridor threatens to tarnish such assets. Commercial development is quickening along arterial roads in Ellsworth and along Route 1 in Machias as well as in other towns with minimal land use planning. And residential development—along with increased second-home purchases—are driving up property values and valuations in regional hubs like Milbridge, likely leading some families further out in their search for affordable housing and lower property tax rates.

Working Toward Change: Past State Efforts and Remaining Challenges

Influencing how the region is growing are shortcomings of state policy accumulated over many years and administrations. In that light, Down East Maine's current situation owes in large part to three statewide weaknesses.

An inconsistent economic development stance over many years has weakened the state's efforts to improve its economy

Maine has had no shortage of thoughtful leaders and bold ideas on economic development over the years. However, the state has frequently failed to stick to and sustain its ideas. The result: Numerous state or quasi-public institutions intended to promote economic development remain small or under-funded, while other promising programs and funds have been under-capitalized. This short-funding has limited the impact of otherwise valid efforts to grow the state's small economy and enlarge "thin" export and innovation clusters.

Maine's often-high costs of government and the unbalanced revenue system that supports them hinder the state's ability to promote sustainable prosperity

On the spending side, parts of Maine's state and local government system impose heavy costs on the state. Maine's unusually high expenditures on a number of state-level administrative functions as well as on K–12 education are likely squeezing out necessary spending in other areas even as they contribute to high taxes. And while local government appears rather frugal nationally, municipal spending on services like police and fire goes up sharply in rapidly suburbanizing areas like Southern Maine—an indication that as sprawl forces growing towns to convert from mostly volunteer to mostly paid staffs the costs of redundant small governments goes up.

On the revenue side, Maine's high state-local tax burdens may well be contributing to negative economic and land-use outcomes. High overall burdens, the second-highest property taxes in the nation, and the state's low thresholds for its very high personal income tax top rate all may well be sending negative signals to workers, entrepreneurs, and retirees about the state as a place in which to live and do business. Likewise, the wide 48-percent differential between the average property tax rates in regional-hub communities and those in outlying emerging communities serves a significant added spur to sprawl.

Barriers to development in traditional regional hubs combined with weak regional growth management are eroding the state's unique character and contributing to sprawl

On one hand, Maine's convoluted state and local construction rules combined with the absence of significant catalyzing investment discourages development in older places. Along these lines, Maine's crazy-quilt of differing local and state building-code regimes, the orientation of most codes toward new construction, and the variable quality of code interpretation virtually guarantee that most development veers away from the state's traditional centers. It does not help that key state programs aimed at spurring redevelopment are grossly under-funded.

On the other hand, Maine's ineffective state and local planning system leaves most Maine localities unable to manage growth. In this respect, the combination of Maine's intensely localistic planning system and the absence of sufficient support and incentives for municipal and regional planning efforts has left most Maine towns and regions susceptible to sprawl that further weakens town centers and degrades rural landscapes.

A Sustainable Growth Agenda for Maine

Given these challenges, Maine must seize this moment to make urgent investments in its future that enhance its distinctive strengths and bring sustainable prosperity to all regions of the state. To guide such investments, ***Charting Maine's Future*** proposes the following recommendations:

Invest in a place-based, innovation-focused, high-value economy

Maine must vigorously protect and enhance its brand while stimulating business innovation. To foster economic growth, Maine should adopt a two-pronged investment strategy focused on enhancing the state's quality of place and spurring business innovation by supporting the emergence of new ideas and vibrant industrial clusters. To that end we recommend that Maine:

- Establish a $190-million **Maine Quality Places Fund** to promote city and town revitalization, land conservation, and high-quality outdoor recreation and tourism

- Support a $200-million **Maine Innovation Jobs Fund**, $180 million of which should support job-creating R&D in promising scientific and technical disciplines, while $20 million should go to a new **Maine Cluster Development Fund** to foster the business-led partnerships that catalyze cluster-based job-creation

Trim government to invest in Maine's economy and finance tax reform

Maine should seek cost savings in state and local government that can be applied either to financing the Maine Innovation Jobs Fund and the Cluster Development Fund or tax reduction. Here, Maine should adopt a high-level business plan that demands hard-nosed cost-cutting as well as determined investment.

On the spending side we recommend that Maine:

- Establish a **Maine Government Efficiency Commission** to propose specific reforms to produce between $60 and $100 million a year in cost savings in state government through the elimination of structural redundancies and excess administrative overhead

- Reduce its **K–12 administrative expenditures** to the vicinity of the national average

- Appoint a high-level **school district reorganization committee** to substantially reduce the number of school administrative units

- Support one or two major **pilots in regionalized service delivery** to explore and showcase far-reaching efforts at multi-municipal reorganization and cost reduction

On the revenue side we recommend that the state:

- Apply to **property and income-tax reductions** any state-government spending savings located by the efficiency commission that exceed the amount needed to support the innovation and cluster funds as well as the local government pilots

- Explore ways to **"export" tax burdens** onto Maine visitors and non-resident second-home owners

Support the revitalization of Maine's towns and cities while channeling growth

Finally, Maine must tend to how its rules and policies shape communities. The state should support its investments in place-making by making development easier in its traditional towns and cities and fostering improved local and regional planning.

Concerning redevelopment, revitalization, and planning, we recommend that Maine:

- Perfect and champion its **new model building and rehabilitation codes** and create as a local option a new **model zoning ordinance** specifically designed to complement and enhance the special value of Maine's historic, traditional centers

- Better **fund and use existing revitalization and redevelopment-oriented programs and organizations**. Three programs in need of bolstering are the Municipal Investment Trust Fund, the Maine Downtown Center, and the state's historic preservation tax credit

- Provide substantial new **visioning and planning resources** to individual towns to help them reach consensus on how they wish to grow, and then implement their vision with ordinances. Funding for these and other planning activities could come from a new **Maine Community Enhancement Fund**

- Foster more **regional planning** by providing grants from the Community Enhancement Fund to groups of towns that agree to plan together. Even bolder collaboration could be encouraged by offering stronger incentives for towns to actually implement regional growth-management plans

In the end, this report concludes that Down East Maine and the rest of the state stands within reach of a new, more sustainable prosperity—if the state takes bold action. *Move along these lines, and the state's abiding intuition that economic success and quality places go hand in hand will be borne out.*

About ***Charting Maine's Future***

Sponsored by GrowSmart Maine, with funding from numerous Maine foundations, businesses, conservation groups, and private citizens, ***Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places*** examines the many opportunities and challenges confronting the Pine Tree State during this period of accelerating change and outlines a comprehensive blueprint for action. Visit **www.brookings.edu/metro/maine** to read the full report, other regional profiles, and additional supporting materials.

For in-state contact with the project's sponsor, call GrowSmart Maine at 207-847-9275 or visit **www.growsmartmaine.org**.

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