



CHARTING MAINE'S FUTURE:

AN ACTION PLAN FOR PROMOTING SUSTAINABLE PROSPERITY AND QUALITY PLACES

A PROFILE OF NORTHERN MAINE: AROOSTOOK, PENOBSCOT, AND PISCATAQUIS 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 Northern Maine. Also discussed are the sources of these trends and a policy framework for responding to them.

Emerging Trends in Maine:

Northern Maine is growing again, even as it ages

Northern Maine has reversed the population losses it suffered in the 1990s. From 1990 to 2000, the region suffered severe declines. However, since 2000, Northern Maine has begun to grow, turning 0.7-percent annual losses into 0.2-percent annual gains.

Much of Northern Maine's recent growth owes to a remarkable turnaround in migration from other states. After losing a net total of over 2,800 people to other states between 1995 and 1999, Northern Maine gained over 2,200 net migrants from 1999 to 2004. This includes a 1,100-person gain in Aroostook County, 610 new net migrants in Piscataquis County, and 540 in Penobscot County. The fact that Northern Maine—including Aroostook County—turned a state-leading loss into an impressive gain underscores how dramatic the statewide in-migration trend really is.

The number of young adults aged 25 to 34 in Northern Maine decreased by nearly 14,000 in the 1990s. Northern Maine's 33-percent decline in young adults far surpassed both the state and national losses of 23 and 7.6 percent, respectively.

Likewise, Northern Maine's population is quickly growing older. From 1990 to 2000, the share of the region's population aged 65 or older grew from 12.3 percent to 14.6 percent—slightly higher than the state as a whole and much higher than the national figure of 12.4 percent.

Northern Maine's changing economy is struggling

The steady decline of Maine's manufacturing and natural resource based industries is especially challenging in Northern 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 Northern Maine's economy—totaled over one-third of the state's traditional employment.

Yet, Northern Maine is creating jobs, albeit slowly. From 2001 to 2004, Northern Maine added 300 jobs for a 0.3-percent gain, lower than the statewide increase of 0.7 percent. Aroostook County actually out-performed the state with job growth of 1 percent. Penobscot County added 100 jobs for a 0.1-percent gain while Piscataquis County declined by 1.8 percent, shedding 100 jobs.

Of the state's six regions, Northern Maine has the second-lowest average annual wages. In 2004, average wages for Northern Maine reached \$28,500, ahead of only Down East Maine by about \$1,100. Aroostook and Piscataquis counties, in fact, have the third- and first-lowest wages of all Maine counties, at \$26,300 and \$24,100, respectively. Penobscot County's average annual wages of \$29,900 also trail the state's \$31,900 average.

Wage growth in the region is also weak. From 2001 to 2004, real average wages increased only 1.3 percent, less than the state average of 3.8 percent and the national average of 1.9 percent. For its part, Aroostook County did fairly well with a wage increase of 3.2 percent. Penobscot and Piscataquis counties, however, each experienced increases of less than 1 percent.

Northern Maine is suburbanizing and sprawling

Northern 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, 57 percent of Northern Maine's population resided in its seven regional hubs—places like Caribou, Presque Isle, Dover-Foxcroft, Bangor, and Brewer. Today, only 48 percent of the region's residents live there as residents increasingly choose to locate in farther-out, more rural locales.

In fact, while Northern Maine is growing again, it was the only region to lose population in its regional hubs since 2000. From 2000 to 2005, Northern Maine's regional hubs lost 350 people despite a population increase of 1,900 for the entire region. Over 2,000 new residents located in Northern Maine's more suburban or rural towns such as Levant, Mapleton, Corinna, and Woodland—all now growing at least as fast as the state and over three times faster than the region as a whole.

Development in some parts of the region—especially southern Penobscot County—is converting Northern Maine's rural land to suburban uses. Over 270,000 acres were converted from low-density rural land to higher-density suburban land in Northern Maine between 1980 and 2000, bringing the share of developable rural land down from 81 percent to 69 percent in 20 years. The bulk of the loss occurred in Penobscot County, where over 193,000 acres were converted—by far the most in the state. Meanwhile, Aroostook and Piscataquis counties lost only 53,000 and 25,000 rural acres, respectively, both low amounts considering the vast land area possessed by each county.

Emerging Implications of Maine's Trends:

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

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

Northern Maine's higher educational attainment remains the third-lowest in the state. Despite a significant influx of highly educated people to the state between 1995 and 2000, only 19.8 percent of Northern Maine's working-age population holds a college degree—five points lower than the state average. Penobscot County's 22.1-percent attainment rate approaches the state average of 24.8 percent while Aroostook (16.4 percent) and Piscataquis (14.6 percent) counties fall way behind.

Low educational attainment in Northern Maine has serious pay implications. Northern 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 strained: 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.

Some higher-value industry clusters hold promise for Northern Maine. The region's past success in growing potatoes and its more recent entry into cold crops like broccoli offer hope for a higher-value future in agriculture. Further, the success of finance and insurance enterprises like Maine Mutual Group—based in Presque Isle—shows that Northern Maine can move forward in the face of the state's economic transition.

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

After years of decline, some of Northern Maine's regional hubs are experiencing a revival. Among others, Orono, Dover-Foxcroft, and Greenville are all growing again after sizeable losses in the 1990s. Orono turned annual losses of 150 people per year in the 1990s into annual gains of 70 since 2000. Meanwhile, Caribou, Presque Isle, and Bangor all slowed their annual triple-digit losses down to relative stable single- or double-digit annual losses.

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, even in Northern Maine. This trend is clearly evident in the relatively fast-growing town of Hermon, just outside of Bangor. There, non-school per capita municipal expenditures dropped to \$258 (in year 2004 dollars) between 1970 and 1980 as the town increased its population from 2,400 to about 3,200. But once the town's population surpassed 3,200, costs quickly rose. Today, the municipality's 4,700 people face per capita expenditures of \$652—two and a half times the 1980 level.

Suburbanization in Northern Maine is increasing school construction costs. The Bangor metro area spent \$5 million on a new suburban school construction project between 1995 and 2005 despite the area losing over 1,700 of its K–12 students in the same time period.

Increased demand for residential development in Northern Maine threatens the state's heralded north woods. Development pressure, especially strong throughout the Penobscot River Valley, is encroaching on the region's forestland. This pressure is made even more real considering that from 1994 to 2005, much of the southern half of the region's

timberland ownership switched from industry—historically excellent land stewards—to financial investors.

Suburbanization is also threatening Northern Maine’s agricultural land. Southern Aroostook County and southwestern Penobscot County possess high-quality agricultural land, but those areas each face rapid 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, Northern 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 Northern 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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