



CHARTING MAINE'S FUTURE:

AN ACTION PLAN FOR PROMOTING SUSTAINABLE PROSPERITY AND QUALITY PLACES

A PROFILE OF SOUTHERN MAINE: CUMBERLAND AND YORK 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 Southern Maine. Also discussed are the sources of these trends and a policy framework for responding to them.

Emerging Trends in Maine:

Southern Maine continues to grow, even as it ages

Southern Maine's population is growing faster than the nation. While Southern Maine's population growth slowed in the 1990s, the region is now growing 1.1 percent annually since 2000, exceeding the national rate of 1 percent.

Much of Southern Maine's growth owes to accelerating in-migration from other states. After attracting a net total of almost 5,600 people from other states between 1995 and 1999, Southern Maine gained over 15,600 net migrants from 1999 to 2004. This includes a 9,100-person gain in York County and 6,500 new net migrants in Cumberland County. Southern Maine far surpassed all other regions as a magnet for in-migration, accounting for over half of the state's total net in-flow.

The number of young adults aged 25 to 34 in Southern Maine decreased by over 13,000 in the 1990s. This 18-percent

decline exceeded the national loss of 7.6 percent; and yet Southern Maine had the smallest regional loss in the state.

Likewise, Southern Maine's population is growing older. From 1990 to 2000, the share of the region's population aged 65 or older grew from 12.9 percent to 13.4 percent—a point higher than the national figure of 12.4 percent but a point lower than the state average.

Southern Maine's changing economy is growing

The steady decline of Maine's manufacturing and natural resource based industries has been less damaging to Southern Maine's diversified economy. From 1970 to 2004, Maine lost 62,000 jobs in manufacturing and resource-based industries, but more rural areas absorbed the bulk of the losses. Thus, Southern Maine's economy fared relatively better over this period of time.

Southern Maine is outperforming the state and the nation in employment growth. From 2001 to 2004, Southern Maine added nearly 5,000 jobs for a 2.1-percent increase, surpassing all other regions, the state rate of 0.7 percent, and the national loss of 0.3 percent. York County's 4.3-percent increase in employment was the highest among Maine's 16 counties. Cumberland County posted a solid 1.2-percent gain.

Of the state's six regions, none has higher average annual wages than Southern Maine. In 2004, average wages for Southern Maine rose to \$35,000, leading all regions and exceeding the state average by nearly \$3,100. Cumberland County's \$36,400 average wage surpassed all other counties while York County's \$31,500 average kept pace with the state mark of \$31,900.

Wage growth within the region is quite strong. From 2001 to 2004, real average wages in Southern Maine grew 5 percent, another state-leading figure. Cumberland and York counties experienced strong wage growth of 5.5 and 3.8 percent, respectively, both significantly higher than the national average of 1.9 percent.

Southern Maine is suburbanizing and sprawling

Southern Maine's regional hubs—cities and towns that contain a majority of the state's jobs, commercial activity, and social resources—no longer contain a majority of the region's residents. In 1970, almost 64 percent of Southern Maine's population resided in its 11 regional hubs—places like Portland, Sanford, Biddeford, and Brunswick. Today, that figure is only 48 percent as incoming residents choose to locate in neighboring towns or farther-out, rural locales.

The vast majority of Southern Maine's recent population growth is occurring in suburban and rural areas outside of its regional hubs. From 2000 to 2005, only 30 percent of Southern Maine's 25,000 new residents were absorbed into its regional hubs. Of the 17,000 new residents located outside the regional hubs, 6,400 settled in more rural towns such as Newfield, Parsonfield, and Cornish—all now growing at least twice as fast as the national average.

Development is quickly converting Southern Maine's rural land to suburban uses. Over 106,000 acres was converted from low-density rural land to higher-density suburban land in Southern Maine between 1980 and 2000, bringing the share of developable rural land down from 33 percent to 23 percent in the 20-year period. Cumberland County experienced a 56,000-acre loss while York County lost 50,000 rural acres to increasing suburbanization.

Emerging Implications of Maine's Trends:

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

Population dynamics bring the hope of new vitality to Southern Maine

Southern Maine's higher educational attainment leads the state. A significant influx of highly educated people to the state between 1995 and 2000 likely contributed to one of Southern Maine's most significant strengths: One out of every three working-age residents of the region has a college degree. This not only leads the state by over seven points, but also surpasses the national figure of 26.5 percent.

High educational attainment in Southern Maine bodes well for the region's pay levels. Southern Maine's high rate of college attainment enhances the region's ability to generate quality jobs that require higher skill and education levels. As a result, pay levels benefit: 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—groups of 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 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.

Southern Maine's skilled workforce, abundance of business services jobs, and proximity to the Boston metro area give the region several economic advantages. While Southern Maine contains just 36 percent of the state's population, it is home to 50 percent of Maine's business services jobs—jobs that pay over \$13,000 more than the state's average annual wage. This is due in large part to the region's highly skilled and educated workforce. What is more, many innovative start-ups are thriving in Southern Maine. Composite materials companies like Harbor Technologies in Brunswick and Correct Building Products in Biddeford are two recent examples of successful, fast-growing firms built on innovation. The technology development company Biofine is opening a pilot-scale biorefinery in Gorham, taking advantage of the state's growing forest bioproducts cluster (particularly in nearby Western Maine). And Maine Medical Center, the University of Southern Maine, and several research labs form the back bone of the region's young and growing R&D sector. Finally, Southern Maine's proximity to the Boston metro area—combined with a comparatively low cost of living—makes the region a prime location for high-skill, high-paid Boston-area knowledge workers opting to commute or telecommute from home-bases in Maine.

Maine's development patterns continue to add vitality to Southern Maine's regional hubs, but suburbanization drives up costs and threatens the state's "brand"

All of Southern Maine's regional hubs—except Portland—continue to add population. Biddeford, Sanford, Kittery, and South Portland are all growing five times as fast as they were in the 1990s, owing in part to the substantial increase in immigration to the region since 1999. And while Scarborough's growth slowed, its annual rate of increase still surpassed all of the region's hubs at 2.2 percent. Such growth improves the region's economic vitality. The Brunswick economic area, for instance, posted a real increase of over \$35 million in taxable retail sales between 2000 and 2005.

At the same time, suburbanization is increasing government costs in towns throughout the state. Research suggests per-capita municipal expenditures begin rising once towns pass a population threshold of between 2,500 and 6,000 people—a mark being passed in more and more towns in Maine. This trend is occurring in South Berwick, located in York County. There, real per-capita non-school municipal expenditures nearly doubled between 1970 and 2004 from \$281 to \$558 as the towns population grew from 3,500 to 7,000.

Suburbanization in Southern Maine is increasing school construction costs. Fast-growing suburban towns in the Portland metro area spent \$160 million on eight new school construction projects between 1995 and 2005. Meanwhile, excess capacity exists in the area's seven regional hubs, where

the K–12 population actually declined by 540 students over the same period of time.

Suburbanization is threatening Southern Maine’s agricultural land. Nearly all of York and Cumberland counties’ high-quality agricultural land is being quickly encroached upon by accelerating residential development.

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, Southern 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

In the end, this report concludes that Southern 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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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 (MITF), the Maine Downtown Center (MDC), 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



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