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DEFENSE DEPENDENCY - IMPACTS and CONVERSION EFFORTS in MAINE

Summary - June 1994

Prepared by the

Maine Economic Conversion Project

I Introduction

The ending of the Cold War has brought about revolutionary changes in superpower relationships which have led to a significant shift in U.S. national security priorities. The easing of international tensions is allowing a restructuring of the U.S. defense posture and subsequent reductions in federal military spending. While a welcome sign of increased security - as well as an opportunity to reinvest military savings in our domestic economy - the shrinking and shifting of defense spending is having a profound impact upon the businesses, employees, and communities that have come to rely on defense spending. To minimize the economic impacts and maximize the economic opportunities of defense downsizing, the federal government has authorized \$20 billion to be spent between 1993 and 1997 on programs to assist defense-dependent businesses, workers and communities facing defense contract reductions and military base downsizings and closures make the transition to commercial alternatives. Maine, considered a national model in its proactive economic conversion response, has organized a statewide structure and a variety of promising strategies to meet the challenges and opportunities of economic change. While a lot has been accomplished, much more needs to be done. Following is a brief summary of Maine's defense dependency, the impact of current and projected defense spending cuts, and some of the many promising strategies and initiatives underway to help Maine adjust to the impacts and use defense downsizing and conversion as an economic development opportunity. For more complete information, contact the Maine Economic Convesion Project.

II Maine' Defense Dependency & Impacts

Maine is the fourth highest recipient of defense spending per capita nationwide. Defense spending in Maine increased ten-fold over the 1980s, making defense the state's third largest industry. The continued cutbacks in defense spending are a major damper on Maine's economic recovery. Since 1989, Maine has lost approximately 10,000 defense-related jobs and stands to lose nearly twice as many more as Pentagon dollars continue to shrink. With the closing of Loring Air Force Base in September, 1994, Maine will have lost 20 percent of its 1989 peak defense employment of 63,000 workers. This loss will represent about \$250 million per year of income for state residents. As of 1993, 8.2 percent of Maine's workforce was employed in defense-dependent jobs representing a payroll of \$1.4 billion and 10 percent of total state income.

The impact of the job loss is further compounded by the fact that: (1) defense downsizing comes in the midst of a prolonged recession; (2) the New England region has lost 400,000 manufacturing jobs in the last decade, a one-third reduction from its level in 1984; and (3) defense industry jobs, which are primarily in manufacturing, are some of the highest paid employment in the state. In 1991 the average annual wage of ship building and repair, Maine's primary defense sector, was \$30,793. Other key defense sectors -- primary metals, fabricated metals, and electronic equipment - had average annual wages of \$26,688, \$26,044, and \$26,712 respectively. Although Maine has gained other service and retail jobs, the average annual wage in these industries is \$19,117 for a service worker and \$12,238 for a retail worker.

Defense-related enterprises in Maine span the spectrum of defense activities, affect every industrial sector, and reach into every county in the state. They include military installations such as the Portsmouth Naval Shipyard, Brunswick Naval Air Station, Loring Air Force Base, and a number of small installations. They also comprise a number of private firms including Bath Iron Works (Maine's largest private employer which builds the Aegis Destroyer for the Navy), Saco Defense (machine guns), Pratt & Whitney (aircraft engines), National Semi-conductor (computer chips), and Fiber Materials (advanced composites for missiles and rockets). Hundreds of other small defense and non-defense businesses serve

these defense facilities, contractors, and their employees as suppliers, subcontractors, retailers, and service providers. Nearly 70 percent of all direct defense-related civilian jobs are with BIW, Loring Air Force Base, Brunswick Naval Air Station and the Portsmouth Naval Shipyard in Kittery, Maine. However, these represent only 27 percent of all defense-dependent jobs, the majority of which are spread among a large number of businesses that serve both civilian and military-related markets.

III. New England Regional Perspective

New England is the most defense-dependent region in the country with 1991 defense expenditures more than double the national average (\$1,052 per capita in New England as compared to the national average of \$493 per capita). As a region, we receive a disproportionately high share of prime contract awards while having a relatively low share of military personnel. However, Maine and Rhode Island have above average concentrations of defense personnel, and therefore would appear to be the most vulnerable to cutbacks in terms of potential economic damage caused by military base downsizings and closures. According to a 1990 Federal Reserve Bank study, over 9 percent of the nation's defense production originated in the region. Four of the six New England states - Connecticut, Maine, Massachusetts, and Rhode Island - exceed the national average in per capita shares of defense contracts and are among the top fifteen projected to suffer the greatest impact (with Massachusetts and Connecticut ranking first and second nationally). While the national average for defense industry employment is 2.5 percent of state employment, every New England state but Vermont exceeds that average and will exceed the national average rate of predicted worker dislocation. Six percent of Connecticut's jobs, almost five percent of Massachusetts' jobs, and fully eight percent of Maine jobs are dependent, either directly or indirectly, on meeting the nation's defense needs.

IV. Conversion Efforts in Maine

A. State Structures & Initiatives

Maine has a statewide, integrated and coordinated institutional structure which includes a *State Office of Economic Conversion, State Task Force on Defense Realignment and the Economy, and four community-based regional task forces* created to develop and implement economic conversion strategies statewide. Maine's regional task forces are located in our state's most heavily defense-dependent areas and include: the BBT (Bath-Brunswick-Topsham Economic Development Council) region which is home to Bath Iron Works and the Brunswick Naval Air Station; the KEYS Coalition (Kittery, Eliot, York and South Berwick) region which is home to the Portsmouth Naval shipyard and a number of small and mid-size defense businesses; the LDA (Loring Development Authority) planning reuse of Loring Air Force Base; and AVCOG (Androscoggin Valley Council of Governments) regional whose economy is highly dependent on Bath Iron Works. The Mid-Coast Maine community of Lisbon is leading the organization of a fifth community-based effort to develop conversion and diversification strategies and implementation plans in response to their high level of economic dependency on Bath Iron Works and the Brunswick Naval Air Station.

State and regional task force members represent a broad range of public and private sector interests including defense and non-defense business, labor, government, communities, academia, economic development, science and technology, and finance. A number of State agencies and departments and other public, private and nonprofit organizations are working in partnership with each other and state and regional task forces to develop and offer defense conversion technical, financial and other assistance to Maine's defense dependent firms, workers and communities. These organizations are learning to team together to not only work on conversion policy and strategy development, but to participate in joint imple-

mentation efforts including worker retraining, debt and equity financing, technology transfer and industrial modernization, market research and creation as well as community planning and related development initiatives. These parties are collaborating to tap into the \$20 billion of federal conversion assistance funds that will be available during the next five years that can be used to support various State conversion assistance programs. Maine has succeeded in securing a relatively large number of federal conversion dollars including Departments of Defense, Labor and Commerce OEA (Office of Economic Adjustment), EDA (Economic Development Administration), ARPA/TRP (Advanced Research Projects Agency/Technology Reinvestment Program), and NIST (National Institute of Standards in Technology grants. These same partners have also relied on the assistance of Maine's congressional delegation to help locate and secure federal assistance support from government agencies.

Maine has also recognized and responded to the need for a state economic development strategy to help answer the "conversion to what" question by creating new business and job opportunities to replace those lost to defense downsizing. In June 1993, legislation was adopted to establish the *Maine Growth Council* mandated to facilitate a statewide sustainable economic development visioning, planning and benchmarking process that includes the participation of all sectors of Maine society. Defense conversion is integrated into the broader economic development strategies of the Growth Council. The policy-oriented body is complemented by the implementation-oriented *Maine Economic Development and Business Assistance Coordinating Council* charged with designing a statewide network for regional delivery of economic development assistance.

The reduction in defense spending, as well as the overall loss of manufacturing jobs, have focused attention on industrial modernization problems of both defense and non-defense firms in Maine. The Technology Extension and Manufacturing Modernization Project, funded by a NIST grant, is underway to design a statewide technology extension and manufacturing modernization service delivery system for defense and non-defense businesses.

The March 1993 State Task Force report, "*A Defense Adjustment Action Plan for Maine*", recommends a number of strategies and initiatives to assist the conversion and diversification efforts of defense-dependent businesses, communities, and workers. *Strategy* recommendations include: (1) *communities* - establish multi-community action teams, develop non-defense uses of defense-related facilities, and coordinate community diversification efforts with those of defense-dependent businesses and workers (eg. marketing of region should include marketing skills of labor force, etc.); (2) *businesses* - undertake intensive strategic planning to determine steps required to achieve successful diversification, identify new and emerging business opportunities, including international markets, and upgrade production processes and human capital to strengthen competitive position in non-defense markets; and (3) *workers* - restructure Maine's worker adjustment assistance systems to provide better services to more workers at lower cost, gain federal support for a civilian "G.I. Bill" to encourage defense workers to gain skills and knowledge while they are still employed.

The report proposed *initiatives* to assist Maine businesses, workers and communities reduce their defense dependency. Some of these recommendations are underway, others are under consideration. They include: (1) support of strategic planning by BIW; (2) Technology Extension & Manufacturing Modernization Project; (3) Marketing Center for Expertise; (4) Defense Diversification Revolving loan fund; (5) Business Coalition Challenge Grants; (6) Workforce Development Centers; (7) Industrial Opportunities and Sectoral Strategic Planning Initiatives; (8) Environmental Industries Initiative; and (9) National Technology Reinvestment Program (ARPA/TRP). Other existing state programs, such as the Business Visitation Program, Finance Authority of Maine, and the Maine Department of Labor's RETI rapid response to dislocated worker readjustment assistance and training services are playing an expanded role in conversion as well.

B. State & Federal Funding

There are approximately \$1.5 million available in the Governor's Contingency Fund for job training. These funds might be a possible resource to finance a defense conversion-related job or skill training pilot project such as the Workforce Development Centers proposed by the State Task Force and Maine Department of Labor. Up until the 1993 session of the State Legislature, Maine had not appropriated general funding for defense conversion efforts in Maine. However, some portions of the Department of Economic and Community Development (DECD), State Planning Office (SPO) and Department of Labor's (DOL) overhead budget have been utilized for this purpose. In June 1993, the Legislature appropriated \$200,000 in general funds to support the new Office of Economic Conversion over the biennium.

The State Task Force on Defense Realignment and the Maine Economy (STF) received a \$150,000 Department of Commerce EDA grant in 1991 to support its work and the work of Maine's community-based regional task forces to document state and regional defense dependency and projected economic impacts caused by defense downsizing and realignment. The STF was awarded a \$200,000 Department of Defense OEA advance planning grant in 1993 to support the State Task Force, Office of Economic Conversion as well as programs including a clearinghouse, industrial renewal and various community and labor initiatives. The Maine Science and Technology Foundation received NIST funding to support industrial modernization efforts in Maine beginning with pilot programs for small to mid-size defense-dependent firms.

A \$150,000 EDA technical assistance grant was received by the Department of Economic & Community Development to conduct market research and development with Bath Iron Works on the feasibility of their cruise ferry initiative that would assist BIW enter this new commercial shipbuilding market while at the same time, assist in the development of Maine's tourism industry. In December 1993, Bath Iron Works was awarded a \$4.5 million ARPA/TRP grant for its "Commercial Shipbuilding Focused Development Project" to help the company enter into commercial shipbuilding. And, on May 25, 1994, it was announced that BIW will receive a \$660,000 Pentagon grant to design rapid-transit commercial vessels.

In April 1994, the DECD received authorization to take \$200,000 federal Housing and Urban Development (HUD) funds to capitalize a defense conversion planning grant pool for defense dependent communities unable to access OEA or EDA funds. The DECD expects to award up to four \$50,000 grants to newly formed defense conversion task forces to conduct defense dependency and impact studies as well as for communities to develop defense conversion and economic diversification implementation plans. The newly formed Lisbon group received the first \$50,000 grant. The DECD-initiated program is catching on nationally. HUD officials in Washington announced shortly after DECD's initiative that they have set aside \$2 million for similar community efforts nationwide and will be awarding twenty to thirty \$75,000 to \$100,000 defense conversion planning grants this year.

The Loring Readjustment Committee (which has transitioned into the Loring Development Authority - "LDA") received substantial OEA technical assistance and planning grant funding from the OEA. The OEA will continue this assistance for the next two years as area communities struggle to adjust to the closing of Loring Air Force Base in September, 1994. In April 1994, the State Legislature appropriated \$250,000 to the LDA to assist its economic development efforts and \$320,000 to open a science and math "magnet school" at Limestone High School. The Commission on National Community Services awarded the Maine Department of Labor a \$2 million grant for assistance to communities surrounding Loring Air Force Base. The Legislature also appropriated up to \$2.6 million to train unem-

ployed and underemployed workers to meet specific industry needs and industry tax credits were expanded to help small and medium-sized manufacturers make investments to create jobs. The Center for Technology Transfer teamed with the Maine Metals Products Association, Maine Technical College, Natural Resources Council of Maine, and Waste Management Inc. on a grant proposal to develop innovative, cost effective and environmentally sound solvents for Maine's metals industries. The team was awarded a \$177,000 ARPA/TRP grant. The Center for Innovation in Biotechnology was one of many organizations that teamed together on a \$24 million NASA-lead New England regional TRP proposal that was awarded by ARPA.

Freeport received a \$2 million federal EDA defense conversion grant for public works and infrastructure improvements to lure non-defense companies to the area. Freeport has a heavy dependency on defense due to its proximity to Bath Iron Works and the Brunswick Naval Air Station and is pursuing ways to decrease the area's dependency by targeting diversification and growth opportunities for its economy.

C. Assets & Opportunities

Maine believes economic opportunities exist in the wake of defense restructuring. The State Task Force report mentioned above states that specific opportunities presented by defense downsizing include: (1) availability of a highly-skilled workforce as civilian and military personnel are released from defense work; (2) workers with the desire to start new businesses; (3) downsizings of military facilities present growing opportunities for joint uses; (4) environmental clean-up of military installations present an opportunity to transform Maine's construction, engineering and design firms to the growing business of environmental industries; and (5) growing numbers of discharged military personnel will mean the inflow of hundreds of skilled workers returning to Maine with G.I. Bill benefits in hand.

V. Maine Organizations

The following are only a few of the many government departments, agencies, and other public, private and nonprofit sector organizations involved in economic conversion related activities in Maine. As economic conversion and development planning and implementation moves forward, more and more organizations are joining Maine's growing partnership network to meet the conversion challenges and opportunities in our state. Maine is also an leading participant in a new New England regional defense conversion effort.

Maine Economic Conversion Project

The ECP is a private, nonprofit, statewide organization founded in 1989 to help Maine organize a proactive economic conversion and development strategy to minimize the impacts and maximize the opportunities posed by changes in federal spending priorities. The mission of the ECP is to broaden the State's awareness of its dependency on military spending and ensuing cuts; research and formulate effective economic conversion and sustainable development policies and strategies; and develop public and private partnerships between all stakeholders to plan and implement conversion policies and assistance programs. The ECP works in coalition with a diverse array of public, private and nonprofit sector individuals and organizations to: reorder federal budget priorities from military to civilian purposes; assist defense dependent firms, workers and communities shift to commercial enterprise; create new industries and quality jobs; reorganize our economy around a new mission of economic, environmental and social justice and sustainability; and democratize the policy-making process. The ECP designed and played a key role in institutionalizing Maine's state policy, structure and process for economic conversion which includes the State Office of Economic Conversion, State Task Force on Defense

Realignment, four regional task forces, a variety of government departments and agencies, and private sector organizations.

State Task Force on Defense Realignment and the Economy

The Governor created the State Task Force on Defense Realignment and the Economy (STF) within the State Planning Office in July, 1990. The STF is comprised of representatives of state planning, economic development, labor, and defense and veteran services offices, agencies and departments; business; unions; university and technical college systems; community and economic development councils, corporations and conversion task forces; legislators, municipal officials, and non-profit public interest organizations. June 1993 legislation transferred the STF to the Department of Economic and Community Development (DECD). The purpose of the STF is to assist the state and its defense-dependent industries, workers and communities to reduce defense dependency by shifting from military to civilian enterprises while retaining a stable industrial and commercial base, high employment and wages and diverse state, regional and local economies. The STF is responsible for coordination of funding, technical assistance and other support to defense-dependent regional and industry planning committees; coordinate state efforts toward the adoption of federal legislation and policies that support economic conversion and diversification planning, commercial industries, market opportunities and global competitiveness; and monitor and pursue federal funding sources. Further, the STF is to submit an economic conversion strategic plan and recommendations for implementation. A draft plan has been completed and includes recommendations to: encourage, assist and strengthen local development capacity in at-risk regions; diversify the re-employment base; enhance re-employability of workers; broaden the markets of defense-dependent firms; and mitigate impacts on communities associated with defense-spending reductions.

State Office of Economic Conversion

June 1993 legislation creating the State Office of Economic Conversion within the DECD. Mandated responsibilities include: (1) implement the recommendations of the State Task Force; (2) serve as a clearinghouse for firms, communities and workers; (3) coordinate all interagency state economic conversion and diversification resources, activities and programs; (4) provide necessary support and coordination of established and future regional conversion task force efforts in the state; (5) pursue federal economic conversion assistance programs; (6) assist the Task Force in monitoring shifts in federal defense spending trends and related impacts, serve as a liaison and legislative advocate to the Governor, Legislature and congressional delegation on conversion activities and related matters, and in developing a public awareness program on the state's defense dependency, conversion efforts and related assistance programs; (7) jointly prepare and submit with the State Task Force an annual report to the Governor and Legislature. The OEC is supported with a \$200,000 state appropriation.

Regional Conversion Task Forces

Four regional conversion task forces have been founded in highly defense-dependent communities. Regional Task Forces include the KEYS Coalition (Kittery, Elliot, York, and South Berwick), BBT (Bath, Brunswick, Topsham Economic Development Council), AVCOG (Androscoggin Council of Governments), and the LRC (Loring Readjustment Committee in Aroostook County) which transitioned into the legislatively created LDA (Loring Development Authority). A fifth regional effort is being led by the mid-coast Maine community of Lisbon. Regional task forces are comprised of representatives from business, defense facility management, labor, community, local officials, development planners and other interested and affected citizens. Regional groups have published defense dependency and impact reports and are developing strategic plans.

Maine Science & Technology Foundation

MSTF, formerly the Maine Science & Technology Commission, was created in 1988 as a new executive level organization, to build a strong research and entrepreneurial infrastructure to develop new and expand existing industries based on a strategic analysis of emerging and new growth industries responsive to Maine's development assets and objectives. MSTF is the principal science and technology organization for state government and recommends to the Governor and Legislature policies and programs essential to the advancement and integration of science and technology into Maine's economic fabric. Responding to a March 1992 legislative mandate to prepare a technology strategy for Maine MSTF published its October 1992 strategic science & technology plan, *A First Step Toward a Productive Future* to be updated biennially. MSTF's current programs include: Centers for Innovation Program; (2) coordination of manufacturing technology extension services; (3) Maine EPSCoR; (4) Marine Research Board.

MSTF initiated and staffs the Maine Technology Extension Consortium. MSTF Centers for Innovation (CFIs) include: Center for Innovation in Biomedical Technology; Maine Aquaculture Innovation Center; and Center for Technology Transfer. CFIs are managed by a consortia of private businesses, public and private non-profit research institutions, and government to improve the Maine economy by enhancing the competitive advantage of existing and new businesses through technology. The MSTF has been playing a leading role in the state's economic conversion efforts including taking the lead on assisting qualified applicants form partnerships and apply for federal TRP grants; and sponsoring the Technology Extension and Manufacturing Modernization Project.

Maine Technology Extension Consortium

Modeled after the successful Cooperative Extension Service for farmers, MTEC is a consortium of for-profit, not-for-profit, academic and business organizations that provide services to businesses to meet constantly changing themes of technology extension. To this extent, technology extension defines all the services that enable business, industry, or employer to become or remain technically and economically competitive. Services include but are not limited to: technical writing, site visits and facility assessments, client problem solving, introduction and demonstration of new or proven technology and manufacturing methods, competitive business and marketing strategies, future educational needs of the workforce, aid with environmental and safety regulatory compliance, and the development of long-term growth through product diversification and evolution. MTEC published the *1992 Directory of Technology Extension Service Providers in Maine*.

Center for Technology Transfer

CTT is a partnership between business, higher education and government. CTT's mission is to advance the competitiveness of the metal and electronic industry in Maine by converting technical, informational and human needs into solutions. The Center identifies and fosters strategic partner relationships, acts as a catalyst for Maine's manufacturing and technology capabilities, identifies industry-wide problems and facilitates human resource development. It is industry-driven and responds to industry-wide needs. Services include: (1) demonstration of proven technology to improve industry members' manufacturing capacities and capabilities; (2) stimulate productivity improvement by facilitating and encouraging the adoption of new manufacturing-management technologies; (3) facilitate joint ventures and strategic partnerships; (4) disseminate technology-based information; (5) broker industry needs to appropriate public service providers when CTT cannot provide appropriate technical assistance; (6) monitor emerging technologies appropriate for target market consideration. CTT teamed with the Maine Metals Products Association, Maine Technical College, Natural Resources Council of Maine, and Waste Management Inc. on a

grant proposal to develop innovative, cost effective and environmentally sound solvents for Maine's metals industries. The team was awarded a \$177,000 ARPA/TRP grant.

Center for Innovation in Biotechnology

The Center for Innovation in Biotechnology was one of many organizations that teamed together on a \$24 million NASA-lead New England regional TRP proposal that was awarded by ARPA. CIB's share is about \$200,000 and will be used to support a variety of Maine programs for research, development and technology transfer that will be available for Maine defense and non-defense firms as well as Maine's research communities.

Coastal Enterprises Inc.

CEI, a private, nonprofit community development corporation, directs economic and human resources to help Maine people with low incomes reach an adequate and equitable standard of living, working and learning. Its purposes are to: (1) provide financial and technical assistance for development and expansion of industries, small businesses, housing and social services; (2) mobilize private and public resources to support innovative projects that meet the needs of individuals, families and communities; (3) create social and economic opportunities for individuals and families at risk of poverty; and (4) engage in research and policy development. CEI is playing a leading role in defense conversion. CEI's conversion-related activities include: steering committee member for the Technology Extension Manufacturing Modernization Project; building and administering a revolving loan fund to help capitalize conversion; Green Fund to capitalize environmental ventures; research into growing environmental industries in Maine as a conversion strategy; and a variety of other initiatives as well as providing technical and financial assistance to small businesses seeking to commercialize their products and markets and to entrepreneurial defense workers seeking to start-up new spin off businesses.

The Maine Alliance

The Maine Alliance is a business partnership representing more than 400 businesses advocating a balance between economic development and environmental protection. Their agenda includes promoting public and private investment in jobs and reforming the environmental regulatory system. Its focus is on maintaining, growing and attracting new businesses and improving the efficiency of the environmental regulation process so as not to encumber economic development. The Alliance is addressing a number of economic structural issues including economic conversion, government restructuring, delivery systems, industrial diversification with a manufacturing bias, value-added production, and obstacles to increased productivity and investment such as workers' comp, tax policy, and a poorly educated workforce. The Alliance is a member of the TEMMP. In March, 1994, the Alliance released the report, *Charting Maine's Economic Future*, a joint venture with the Maine Chamber of Commerce & Industry. The Maine Alliance is supported by business membership fees.

Eastern Maine Development Corporation

EMDC was established in 1967 to work with counties, communities and businesses in Eastern Maine toward improving the economic quality of life for the citizens of that region. EMDC is the largest substate economic development organization in the state, encompassing six of Maine's 16 counties and delivering services to approximately 40% of Maine's communities and more than 30% of its population. EMDC's primary business assistance programs include its Lending Program, Small Business Development, the Market Development Center Program, Community and Economic Development Program, and other pro-

grams including continuing assistance to the Job Opportunity Zones of Washington and Waldo counties. The Eastern Maine Development Corporation (EMDC) and Department of Economic and Community Development (DECD) await a decision on their federal EDA grant proposal to develop a defense conversion Marketing Center for Expertise to provide marketing assistance that will build on existing programs to help Maine defense-dependent businesses broaden their domestic and foreign markets beyond defense. The Marketing Center will act as the point of convergence to assist those businesses impacted by defense cutbacks and realignment in finding new markets for their products or services by providing: (1) technical assistance in identifying and accessing new markets; (2) management training; and (3) linkages to other resources such as technology, training and financing.

Market Development Center

MDC was created through public law in the 1985 Department of Defense (DOD) Authorization Act. This act created DOD technical and financial assistance (in the form of matching funds) for the establishment of "procurement centers" whose primary role is to help companies identify and investigate opportunities for federal contracts and provide assistance through the federal acquisition process. MDC also administers the Maine Supplier Access (MAX) System. MAX is a database of information on Maine firms which is made available to companies throughout New England and across the country. MAX puts these companies in touch with all services, product, and capabilities Maine has to offer. Eastern Maine Development Corporation is MDC's parent organization. There are over 90 Centers throughout the United States. MDC provides services to over 500 Maine firms and has recently extended its services to the New Hampshire business community through a cooperative agreement with the NH Procurement Technical Assistance Program. MDC receives funding support from the University of Maine, the Maine Department of Economic & Community Development, the Eastern Maine Development Corporation, and the Defense Logistics Agency.

Recently, the Defense Department began to direct all of its Procurement Technical Assistance Centers, including the MDC, to expand their activities to assist companies with SBIRs (Small Business Innovative Research Grants), technology transfer and defense conversion assistance. Another opportunity is for MDC to utilize its well-established network of Maine defense firms to help the Maine Science and Technology Foundation expand its marketing capability of federally funded research programs available for Maine businesses and universities.

Maine Development Foundation

The MDF is a private, non-profit organization. Its mission is to help Maine's economy grow by: (1) creating a vision and benchmarks for the economy that are broadly accepted by the Maine people; (2) providing a common ground where diverse Maine people can share ideas, explore opportunities, and act on issues affecting the economy; (3) building the leadership capacity of Maine people; and; (4) researching issues, education people, and promoting new ideas about the changing Maine economy. MDF's conversion-related activities include staffing the Maine Economic Growth Council, facilitating the Steering Committee of the Technology Extension and Manufacturing Modernization Project, and co-founding the Sustainable Development Technical Advisory Committee with the Maine Economic Conversion Project.

Department of Economic & Community Development

The DECD administers the Offices of Business Development, Community Development and Tourism. The Office of Business Development (OBD) assists existing Maine business

and entrepreneurs by providing financial, management, production, marketing and other technical assistance along with a business information center. The OBD also helps bring new business investment to Maine by targeting industries which will provide long-term economic benefits to Maine citizens. It also provides a range of technical assistance and information related to business expansion and location and works with Maine industries in national and international market development. The Office of Community Development (OCD) integrates a range of development programs designed to help Maine communities by working with regional organizations and local governments on activities that position them to capitalize on economic opportunities that meet the goals of the individual communities and regions. The Office of Tourism plans, implements and evaluates Maine's tourism marketing strategy to attract visitors from outside the state. It assists Maine's tourism businesses as well as regional groups in developing their tourism potential, marketing their attractions and managing the impact of increased visitors. The Office strives to develop new markets to expand the traditional tourism seasons and encourages the development of quality tourism services throughout the state. The Business Visitation Program, modeled after the New Hampshire program, was recently established jointly by the DECD and Maine Department of Labor as a proactive, preventative program to work with businesses, identify their needs and link them with assistance service providers long before trouble occurs.

Economic conversion related activities of the DECD include: (1) Commissioner Michael Aube chairs the State Task Force on Defense Realignment; Maine Economic Development & Business Assistance Coordinating Council and co-chairs the Maine Economic Growth Council; (2) administers the State Office of Economic Conversion; (3) cosponsors the joint Bath Iron Works/Office of Tourism marketing study on commercial cruise ferries as a diversification possibility for BIW; (4) works with environmental industries in partnership with the Department of Environmental Protection and Waste Management Agency toward forming a trade association to expand environmental industries and take advantage of new opportunities, particularly in export sales. Survey data will also inform the State Task Force Environmental Industries Initiative which will pursue environmental industries as a conversion strategy.

State Planning Office

The SPO is an agency of the Executive Department responsible for functions which include research, analysis and the formulation, coordination, and management of policy. The SPO assists the Governor and other state agencies in the development of economic, energy, fiscal and regulatory policy; the management of the state's natural and physical resources; the identification of issues and problems of long-term significance to the state; and the coordination of state policy and its implementation on issues of interagency concern. The SPO's organizational units include: Natural Resources Policy Division, Economics Division, Policy Coordination & Management Division. The mission of the SPO is three-fold: (1) short-term issue analysis to meet the requests of the Governor, executive agencies and the Legislature for information, economic analysis and policy recommendations on issues of immediate concern; (2) long-range policy analysis by conducting in-depth studies on issues of long-range significance for the socio-economic and natural resource development of the state and formulation of policy recommendations for state decision makers; and (3) program coordination by maintaining current information on development plans and on state and federal development assistance programs and formulation of state positions on the best use of these programs to coordinate federal, state and local development efforts. The State Task Force on Defense Realignment and the Maine Economy originated in the SPO and was chaired by SPO Director Stephen Adams prior to the transfer of the STF to the DECD.

Training & Development Corporation

TDC is a national not-for-profit educational management, training, and consulting organization located in Bucksport, Maine. Through direct delivery of services, and through consulting with other organizations, TDC helps people prepare to access, advance, and transition into successful and fulfilling employment. TDC's distinctive capability is derived from the interplay among its roles as architect and builder of programs, systems and curricula; as a service provider; and as policy analyst and consultant. TDC's Career Advancement Centers (CACs) model is an organizational architecture for "one-stop-shopping" service integration. TDC's Automated Case Management System (ACMS) is a technology platform supporting service integration and responsiveness at the individual client level as well as management, evaluation, and research capabilities at various organizational, institutional, and policy levels. TDC also operates the broadest array of Labor Department sponsored programs of any organization nationally. TDC administers the Penobscot Consortium Private Industry Council, which serves one of Maine's three Service Delivery Areas. TDC operated JTPA programs for eligible clients through a network of CACs. TDC is the sole operator for Migrant Seasonal Farmworker Program in Maine and also operates residential education programs for youth through the Penobscot Job Corps Center in Bangor, Maine. TDC teamed with the New England Council, National Education Corporation, and Hay Systems, Inc. to develop the New England Defense Conversion Planning & Technical Assistance Project described below.

VI. New England Regional Organizations

New England Defense Conversion Planning & Technical Assistance Project

The Project is an important new initiative. Its purpose is to develop an economic conversion plan for our region. Its Task Force is comprised of prominent industry, academic, community and union leaders who will examine the impact of defense program reductions on our region's economy and formulate a regional strategy to assist companies and workers effectively plan New England's economic future. It is committed to facilitating a New England-wide, long-range planning process that can help us rebuild the region's economy. The Project is a precedent-setting effort to bring together the views of firms, workers, and other institutions throughout New England to address the specific issues of defense conversion in the broader context of regional economic restructuring. The Project Task Force will develop recommendations for policies aimed at encouraging and accelerating large-scale job creation and worker retraining of a kind and on the scale needed to match the current magnitude of threat to the region's economic base. The Project is funded by a \$500,000 U.S. Department of Labor grant and cosponsored by the Training and Development Corporation, New England Council, National Education Corporation, and Hay Systems, Inc.

New England Call-To-Action

In a significant new effort, New England labor unions have joined together in "A Call to Action" to address the economic crisis defense cuts represent to union membership and the region's economy. The task force is comprised of AFL-CIO presidents from each of the New England states, the United Auto Workers Region 9A, the International Association of Machinists, and more than 20 other national and international unions representing defense, manufacturing and the service sector. Every major defense plant, shipyard and base with a unionized workforce in New England is represented. The task force developed a New England conversion program based on the principles of democratic participation, sustainable development, and a new social compact between business, government, labor and communities. The legislative agenda calls for mandatory alternative-use committees for plants and bases, increased incentives and accountability for conversion, and redirecting

government defense funds toward rebuilding the country's manufacturing base and meeting human needs. Resolutions making defense conversion a priority for state AFL-CIO's have been passed in every New England state. A Call to Action is currently working on passing national legislation supporting alternative use committees and for increased labor involvement in the TRP process. On the state level, A Call to Action has developed legislation tying increased corporate accountability with state funding for economic conversion and development that has been introduced in Connecticut and is being considered in several other New England states.

VII. Federal Programs

"A Directory of Federal Reinvestment and Transition Initiatives for People, Businesses and Communities" was compiled and published in August, 1993 by The Office of the Under Secretary of Defense (Acquisition). The Directory details federal transition programs and resources for workers, businesses and communities administered by the Departments of Defense, Commerce, Energy, Housing & Urban Development, Transportation, and Agriculture; NASA, all federal R&D Departments and the Small Business Administration. The Directory also includes DOD Base Closure, Transition, and Reinvestment Contact Offices; and DOD-funded Procurement Technical Assistance Centers.

The Northeast-Midwest Coalition has just completed a state-by-state report on federal grant awards which tracks "who got what from where and for what purposes".

Following are brief summaries of key federal programs and available resources in the Departments of Commerce, Defense, Labor, and Housing & Urban Development.

Department of Commerce

A. **Economic Development Administration:** Defense Adjustment Assistance EDA programs can be used to assist communities facing economic adjustment problems resulting from base closure and realignment and defense procurement contract reductions. When EDA assistance is provided under this program, all of EDA's program tools may be packaged under a single grant that includes funding for planning/strategy, technical assistance, construction/public works, revolving loan fund assistance, and training. The EDA will also consider funding applications for implementation grants. Eligibility requirements are based on local unemployment rates and percentages of job losses compared to the employed population. Actual dislocations must have occurred within one year, and threatened dislocations must be anticipated to occur within two years of the date the EDA is contacted.

B. **National Institute of Standards and Technology (NIST):** Manufacturing Technology Centers (MTC) Program: The seven MTCs provide hands-on assistance to small and mid-size manufacturers. The Centers assess and solve problems for clients using modern manufacturing techniques and a technology transfer and extension orientation rather than a research focus. Recipients must be nonprofit organizations and must deliver services to regional business communities. The Advanced Technology Program (ATP) assists businesses in carrying out R&D on pre-competitive, generic technologies. The ATP emphasizes high risk enabling technologies that underlie a wide array of potential applications that would offer significant benefit to the nation's economy. Eligible organizations must be for profit.

C. **National Center for Manufacturing Sciences:** NCMS is a non-for-profit collaborative research consortium. Its function is to address concerns about America's ability to competitively produce advanced technology for defense and commercial needs. Recipients must be members of the NCMS, engage in manufacturing, and be U.S. owned and controlled. Non-members may be considered as long as they have two R&D programs and bring new technology.

Department of Defense

A. **Office of Economic Adjustment:** The OEA assists state and local governments plan and carry out community adjustment and economic diversification programs for communities that suffer from economic downturns due to the loss of a military facility or reductions in defense industry contracts. Eligibility requires applicants to be a unit of state or local government that has formed a broad-based organization to plan for an economic development strategy to deal with DOD spending reductions. Base Closure and Realignment communities must show a direct and significant effect from the closure or realignment. For communities dealing with reductions in employment from defense industry contractors, they must show a 2,500-person job loss in a Metropolitan Statistical Area (MSA), a 1,000 person job loss in a non-MSA area, or job loss of 1 percent of the employable labor force in the area, whichever is less.

B. **Technology Reinvestment Project (TRP):** The TRP implements eight statutory programs and the Small Business Innovative Research (SIBR) program to develop technologies which enable companies to create new products and processes, deploy existing technology into commercial and military products and processes and stimulate the integration of military and commercial research and production activities. TRP is divided into three activity areas: (1) technology development for dual-use (military/commercial applications); (2) technology deployment for near-term dual-use products and processes; and (3) manufacturing education and training to strengthen workforce capabilities necessary to maintain and improve a competitive industrial base in the far term. The TRP is the single largest defense conversion assistance program which was appropriated \$470 million in 1993 and has been authorized for \$624 million in 1994. Unique characteristics of this program include dollar-for-dollar matching requirements for TRP funds as well as the requirement that proposals are received by private/public consortia and not by individual firms. In addition to providing funding to industries, TRP funding is available for universities as well as public and private technical assistance extension service providers working to develop dual-use and technology transfer capabilities for defense and non-defense firms.

C. **Small Business Innovation Research Program:** SBIR stimulates technological innovation, strengthens the role of the small business in R&D, encourages participation of minority and disadvantaged persons in technological innovation, and increases the commercial application of federally-funded R&D. Funds are available to companies with 500 employees or less.

D. **Manufacturing Science and Technology Program:** MS&T sponsors development of new and improved manufacturing processes. There are no eligibility requirements.

E. **Robert C. Byrd Institute for Advanced Flexible Manufacturing Systems:** The purpose of this program is to introduce and expose small and medium-sized companies to the latest flexible computer integrated manufacturing technologies and the most modern management methods available and to assist them in competing in the global marketplace. There are no eligibility requirements.

F. **Office of Technology Transition:** OTT's mission is to provide policy direction to the DOD laboratories on the encouragement of technology transfer from DOD to the private sector. In addition, the office prepares relevant assessments and congressional reporting.

G. **Transition Programs for Military Personnel:** These programs serve service members separating from active duty. Assistance programs include pre-separation counseling, re-employment assistance, veterans training/retraining, retirement programs, and benefits.

H. Commission on National Community Service: The CNCS grants funding for programs that will address the compelling needs created by the DOD conversion process. Its intent is to create and/or expand service activities that recruit participants from and serve residents of areas affected by defense downsizing of military bases and industry with particular emphasis on activities which address the human, educational, environmental and public safety needs of impacted communities. Those eligible for funding include state and local governments, institutions of higher education, and public or private nonprofit organizations. Applicants must have a proven track record in community service, but the proposed activities may be newly designed or expanded to meet the aims of this project.

I. Market Creation Pilot Project: Congress has reprogrammed approximately \$2 million to fund up to five pilot projects to develop new markets for highly defense-dependent communities. The program will be implemented by the private sector.

Department of Labor

A. Job Training Partnership Act (JTPA) Dislocated Worker Programs: DDP (Defense Diversification Program) and DCA (Defense Conversion Adjustment Program), are operated by the Department of Labor's Employment and Training Administration (ETA) with funds from the DOD. Programs provide training and readjustment assistance to workers and military personnel dislocated by defense cutbacks and closure of military facilities; and provides planning support and conversion assistance for diversification of affected facilities within an area impacted by reductions in military expenditures or closure of military bases. Programs are tailored to meet participant's individual needs, and emphasis is placed on long-term training (both educational and occupational) that will make the dislocated worker competitive in the workforce of the future.

Department of Housing and Urban Development

A. Community Development Block Grants: The CDBG program allocates grant funds (1) to entitlement communities (central cities, urban counties, and metropolitan cities with population of 50,000 or more) and (2) to states for allocation to nonentitlement communities. The purpose of the grants is to promote neighborhood revitalization and community and economic development, principally for low-and moderate-income persons. These flexible funds may also be used to meet the non-federal share of other federal grant programs.

VIII. Help Hotlines

National Conversion Clearinghouse - Operator 1-800-345-1222
Computer Access 1-800-352-2949
State Conversion Clearinghouse - Terri Jones (207) 624-6823

State

— Economic Conversion Project - Susie Schweppe, Nicholas S.J. Karvonides (207) 781-3947/874-0775
— State Office of Economic Conversion - Terri Jones (207) 624-6823
— State Task Force on Defense Realignment - Mike Aube, Chair (207) 287-2656
ME Department of Economic & Community Development (207) 287-2656
ME Science & Technology Foundation - Terry Shehata (ARPA/NIST) (207) 621-6350
Center for Technology Transfer - Bob Dalton (207) 780-1744
Center for Innovation in Biotechnology - Donald Colbert (207) 941-9855
ME Department of Labor - Mary Lou Dyer (207) 287-3788
ME AFL-CIO - Charlie O'Leary (207) 947-0006
ME Small Business Development Centers - Chuck Davis (207) 780-4420
Eastern Maine Development Corporation - Charles Roundy, David Cole (207) 942-6389
Market Development Center - Mary Wilson (207) 942-6389 - Ernest Gray (207) 828-1079
Coastal Enterprises Inc. - Ron Phillips, Carla Dickstein (207) 882-7552
The Maine Alliance - John Kortecamp (207) 774-1001
Maine Development Foundation - Henry Bourgeois (207) 622-6345
USM Production Technology Center - Ivan Most (207) 780-5439
USM Office of Sponsored Research - Bob Goettel (207) 780-4482
UMO Department of Industrial Cooperation - Jake Ward (207) 581-2200
Peace Action Maine - David Hart (207) 772-0680

Community Task Forces

KEYS Coalition - Wayne Marshall (York County) (207) 363-1007
So. Maine Regional Planning Commission - Jim Upham (207) 324-2952
— BBT - Joe Hoerth (Bath/Brunswick/Topsham Economic Develop. Council) (207) 729-0144
Seacoast Shipyard Association - Neil Rolde (207) 363-2843
AVCOG - Greg Mitchell (Androscoggin/Franklin/Oxford Counties) (207) 783-9186
— LDA - Brian Hamel (Loring Development Authority) (207) 328-7005
Lisbon Economic Development Department - Dan Feeney (207) 353-3000

Regional

— New England Defense Conversion Project - Bruce Vermeulen (207) 469-6385
A-Call-To-Action - Cynthia Ward (617) 547-4474
Southern New England Defense Adjustment Project - Diane Disney (401) 792-2549

Federal

Department of Defense (OEA) (703) 697-9155
Department of Defense (ARPA/TRP) 1-800-DUAL-USE
Department of Labor (JTPA) (202) 653-0823
Department of Commerce (NIST/ATP) 1-800-ATP-FUND
Department of Commerce (EDA) - Sandy Blitz, Economic Development Rep (207) 622-8271
U.S. Small Business Administration - Roy Perry, District Director (207) 622-8382

Congressional Delegation

Senator George Mitchell - Sandy Brown, Brett O'Brien (202) 224-5344
Senator William Cohen - Dale Gerry, Rick Stark (202) 224-2523
Representative Tom Andrews - John Beebe (202) 225-6116
Representative Olympia Snowe - Paul Nagy (202) 225-6306

National Organizations

— Center for Economic Conversion - Michael Closson (415) 968-8798
Nat'l. Commission for Economic Conversion & Disarmament - Greg Bischak (202) 462-0091
Business Executives for National Security - Erik Pages (202) 737-1090
— National Association of Installation Developers - John Allen (703) 836-7973

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