



# CHARTING MAINE'S FUTURE:

## AN ACTION PLAN FOR PROMOTING SUSTAINABLE PROSPERITY AND QUALITY PLACES

### A PROFILE OF WESTERN MAINE: ANDROSCOGGIN, FRANKLIN, AND OXFORD 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 Western Maine. Also discussed are the sources of these trends and a policy framework for responding to them.

### Emerging Trends in Maine:

#### *Western Maine is growing again, even as it ages*

**Western Maine's population is growing again after years of virtually non-existent growth.** Western Maine's population nearly stopped growing in the 1990s, but since 2000 the region has been growing ten times faster, rising from under 0.1 percent per year to 0.7 percent.

**Much of Western Maine's recent growth owes to a remarkable turnaround in migration from other states.** After losing a net total of over 600 people to other states between 1995 and 1999, Western Maine gained nearly 3,400 net migrants from 1999 to 2004. This includes a 1,600-person gain in Oxford County and nearly 1,200 new net migrants in Androscoggin County. Only Southern and Mid-Coast Maine experienced more net in-migration over the same period of time.

**However, the number of young adults aged 25 to 34 in Western Maine decreased by nearly 8,000 in the 1990s.** Western Maine's 26-percent decline in young adults exceeded the 23-percent state total and the national loss of 7.6 percent.

**Likewise, Western Maine's population is quickly growing older.** From 1990 to 2000, the share of the region's population aged 65 or older grew from 13.7 percent to 14.9 percent—half a point higher than the state as a whole and much higher than the national figure of 12.4 percent.

#### *Western Maine's changing economy is growing*

**The steady decline of Maine's manufacturing and natural resource based industries has been especially challenging in Western Maine.** From 1970 to 2004, Maine lost 62,000 jobs in manufacturing and resource-based industries, with rural areas like those in Western Maine absorbing the bulk of the losses. Since 1990, the forest products industry—a significant component of Western Maine's traditional economy—shed 9,000 jobs statewide.

**Yet Western Maine is outperforming the state and the nation in employment growth.** From 2001 to 2004, Western Maine added nearly 1,000 jobs for a 1.2-percent increase, surpassing the state growth of 0.7 percent and the national loss of 0.3 percent. Franklin County's 3.5-percent increase in employment was second-highest among all 16 Maine counties, trailing only York County. Androscoggin County grew by a strong 1.4 percent while Oxford County suffered a loss of 0.5 percent.

**Of the state's six regions, however, Western Maine has the third-lowest average annual wages.** In 2004, average wages for Western Maine fell slightly to \$29,400, a level that trailed Southern, Mid-Coast, and Central Maine and fell short of the state average by \$2,500. Oxford County's average pay is particularly low at \$26,900 annually—almost \$5,000 per year less than the state average.

**But wage growth within the region is quite strong.** From 2001 to 2004, real average wages grew 3.5 percent, behind only Southern and Mid-Coast Maine and nearly twice as fast as the nation. Androscoggin County, likely buoyed by the revitalizing Lewiston-Auburn area, enjoyed 5.3-percent growth in wages, one of the largest gains in the state.

## ***Western Maine is suburbanizing and sprawling***

**Western Maine's regional hubs—cities and towns that contain a majority of the state's jobs, commercial activity, and social resources—contain a greatly reduced share of the region's residents.** In 1970, almost 60 percent of Western Maine's population resided in its nine regional hubs—places like Oxford, Lewiston, Auburn, and Farmington. Today, fewer than 47 percent of the region's population lives there as residents increasingly choose to locate in neighboring towns or farther-out, rural locales.

**The vast majority of Western Maine's recent population growth is occurring in suburban and rural areas outside of its regional hubs.** From 2000 to 2005, only 22 percent of the region's 6,400 new residents settled in Western Maine's regional hubs. Of the 5,000 new residents who have located outside the regional hubs, 4,300 settled in more rural towns such as Minot, Brownfield, and Buckfield—all now growing at least twice as fast as the national average.

**Development is quickly converting Western Maine's rural land to suburban uses.** Over 133,000 acres were converted from low-density rural land to higher-density suburban land in Western Maine between 1980 and 2000, bringing the share of developable rural land down from 66 percent to 56 percent in 20 years. Oxford County experienced the largest absolute loss—70,000 acres—while Androscoggin County had the largest loss in share, with only one-quarter of its developable land remaining truly rural.

## **Emerging Implications of Maine's Trends:**

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

### ***Population dynamics bring the hope of new vitality to Western Maine, but serious workforce challenges remain***

**Western Maine's higher educational attainment remains the weakest in the state.** Despite a significant influx of highly educated people to the state between 1995 and 2000, only 17.4 percent of Western Maine's working-age population has a college degree—a rate two points lower than Central and Northern Maine and over seven points lower than the state average.

**Low educational attainment in Western Maine has serious pay implications.** Western Maine's low rate of college attainment makes it more difficult for the region to attract good jobs that require higher skill and education levels. As a result, pay levels are depressed: 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

**Western Maine's historical strength in forest products offers it a unique advantage in the promising forest bioproducts innovation cluster.** Maine Biodiesel, Maine Bioproducts, and Safe Handling Incorporated—all firms located in Western Maine—are currently pursuing opportunities in biomass fractionation, refining, or conversion processes. Additionally, the new Fractionation Development Center in Rumford is attempting to develop and coordinate the collective efforts of this growing cluster.

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

**After years of decline, some of Western Maine's regional hubs are experiencing a revival.** Lewiston, Auburn, Norway, and Farmington, all of which lost population in the 1990s, are now growing again. Lewiston turned annual losses of 400 people per year in the 1990s into gains of 70 people per year since 2000. And the Lewiston-Auburn economic area took in nearly \$70 million more in 2005 than 2000 in inflation-adjusted taxable retail sales.

**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 may be occurring in Durham, located in Androscoggin County. There, real per-capita non-school municipal expenditures held steady at around \$415 between 1970 and 2000 as the population grew from 1,300 to 3,400. By 2004, however, as the fast-growing town neared 3,600 people, per-capita spending jumped to \$520.

**Suburbanization in Western Maine is increasing school construction costs.** The Lewiston-Auburn metro area spent over \$20 million on new school construction between 1995 and 2005 despite losing a total of 800 of its K-12 students in the same time period.

**Ownership is quickly changing hands in Western Maine's forests.** From 1994 to 2005, the majority of the region's timberland ownership switched from timber companies—historically excellent land stewards—to financial investors.

**Suburbanization is threatening Western Maine's agricultural land.** Nearly all of Androscoggin County is home to high-quality farmland, yet rapid development blankets the county as well.

## 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, Western 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 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 Western 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](http://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](http://www.growsmartmaine.org).

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