Maine Comprehensive Economic Development Evaluation 2008

A Report to the Maine Department of Economic and Community Development

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CHAPTER 1
Introduction

This evaluation project traces its beginnings back to December 2006, when the Maine Office of Program Evaluation and Government Accountability (OPEGA) issued a performance audit of economic development programs in Maine.[1] This analysis included an inventory of all Maine economic development programs, and found that current systems for program evaluation were not adequate to provide policy makers with the information they need to assess the impact of state investments or to make course corrections to make that investment more effective.

The OPEGA report recommended that the Maine Legislature authorize a comprehensive evaluation of state economic development programs. In response, the 123rd Legislature subsequently passed Public Law 2007 Chapter 434 (LD 1163), "An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability Regarding Economic Development in Maine." This legislation includes the following directive:

"The Commissioner shall develop and submit to the Governor and the legislature a plan for the comprehensive evaluation of state investments in economic development.

In response to these directions, the Maine Department of Economic and Community Development (DECD) developed a Comprehensive Economic Development Evaluation Plan[2] that provides further direction and guidance for the evaluation process. In addition, DECD worked closely with the Maine Development Foundation (MDF) to assemble a complete inventory of all economic development programs and funding.[3] This plan was accepted by the legislature and funding appropriated for the first year's evaluation. The appropriation language stated:

"The contractor shall determine the degree of effectiveness or lack of effectiveness of economic development programs and tax incentives including the extent to which each program has created new jobs or retained jobs and whether jobs would have been created or retained without the benefit of the programs."

[1] Maine State Legislature, Office of Program Evaluation and Government Accountability, "Economic Development Programs in Maine: EDPs Still Lack Elements Critical for Performance Evaluation and Program Accountability," Report No. SR-ED-O5, December 2006.
[2] Maine Department of Economic and Community Development, *Comprehensive Economic Development Evaluation Plan*, January 2008.
[3] Maine Development Foundation, *Inventory of Maine's Economic Development Programs*, April 2008. www.mdf.org.

The evaluation team, composed of EntreWorks Consulting, PolicyOne Research, the RUPRI Center for Rural Entrepreneurship, and the Center for Regional Economic Competitiveness, has designed an evaluation process that builds on these precedents. As directed by the Legislature, our analysis focuses on a subset of 22 programs. Our evaluation does not assess the impact of programs already subject to Federal government-sponsored evaluations (e.g. the Maine Small Business Development Center Network) or research and development programs now being assessed as part of a separate evaluation process. The programs included in this evaluation are shown in the two left columns of Table 1.1.[4]

Our analysis focuses on two key questions, as presented in the DECD's January 2008 Evaluation Plan:

1) What is the economic impact of the state's annual investments in economic development programs?

2) Are the programs meeting their statutory intent?

The evaluation team sought to answer these questions via a mix of methods. First, we sought to assess Maine's overall economic performance in comparison to selected US states and Canadian provinces with similar economic profiles. The benchmark state and provinces include: Idaho, Nebraska, New Brunswick, New Hampshire, New Mexico, Nova Scotia, Rhode Island, South Dakota, and West Virginia. This benchmarking exercise compares Maine's economic performance to these states as well as the averages for both New England and the United States. This provides important context on the overall performance of the state's economy as well as the relative impact of the state's economic development programs. These results are contained in Chapter 3.

Second, we developed survey tools for private businesses, non-profits, and communities who have received assistance via state economic development programs. These survey results offer important quantitative findings related to program usage and economic impact. In an effort to better understand the entire portfolio of Maine's economic development investments, we have sought to align this survey with similar questions used in the annual assessment of Maine R&D programs. Results for the private sector survey are presented in Chapter 4 while the community survey results are contained in Chapter 6.

Third, we supplemented these survey results with detailed case studies of two sets of programs: the Pine Tree Development Zones (PTZ) initiative and community development investments sponsored by the Maine Office of Community Development. These programs were selected for additional

[4] See, for example, *Maine Comprehensive Research and Development Evaluation 2008*. (Augusta: Maine Office of Innovation, 2009).

qualitative assessment since the team anticipated that quantitative methods would not be adequate to fully describe the use and effects of those two programs. The case studies are presented, respectively, in Chapters 5 and 7.

The Maine Legislature and the state's key economic development stakeholders deserve great credit for undertaking this evaluation exercise. To our knowledge, Maine is the only state in the US that is implementing such a rigorous and extensive evaluation of the impact of its economic development investments. At a time when we face intense economic challenges, we must ensure that public dollars serve their intended purposes and provide an effective return on investment for the taxpayer. Comprehensive program evaluations, such as this one, help serve these important purposes.

Table 1.1-Programs Covered by this Evaluation

DECD	Non DECD	R&D Evaluation	Federal Evaluation
Employment Tax Increment Financing	Agricultural Development Grant Program/Agricultural Marketing Loan Fund	Maine Technology Institute	Community Development Block Grants
Governor's Training Initiative	Business Equipment Tax Exemption	High-Technology Investment Tax Credit	Community Enterprise Grant Program
Loring Development Authority	Commercial Facilities Development Program	Maine Biomedical Research Fund	Downtown Revitalization Grant Program
Maine Attraction Film Incentive	Commercial Loan Insurance Program	Marine Research Fund	Economic Development Program
Maine International Trade Center	Economic Recovery Loan Program	Maine Seed Capital Tax Credits	Maine Manufacturing Extension Partnership
Maine Made/Maine Products Marketing Program	Jobs and Investment Tax Credit	Maine Economic Development Venture Capital Revolving Investment Fund	Maine Procurement Technical Assistance Center
Municipal Tax Increment Financing	Linked Investment for Agriculture	Research and Development Tax Credit	Maine Small Business Development Center
Office of Business Development	Linked Investment for Commercial Enterprises	Sales Tax Exemption: Equipment and Machinery for Research	North Star Alliance Matching Fund (MTI)
Pine Tree Development Zones	Maine Farms for the Future Grants	SBIR/STTR Assistance	
	Maine Quality Centers	Super Research and Development Credit	
	Potato Marketing Improvement Fund	Technology Asset Fund	
	Products Used in Agriculture and Aquaculture Production and Bait	Technology Centers	
	Shipbuilding Facility Credit		

CHAPTER 2
Overview of Findings and Recommendations

In many ways, this initial Comprehensive Economic Development Evaluation's most important function is to serve as a baseline for assessing future program performance. Our findings only present a one-year snapshot, and thus provide a somewhat restricted lens on how Maine's economic development investments are performing. For one thing, we should not expect that tax incentives or technical assistance programs will regularly generate **immediate** impacts in terms of new job creation or company growth. We must expect some time lag between the economic development program intervention and positive economic outcomes for individuals, companies, or communities.

At the same time, our surveys assessed company performance at time of an unprecedented economic downturn. Economic development support for business can only do so much in the face of a tumbling stock market, plummeting housing market values, and eroding consumer confidence. Recent data suggest that this is one of the most severe national recessions since the Great Depression. In such an environment, many companies are downsizing their workforce and retrenching their investments. Our surveyed firms were not immune from these wider economic forces as many firms were forced to undertake layoffs and other restructuring efforts in the past year. These tough times are reflected in some of our impact results. While we must continue to expect economic development investments to have a positive impact on the state's economy, it is important to keep the economic context in mind when judging their impact. Likewise, establishing the data as part of this baseline study will be particularly useful in setting future expectations as policy makers judge the relative value of current and future program impacts to the state's taxpayers.

Our charge from the Maine Legislature asked that our analysis assist in answering two broad sets of questions. First, are Maine's economic development programs and tax incentives effective in meeting their intended purposes? Maine's investments are designed to spur company growth, create or retain jobs, and in certain cases such as the Pine Tree Zone (PTZ) program or investments by the Office of Community Development, nurture development opportunities in economically challenged communities. Our analysis indicates that these objectives are being met. State incentives are leading to new job creation and job retention, and much of this new activity is occurring in economically distressed parts of the state.

Second, would these economic benefits have occurred without state support? Again, our research indicates that Maine's investments do appear to meet this important "but for" criterion.[5] Assisted companies and communities attribute their growth and development to the impact of incentives and other support programs. More importantly, assisted firms show indicators of stronger performance when compared to statewide averages.

OTHER KEY FINDINGS

The remainder of this report will provide extensive details on the impacts of Maine's investments along with suggestions enhancing these impacts in the future. Some of the principal findings include:

1) Maine's economic development programs are used by a wide variety of firms located across the state and in nearly every type of industrial sector. However, manufacturers and firms located in more rural parts of the state are slightly over-represented as beneficiaries of state economic development investments.

2) As a group, respondent companies lost jobs (down 1.7 percent) in the past year, but revenues increased (up 7.51 percent). Over the same period, overall employment in Maine dropped by 1.9 percent, with even larger declines in key sectors like manufacturing and information technology.

3) While the assisted companies shed jobs overall during the past year, they indicated that they would have likely lost even more jobs without assistance. Companies who used Maine's economic development programs indicated that they created 3,602 jobs and retained 13,090 jobs as a result of receiving assistance through state incentive programs. When direct and indirect effects are included, these outputs have total impacts of 39,245 jobs and increased statewide economic activity valued at approximately $1.153 billion

4) Tax Credit programs appear to be the most commonly used support tool. In particular, many firms utilize the Business Equipment Tax Reimbursement (BETR), PTZ, and Commercial Loan Insurance Program. The Maine International Trade Center and the Farms for the Future Program are the most commonly used direct technical assistance programs.

[5] A complete assessment of this question would require something like a controlled experiment where assisted firms are assessed in comparison to a control group of firms that receive no state assistance. Unfortunately, this quasi-experimental approach was beyond the scope of this evaluation. As an alternative, the evaluation team relied on those administering the programs and respondents to the survey to indicate if the "but for" criterion was satisfied.

5) Maine's businesses generally have positive views of their experiences with Maine's economic development programs, and they generally are positive about the ability of these state investments to influence their job creation and retention. However, there were some areas in which customer satisfaction rates and program effectiveness could likely be improved.

6) Community Development investments play a critical role in helping economically distressed communities address pressing needs, such as housing rehabilitation, while also building a strong infrastructure for economic development. Program beneficiaries have high opinions of the programs, and believe that local projects would not have proceeded ahead without state investments.

RECOMMENDATIONS

Based on our evaluation of Maine's economic development programs, we offer a number of recommendations related to program design, operation and coordination:

1) *Reassess Current Program Design:* Our survey results and case study analyses identified several refinements for the PTZ, Community Development, and Business Equipment Tax Reimbursement (BETR) Program. There are a few areas where we can recommend some redesign of programs, especially in our case study analyses.

2) *Improved Outreach*: Business owners, including those who already receive state assistance, contend that they lack crucial information on state programs and how they can be accessed. DECD and other agencies must improve current outreach and marketing efforts.

3) *Build Closer Linkages across Programs*: Connections and linkages across Maine's economic development programs are quite limited. Businesses rarely access more than one program, even when they face multiple issues that could be addressed by these other initiatives. At present, economic development programs operate in silos with very little apparent coordination or even cross marketing. Better integration across programs is needed.

4) *Build New Partnerships:* DECD and its partner organizations need new mechanisms to obtain feedback from program customers. The Department should create two new Councils, representing business (as program users) and local economic development leaders (as program outreach intermediaries), respectively, who would meet on a regular basis to share ideas and offer recommendations on new and existing initiatives.

5) *Strengthen the Evaluation Process:* Maine is a national leader in its commitment to rigorous program evaluation, and, in keeping with this leadership role, it should continue to improve its evaluation efforts. Future economic development evaluations will generate better results if this evaluation effort is merged with the ongoing R&D evaluation process. In addition, several steps to streamline company-reporting requirements also make sense.

CHAPTER 3
Maine Economic Benchmarks: How Does the Maine Economy Perform?

While this evaluation examines the impact of specific economic development programs on Maine's economy, it is also critical to place those program impacts into a broader context. This chapter takes a wide-angle view of Maine's economic performance by assessing its ability to generate new jobs, new businesses, and overall prosperity. Over the long term, Maine's economic development investments should manifest themselves in concrete changes in key economic indicators. This section of the evaluation examines statewide trends for several broad socioeconomic indicators and benchmarks those trends to a group of states and provinces with similar economic structures.

Maine is a national leader in terms of benchmarking its economic performance. Across the US, very few states undertake regular benchmarking exercises, yet Maine has regularly supported several such efforts. The Maine Economic Growth Council's (MEGC) *Measures of Growth* reports, which have been produced for 14 years, are perhaps the best-known statewide benchmarking efforts.[6] Other related initiatives can be found in the annual Maine Innovation Index,[7] which has been ongoing for eight years, and in other recent reports, such as the 2008 study of Maine's technology clusters.[8]

This chapter builds on this earlier work. We are particularly indebted to the analyses found in the annual *Measures of Growth* reports, which track twenty-four different progress indicators and assess areas where the state is progressing well or is underperforming.

The MEGC's twenty-four measures are designed to monitor progress in three key policy areas: the economy, the community, and the environment. A large portion (75%) of the MEGC's measures track economic performance in areas such as promoting prosperity, supporting business innovation, creating a skilled and educated workforce, and building a positive business climate.

[6] Maine Economic Growth Council, *Measures of Growth in Focus 2008*, Augusta, ME: Maine Economic Growth Council, 2008. Available at www.mdf.org. Note, the 2009 version of this report was released in February 2009.
[7] Maine Office of Innovation and Policy One Research, *Maine Innovation Index 2008*. Available at www.maineinnovation.com.
[8] Maine Center for Business and Economic Research, Battelle Technology Partnership Practice, Planning Decisions, and Policy One Research, *Maine's Technology Sectors and Clusters: Status and Strategy*, Report prepared for the Maine Office of Innovation, March 2008.

Our analysis tracks a subset of these measures that can be directly affected by the state's economic development programs and investments. In particular, we are interested in tracking Maine's capacity to increase personal incomes, create new employment opportunities, compete in international markets, and generate new business starts.

Maine's economic development investments represent a relatively small portion of the state's economy. In 2007, Maine's gross state product was nearly $48 billion while the annual state economic development spending has averaged around $200 million in recent years.[9] As such, we cannot expect economic development investments to have immediate and large-scale effects on these broader economic indicators. Instead, we seek to track the returns from these investments in two ways. Over the short term, we assess whether the programs are achieving their stated economic development outcomes. Over the long term, these outcomes will accrue to a point where we should be able to witness positive movement in broader economic outcome indicators.

This evaluation pursues both approaches. The survey and case study results provide measures for direct program outputs and outcomes. This benchmarking exercise presents a better long-term picture of broader economic outcomes.

Because the MEGC dataset provides an excellent historical baseline, we have opted to use many of the same measures found in the *Measures of Growth* reports. Specifically, we are tracking four key sets of metrics:

- Per Capita Income
- Wage and Salary Employment
- International Exports
- New Business Starts

Our analysis builds on MEGC's work by benchmarking Maine's performance against a basket of seven states and two Canadian provinces.[10] We also compare Maine's performance to the regional average for New England and for the United States. In identifying comparator states and provinces, we assessed a number of criteria:

- State/Province Population
- Gross State/Province Product
- Per Capita Gross State/Province Product

[9] Maine State Legislature, Office of Program Evaluation and Government Accountability, "Economic Development Programs in Maine," Report # SR-ED-05. Augusta, ME: OPEGA, December 2006, p. 16

[10] The MEGC report benchmarks Maine vis-à-vis other states in New England, and the national average.

- Manufacturing Concentration
- Total Value of Exports
- New Business Starts

Based on these criteria, we identified seven states (Idaho, Nebraska, New Hampshire, New Mexico, Rhode Island, South Dakota, and West Virginia) and two Canadian provinces (New Brunswick and Nova Scotia) with similar economic profiles to Maine. Our list includes several states that may not, at first glance, appear to be useful comparators for Maine. For example, Idaho and New Mexico may seem to share few common attributes with Maine, but, in fact, both of these states have economic structures that are quite similar. Indeed, their economies share more commonalities with Maine than do many of the New England states normally used as benchmarks for the state's economic performance. New Hampshire is included because of it economic profile, but also because of its geographic proximity to Maine--making it somewhat of a competitor for economic activity.

Because of differences in data collection and statistical reporting, data on the Canadian provinces is less detailed.[11] However, because of the similarities between Maine and the Maritime Provinces, we believe that these two provinces represent useful benchmarks for this exercise.[12]

In the following sections, we examine Maine's progress in increasing its income, employment, exports, and business startups during the past several years as well as how the state is progressing when compared to nine comparator states and provinces. In addition, we considered how well the state is doing in improving those metrics when compared with the rest of the US and New England.

Per Capita Personal Income

For many observers, per capita income is the single most important indicator of economic development progress. Increasing personal income is the best sign of a region's growing prosperity. As local residents enjoy higher incomes, they have more resources to provide for themselves and their families, to support local businesses, and to provide for needed savings and investments.

Maine has traditionally lagged the nation and the New England region in terms of per capita income. Maine started from a lower level of relative wealth and has not been able to close the gap in recent years. Over the past seven years, Maine has experienced income growth (in constant 2008 dollars) that is

[11] Data for Canadian provinces is provided by Stats Canada and converted to U.S. dollars using current exchange rates.
[12] Prince Edward Island was excluded from this analysis because is small population size (nearly 140,000) prevented useful comparisons to Maine's economy.

somewhat similar to the US, New England states, and some of the comparator states. In 2007, Maine's per capita personal income was $35,836, an increase of 9 percent from its income level of $32,993 in 2000 (see Table 3-1). While the rate of growth has been similar to the US average, Maine began at a much lower level than the US and New England so the total dollar amount of its per capita personal income growth ($2,843) has been smaller than the growth in per capita income for New England ($3,977 per person) but slightly higher than the national average ($2,773). Among its comparator states and provinces, Maine's 2007

Table 3-1. Per Capita Personal Income (in constant 2008 dollars), 2000-2007

State	2000	2001	2002	2003	2004	2005	2006	2007	Change in 2000-2007
United States	37,919	37,770	37,472	37,459	38,363	38,816	39,876	40,692	2,773 (7%)
New England	45,887	46,108	45,440	45,124	46,395	46,726	48,356	49,864	3,977 (9%)
New Hampshire	42,433	41,879	41,481	41,086	42,228	41,843	43,103	43,731	1,298 (3%)
Rhode Island	37,116	37,906	38,341	38,878	39,747	39,776	40,798	41,903	4,787(13%)
Nebraska	35,097	35,448	35,515	36,596	36,809	36,746	36,804	38,186	3,089 (9%)
South Dakota	32,679	33,258	32,871	34,709	35,687	36,040	34,989	37,632	4,953(15%)
Maine	***32,993***	***33,754***	***33,828***	***34,238***	***34,942***	***34,472***	***35,003***	***35,836***	***2,843 (9%)***
Idaho	30,590	30,914	30,672	30,349	31,689	32,095	32,908	33,452	2,862 (9%)
New Mexico	28,133	29,812	29,564	29,661	30,491	31,203	31,770	32,293	4,160(15%)
West Virginia	27,829	28,777	29,261	28,909	29,321	29,496	30,273	30,909	3,080(11%)
Nova Scotia	26,169	26,357	26,625	26,702	26,954	27,295	27,514	27,935	1,766 (7%)
New Brunswick	25,382	25,311	25,541	25,800	26,293	26,356	26,649	27,104	1,722 (7%)

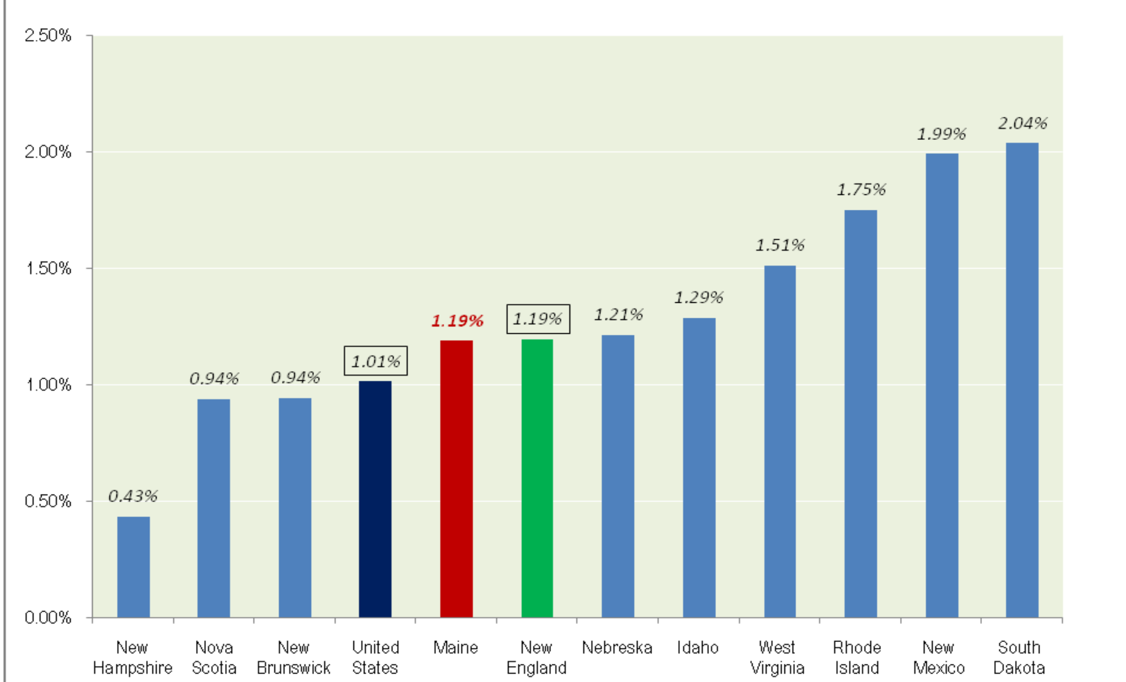
Source: Regional Economic Accounts, Bureau of Economic Analysis, U.S. Department of Commerce, Table SA1-3-Per capital personal income, at http://bea/gov/regional/spi/drill.cfm
Source: Nova Scotia Statistics Review 2006 & 2007, http://www.gov.ns.ca/finance/publish/statsrev/2007/NSSTATS_Review_2007.pdf; and http://www.gnb.ca/0160/Economics/PersonalIncomePerCapita.html. Canada data are in U.S. dollars, at a rate of 1.00 CAD=0.86 USD as of 11/5/2008.

personal income falls right in the middle, following New Hampshire, Rhode Island, Nebraska, and South Dakota, but outpacing Idaho, New Mexico, West Virginia and two Canadian neighboring provinces – Nova Scotia and New Brunswick.

According to US Bureau of Economic Analysis, Maine was ranked 35th among US states in per capita personal income in 2007, the same as its 2000 ranking. On average, Maine's nominal per capita personal income grew 1.2 percent annually between 2000 and 2007 (see Figure 3-2). By comparison, Maine's annual growth rate was similar to the average in New England states but slightly faster than the national average. That growth rate was below the 1.5-2 percent annual growth rate that many of its comparator states experienced. Only New Hampshire (at a 0.4 percent increase) and the two Canadian Provinces (at a 0.94 percent increase) experienced slower per capita income growth rates than Maine.

The gap between Maine's personal income and the national average has narrowed due to a faster income growth rate in Maine. In 2000, Maine's per capita personal income was $4,925 less than the national average. By 2007, average personal income for Maine's citizens was $4,856 less than that of the national average. However, the gap between Maine's personal income and the average personal income in New England states has increased significantly, changing from a difference of $12,894 in 2000 to nearly $14,030 in 2007. Most noticeably, the greatest change of income gap appeared between South Dakota and Maine. South Dakota citizens had an average income of $314 less than their counterparts in Maine in 2000. However, by 2007, their personal income increased by nearly 15 percent and that propelled South Dakota to outperform Maine with additional $1,800 in personal income. If Maine grew at the same rate as South Dakota (an annual rate of 2.04 percent), its annual per capita income would be $38,003--$2,167 higher than its 2007 average.

Figure 3-1: Average Annual Per Capita Income Growth Rate (2000-2007)



Source: Bureau of Economic Analysis, USDOC and Nova Scotia Statistics Review 2006 & 2007.

Wage and Salary Employment

Wage and salary employment levels provide one means to assess an economy's ability to create new jobs. Since 2001, Maine has not performed very well on this measure, and the state's employment growth has lagged New England and the entire US. Among the nine comparator states and provinces, Maine ranked sixth in the total number of full-time and part-time nonfarm wage and salary workers. Using data reported by the US Bureau of Economic Analysis and Statistics Canada, Maine's employment increased slightly from approximately 631,000 in 2001 to 641,000 in 2007 (See Table 3-2). That increase was the lowest total among the comparator states and half of the total jobs created in New Hampshire. In general, job growth in the New England states was slower than in other US states and the Atlantic Provinces. Idaho and New Mexico both experienced the largest net job gains, adding nearly 90,400 (up 15%) and 86,300 total jobs (up 11%). Overall, the US job market added jobs during the 2001 to 2007 period at a much faster rate than did Maine.

Table 3-2. Full-time and Part-time Nonfarm Wage & Salary Employment, 2001-2007 (In thousands)

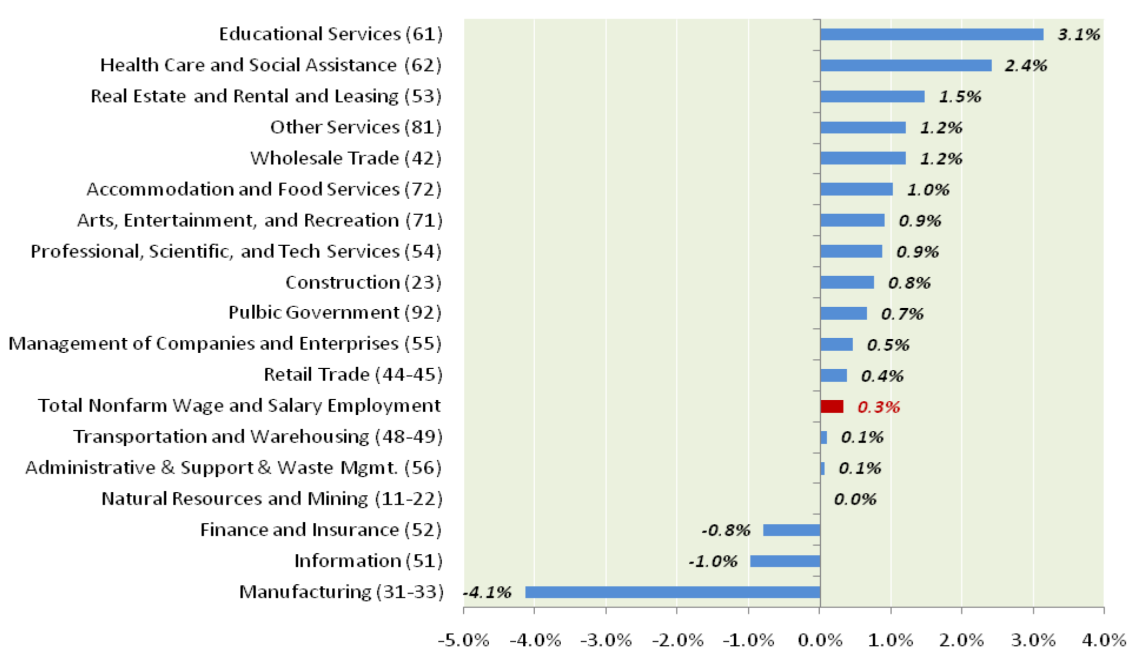
	2001	2002	2003	2004	2005	2006	2007	Change in 2000-2007
United States	138,831	137,664	137,406	138,847	140,961	143,319	144,805	5,974 (4.3%)
New England	7,344	7,250	7,177	7,198	7,234	7,303	7,357	12.6 (0.2%)
Nebraska	947	941	944	952	961	973	987	40.6 (4.3%)
New Mexico	795	803	816	832	848	871	881	86.3 (10.9%)
Idaho	605	606	612	628	651	679	695	90.4 (15.0%)
West Virginia	732	731	726	734	742	752	755	23.2 (3.2%)
New Hampshire	646	641	643	650	655	663	666	20.4 (3.2%)
Maine	***631***	***630***	***631***	***637***	***634***	***638***	***641***	***9.9 (1.6%)***
Rhode Island	503	503	507	511	511	514	513	10.1 (2.0%)
South Dakota	395	394	396	401	407	416	424	29.0 (7.4%)
Nova Scotia	415	423	431	442	443	442	448	32.4 (7.8%)
New Brunswick	330	343	343	350	351	355	363	32.7 (9.9%)

U.S. Source: Regional Economic Accounts, Bureau of Economic Analysis, U.S. Department of Commerce, SA27N. Canada Source: Labor Force Data, Historical 1998 to 2007 released by Nova Scotia Department of Finance, at http://www.gov.ns.ca/finance/publish/lmm/LFShist_2007.pdf

Job growth in Maine was predominately driven by a huge demand in three industries: health care and social assistance, educational services, and the public government. According to the data released by the Center for Workforce Research and Information in the Maine Department of Labor, the health care and social assistance industry experienced the largest share of job growth among all industries, adding nearly 14,800 total jobs, or a total jobs increase of 18 percent. Public government (increase of 4,700 jobs) and educational services (increase of 3,800 jobs) also enjoyed large employment increases between 2000 and 2007. The combined growth of these three industry sectors offset the total number of jobs lost in manufacturing (nearly 20,400 jobs).

The pace of growth in these leading sectors was much more rapid than all other leading Maine industries. The annual job growth rates for health care and educational services were 2.4 percent and 3.1 percent respectively, compared to the state average for all industries at only 0.3 percent per year (see Figure 3-2). Other industries, such as real estate, wholesale and other services, and the accommodation and food services sector, also experienced a moderate level of job growth at 1 to 1.5 percent per year.

Figure 3-2: Maine Annual Employment Growth by Sector, 2000-2007



Source: Maine Dept of Labor, Center for Workforce Research and Information

Table 3-3. Manufacturing Job Loss in Maine and its Comparator States, 2000-2007 (in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	Annual job loss rate
United States	17,265.1	16,440.4	15,256.8	14,508.4	14,315.3	14,226.4	14,157.5	13,882.6	-3.1%
New England	938.4	900.7	815.9	765.0	747.1	733.8	720.4	710.6	-3.9%
Nebraska	113.9	111.0	106.1	102.4	101.0	101.3	101.5	101.3	-1.7%
New Mexico	41.8	40.9	38.4	36.5	36.0	36.1	37.7	37.1	-1.7%
Idaho	70.3	69.0	65.5	62.4	62.2	63.6	66.1	66.3	-0.8%
West Virginia	75.9	72.2	68.7	64.5	63.0	62.2	61.0	59.0	-3.5%
New Hampshire	102.5	97.4	85.0	80.4	80.1	80.2	78.3	77.9	-3.8%
Maine	***79.5***	***74.6***	***68.0***	***64.1***	***63.0***	***61.4***	***60.0***	***59.1***	***-4.1%***
Rhode Island	71.2	67.8	62.3	58.7	57.0	54.9	52.7	50.8	-4.7%
South Dakota	43.8	41.0	38.4	37.7	38.9	39.8	41.6	42.0	-0.6%
Nova Scotia	42.1	42.2	43.5	45.0	43.6	40.3	39.1	41.4	-0.2%
New Brunswick	40.5	37.9	37.7	39.7	41.9	35.9	36.9	37.9	-0.9%

Source: http://www.bls.gov/sae/eetables/annavg107.pdf, New Brunswick - http://www.vitalsignscanada.ca/rpt2008/table-XI-3-b-xvi-appendix.pdf, Nova Scotia - http://www.gov.ns.ca/finance/publish/lmm/LFShist_2007.pdf, Table 5.

Not surprsingly, the manufacturing sector experienced the largest job losses among all the industry sectors. About 4.1 percent of Maine's manufacturing jobs were lost each year of the 2001-2007 study period, accounting for nearly 20,400 jobs lost during the past seven years (see Table 3-3). According to the data released by the Bureau of Labor Statistics, Maine's manufacturing job loss rate was higher than the national average of 3.1 percent between 2000 and 2007. By comparison, Maine's manufacturing sector only outperformed Rhode Island, with a much higher job loss rate in manufacturing of 4.7 percent annually. However, the manufacturing industry in the midwest and western comparator states experienced a slower job loss rate than that of Maine. Idaho's manufacturing jobs disappeared at a rate of only 0.8 percent annually, followed by New Mexico and Nebraska (both at 1.7 percent) and West Virginia (3.5 percent). In the 2006-2007 time period, Idaho, South Dakota, Nova Scotia, and New Brunswick managed to add a modest number of manufacturing jobs.

International Exports

Data on international exports tell us a great deal about a state's competitive position, and the competitiveness of its leading industries. Many factors, such as the strength of the dollar, affect exporting patterns. Yet, in most cases, a strong export performance is an indicator of economic health. Unfortunately, Maine's recent export performance contains some worrying signs. Between 2002 and 2007, Maine's businesses did see an increase in export activity, rising from $1.97 billion to $2.74 billion. That figure represents an annual growth rate of 6.8 percent.

These results are promising, but Maine's performance still lags that of the US, New England, and our comparator states. Over the 2002-2007 period, US exports grew at an annual rate of 10.9 percent, while the New England states enjoyed an annual export jump of 8.9 percent, far outpacing Maine's annual growth rate of 6.8 percent (see Figure 3-3). Maine's growth rate was slowest among its comparator states. The western comparators, Idaho, South Dakota, and New Mexico, had growth rates of more than 16 percent annually, while even Rhode Island, Nova Scotia, and New Hampshire experienced annual export growth rates in the range of 8 to 9 percent.

Overall, Maine exports have continued to rise during the decade except for a decline in 2005, due to a significant drop in transportation equipment exports. Since 2002, the export value of computers and electronic products and paper products grew the most while the value of transportation equipment exports was most cyclical. Processed food exports remained about the same during the study period while forestry and logging exports have actually declined.

The strong export performance of Idaho, South Dakota, and New Mexico resulted from important changes in each state's industrial composition. Big export increases did not emerge from traditional sectors like mining or agriculture. Instead, they were driven by rapid increases in computer and electronics exports. Like Maine, both states are home to large electronics manufacturers. New Mexico is home to a major Intel facility, and Idaho is home to Micron. Computers and electronics now account for 70 percent of Idaho's exports and nearly two-thirds of those from New Mexico. These economies are particularly dependent on continued global demand for information and communication technologies.

By comparison, computers and electronics account for one-third of Maine's exports. Maine's export growth rates in that particular industry have also been somewhat slower than in South Dakota, Idaho, and New Mexico. Maine's computer and electronics firms increased their exports at 11 percent annually while the other states' computer and electronics industries increased their exports 16 to 23 percent annually (see Figure 3-3).

Maine's traditional industries still prosper in export markets. For example, paper and wood products account for about one-fourth of the value of Maine's exports. Paper products, in particular, represent the lion's share of this total (and about one-fifth of the state's exports). International sales in this industry grew at a 7.7 percent pace between 2002 and 2007. This was faster than paper product exports for the rest of New England, which grew at a 5.0 percent rate. In Canada's Maritime Provinces, paper product exports grew at 6 to 7 percent, while the most rapid growth occurred in the relatively small paper products industries in Idaho and South Dakota where exports grew at annual rates of 11

Figure 3-3: Average Annual Growth Rate of International Exports, 2002-2007

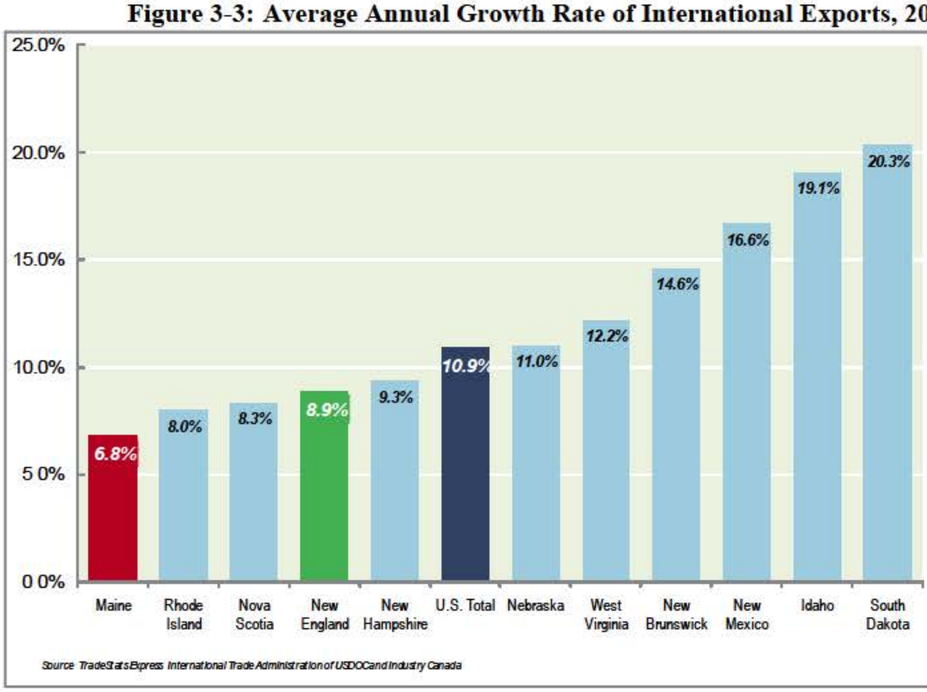
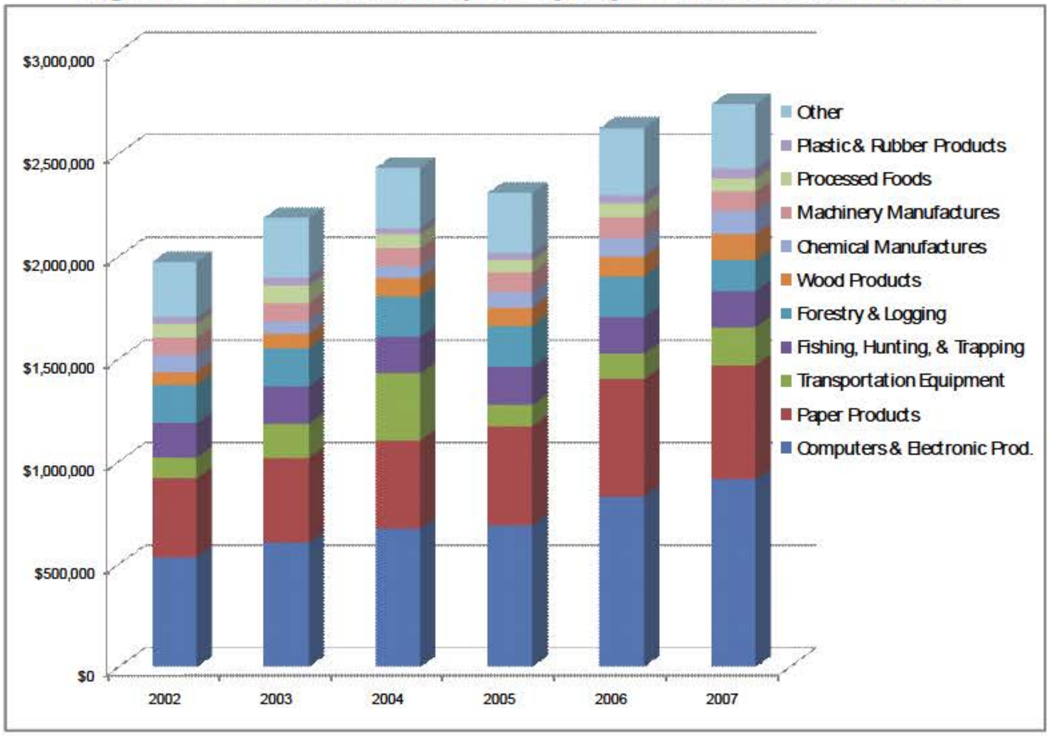


Figure 3-4: Value of Maine Exports by Major Product Area, 2002-2007

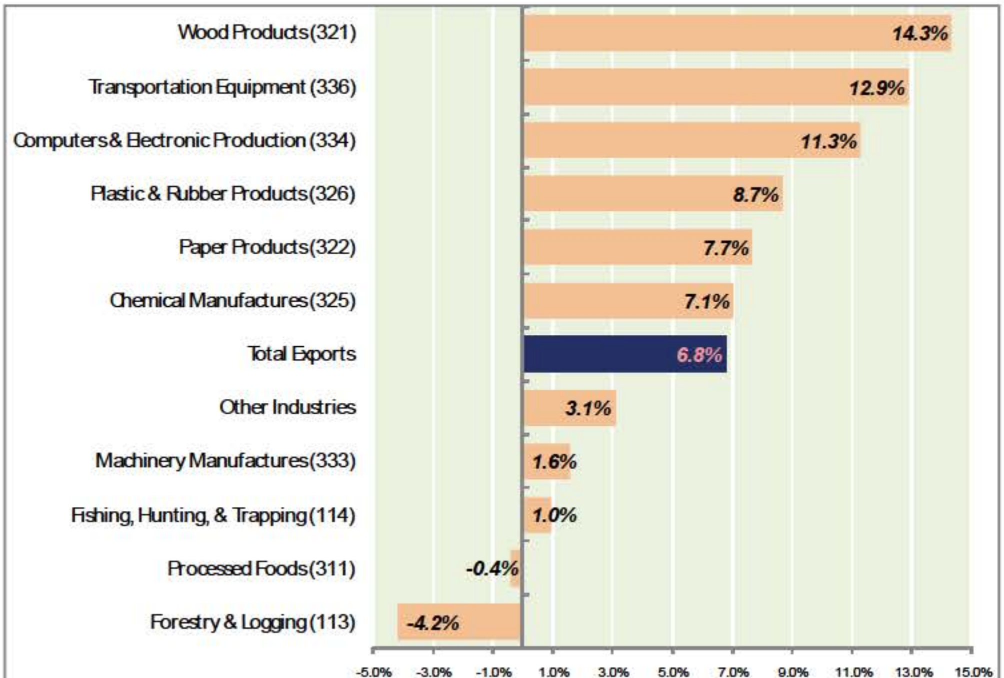


and 27 percent respectively.

The much smaller wood products industry (which accounted for 5 percent of total exports) had the most rapid rate of export growth, at 14 percent annually (see Figure 3-5). By 2007, the state's wood products firms earned $127 million in income from exports. By contrast, West Virginia's wood products industry exported 50 percent more of their products than did Maine firms in 2002. Yet, by 2007, West Virginia firms had actually experienced a decline in exports. By 2007, the value of the state's wood product exports was nearly half that produced by Maine wood product companies. While Nova Scotia continues to have a larger export base in wood products, it also experienced a slight decline in the value of that province's total wood product exports during the past five years.

Maine's transportation equipment industry has also prospered in recent years, growing its export base at an annual rate of nearly 13 percent over the past five years. This rate was more rapid than the rest of New England, but slower than the rates of increase that New Hampshire, Rhode Island, and Nova Scotia transportation equipment firms reported. Transportation equipment exports were also much more cyclical in Maine than other products, shrinking rapidly during the strong dollar year of 2005, but growing rapidly in recent years as the US dollar has declined in value relative to other currencies.

Figure 3-5: Average Annual Growth Rate of Maine's Top 10 Export Industries, 2002-2007



Source: TradeStats Express, International Trade Administration of USDOC and Industry Canada

New Business Starts

A state's ability to generate new business starts is an important measure of its entrepreneurial dynamism.[13] Economic research indicates that new and growing businesses account for the vast majority of new jobs and new innovations in the American economy. States and regions with higher numbers of fast-growing entrepreneurial firms tend to be more dynamic, grow faster, and enjoy higher levels of economic prosperity.

There are multiple ways to track trends in Maine's new businesses. Recent MEGC reports assess Maine's capacity to generate new business starts by tracking the number of new businesses that register with the state each year.[14] In addition, MEGC assesses Maine's entrepreneurial capacity using data from the Kauffman Index of Entrepreneurial Activity, which uses survey data to track whether residents are in the process of starting a new venture.[15] Maine

[13] See, for example, Donald Bruce, et. al. *Small Business and State Growth: An Econometric Investigation.* Washington, D.C.: U.S. Small Business Administration, Office of Advocacy. February 2007. http://www.sba.gov/advo/research/rs292tot.pdf.
[14] MEGC report, p. 16.
[15] Robert W. Fairlie, *Kauffman Index of Entrepreneurial Activity, 1996-2007*, Kansas City, MO: Kauffman Foundation, 2008.

performs very well on each of these measures in the annual MEGC assessments.

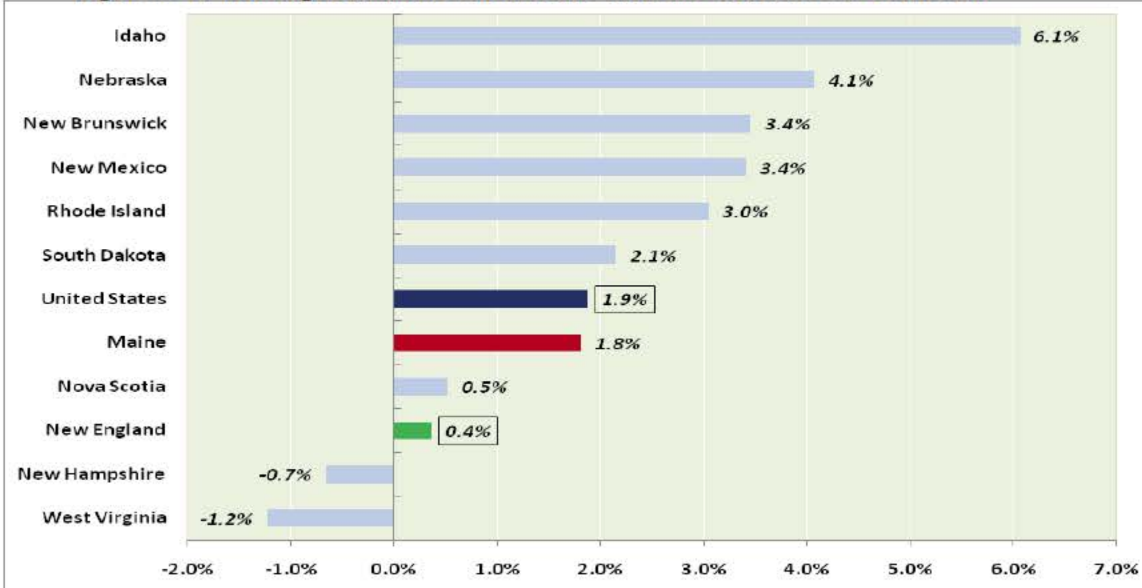
Our analysis uses a slightly different data set from the US Bureau of Labor Statistics: the Business Employment Dynamics data files.[16] These figures provide a quarterly census of all establishments that are registered under state unemployment insurance programs. This data source differs from those used by MEGC, but it does provide us with a means to compare across states. The MEGC data only tracks business starts in Maine.

Canadian business starts data are derived from Statistics Canada studies of new business starts that track new businesses registered under Canada's Corporations Registrations Act.[17] Because Canada and the US use different methodologies for identifying new businesses, these data sets are not directly comparable. Nonetheless, we have included figures for New Brunswick and Nova Scotia for illustrative purpose.

These figures paint a somewhat more sobering picture than portrayed in the MEGC findings. Maine's business start growth rate greatly exceeds that of New England. Between 2001 and 2007, Maine saw an 11.4% increase in business starts, while New England saw an increase of only 2.1 percent. Maine's growth rate was on pace with that of the entire US which saw business starts rise by 11.8 percent between 2001 and 2007.

[16] Business Employment Dynamics Data by State, http://www.bls.gov/bdm/bdmstate.htm, Tle 5.
[17] Data for Nova Scotia was accessed from the following source: htttp://www.gov.ns.ca/finance/publish/BSTAT/2008/BUSSTATS.PDF, p.19-20. The data only counts those businesses registered under Corporations Registration Act. New Brunswick's data on the number of registered corporations were provided by the Planning Branch of Business New Brunswick.

Figure 3-6: Average Annual Growth Rate of New Businesses, 2001-2007



Source: Bureau of Labor Statistics, Business Employment Dynamics Data by States ,Nova Scotia Business Statistics 2008, and Business New Brunswick

Table 3-4: The Total Number of New Businesses, 2001-2007

State	2001	2002	2003	2004	2005	2006	2007	Changes between 2001-2007
Idaho	2148	2291	2482	2779	3085	3116	3,057	42.3%
Nebraska	1931	1950	1950	2129	2184	2267	2,453	27.0%
New Mexico	2016	2311	2300	2305	2489	2635	2,464	22.2%
Rhode Island	1522	1683	1666	1952	1697	1893	1,822	19.7%
New Brunswick	n/a	2,133	2,140	2,420	1,946	2,608	2,527	18.5%
South Dakota	1059	1058	1154	1252	1200	1214	1,203	13.6%
United States	340,000	343,000	347,000	371,000	380,000	392,000	380,000	11.8%
Maine	***2052***	***2095***	***2095***	***2552***	***2609***	***2334***	***2,285***	***11.4%***
Nova Scotia	706	649	639	497	506	725	728	3.1%
New England	18,120	18,571	18,540	19,915	19,553	19,216	18,506	2.1%
New Hampshire	2154	2131	2255	2039	2074	2154	2,069	-3.9%
West Virginia	1655	1639	1743	1805	1770	1654	1,536	-7.2%

U.S. Source: Business Employment Dynamics Data by States, http://www.bls.gov/bdm/bdmstate.htm, Table 5
Canada Source: Nova Scotia, http://www.gov.ns.ca/finance/publish/BSTAT/2008/BUSSTATS.PDF, p.19-20, The data only counts those businesses registered under Corporations Registration Act. New Brunswick's data on the number of registered corporations are provided by the Planning Branch of Business New Brunswick.

While Maine remains one of the most dynamic economies in the New England region, its business start up rates significantly lag other regions of the US. For example, Idaho has seen an astounding 42.3 percent rise in business start-ups between 2001 and 2007. Other comparator states, such as Nebraska (up 27%) and New Mexico (up 22.2%), also enjoyed big jumps in new business starts.

Maine's Economic Context

This benchmarking analysis sets an important context for the analysis contained in subsequent chapters. For the past several years, Maine's economy has generally under-performed when compared to national and regional averages and also when compared to states facing similar economic circumstances. In the face of the 2008 economic downturn, these economic challenges are even more pronounced, thus placing significant pressures on Maine's business sector and the economic development programs designed to support them.

CHAPTER 4
Evaluation Results: Company Survey Findings

This first version of the Maine Comprehensive Economic Development Evaluation has generated a host of useful results for the state's economic development leaders. When combined with the findings from the annual Comprehensive R&D Evaluations, we can gain a very detailed picture of how the state's economic development programs work, and how they are perceived by customers and other stakeholders.

This section, which summarizes the private industry survey results, is organized around four sets of questions:

- What do the assisted firms look like? How do they compare to the general population of Maine businesses?
- What programs do they use? What are most commonly used support tools?
- What are the impacts of Maine's economic development investments? How do they affect company performance? What is the return on investment for the state?
- What do customers think of the programs? Are they satisfied with the current support tools available in Maine?

What do the Assisted Firms Look Like?

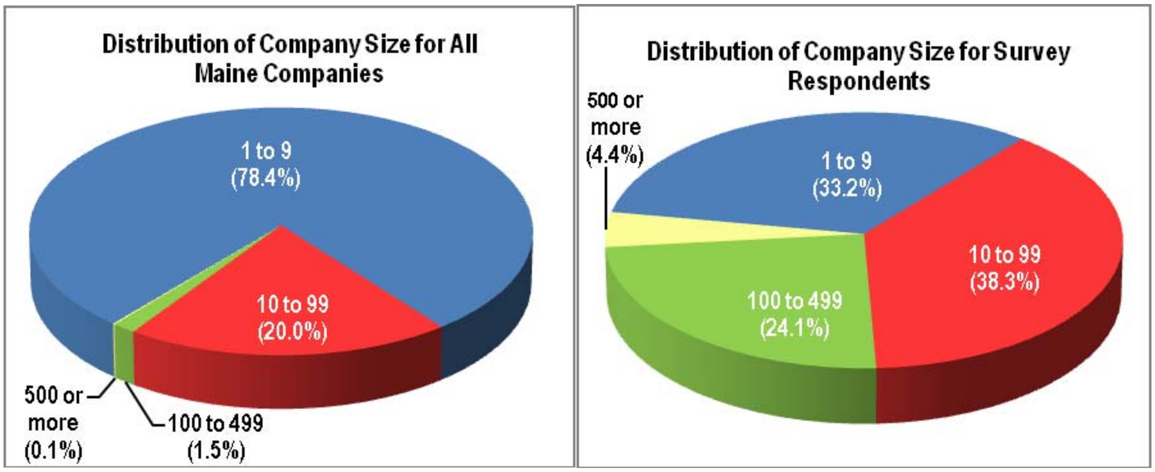
When comparing survey respondents to the general population of Maine businesses, several striking differences emerge. Companies using the evaluated state assistance programs tend to be larger, more established, and slightly more likely to be located in rural regions of the state.

Survey respondents have been in business for extended periods. In fact, 41.4 percent were started prior to 1980, while 24.2 percent have been operating since 2000. The age of assisted firms in this survey presents a striking contrast when compared to users of Maine's R&D programs. Those technology firms are significantly smaller and younger.[18] Only 7.2 percent of R&D firms were established prior to 1980, and 55.3 percent have opened since 2000. R&D firms

[18] Maine Comprehensive R&D Evaluation 2008, p. A-7.

are also much smaller, with 81.4 percent of aided firms employing less than ten people.[19] In contrast, many users of other economic development incentives have larger than average employment levels (see Figure 4-1).

Figure 4.1. Comparison of Company Size between All Maine Companies and Survey Respondents, 2008



Surveyed firms tend to be providers of good jobs. The average annual wage for these companies is $43,279. This average far exceeds Maine's 2007 average 2007 wage of $35,130.[20]

Firms that utilize state economic development programs are located across the state (see Figure 4-2) with some slight over-representation of firms located in more rural parts of the state.

What explains the differences between the surveyed firms and Maine's overall business base? Because many of Maine's support programs, such as BETR and PTZ, provide incentives related to capital investment, they are especially attractive to manufacturing firms. Indeed, our small survey sample accounts for nearly 43% of total statewide manufacturing employment. As Figure 4-3 indicates, manufacturers represent a significantly large portion of employment within our sample firms as well.

[19] The relatively larger size of our survey respondents also stems from current Economic Development Incentive Report (EDIR) requirements. Maine Revenue Service will only release the names of companies that receive tax credits **and** are required to report under EDIR by virtue of receiving more than $10,000 in annual benefits. As such, many smaller and newer firms were excluded from the survey sample.

[20] Source: Maine Center for Workforce Research and Information

Figure 4-2. Location of All Maine Companies and State-Assisted Companies by County, 2008

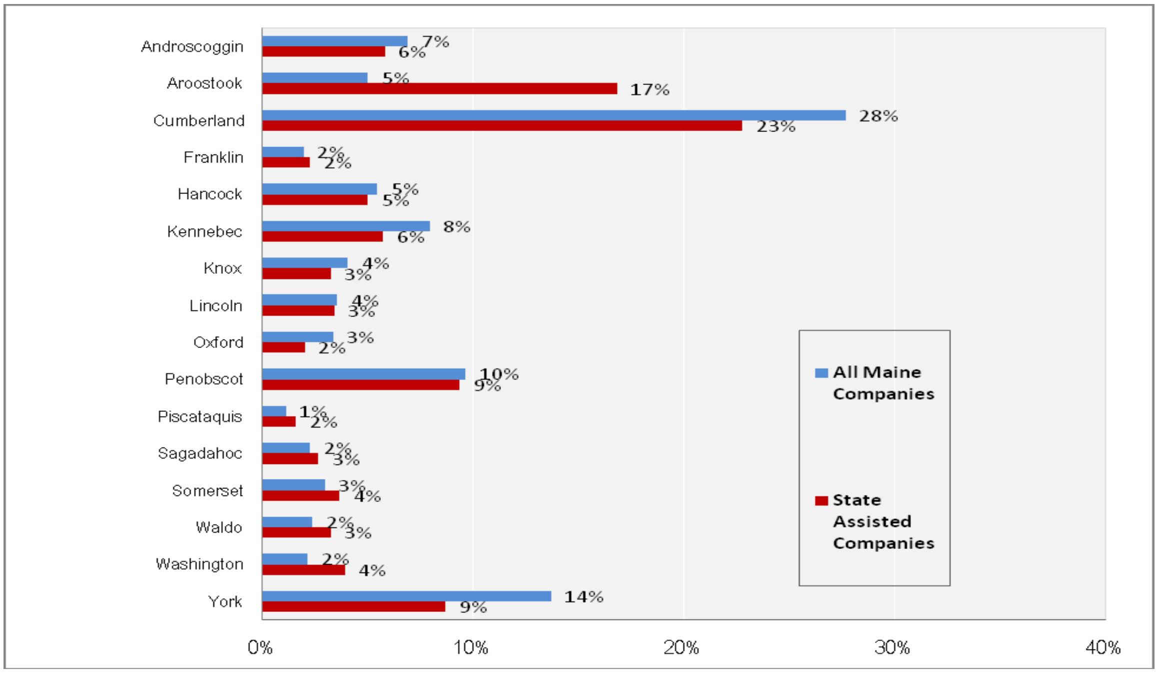
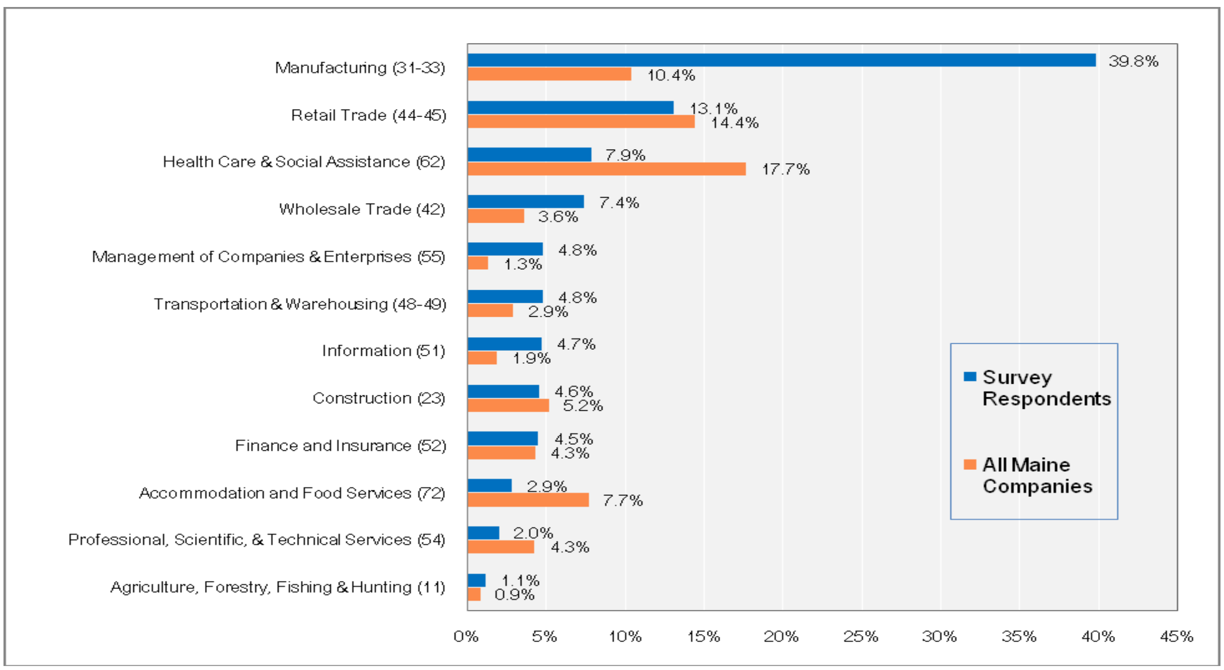


Figure 4.3: Employment Distribution of All Maine Companies and Survey Companies by Major Industry, 2008



Because many of Maine's economic development incentives target manufacturers and other capital-intensive industries, these results should come as no surprise. Indeed, one could argue that the presence of more established, larger, and more manufacturing-intensive sectors is one desired and intended outcome of these economic development investments.

What Programs Do Firms Use?

As Table 4-1 indicates, Maine businesses regularly interact with nearly every program in the state's economic development program portfolio. In terms of program usage, the survey sample does not differ greatly from the overall universe of firms using economic development assistance. Responding firms are somewhat more likely to use tax credit programs. Higher responsiveness to the survey most likely reflects more stringent and detailed reporting requirements related to state tax credit programs.

Table 4-1: Maine Economic Development Program Interactions

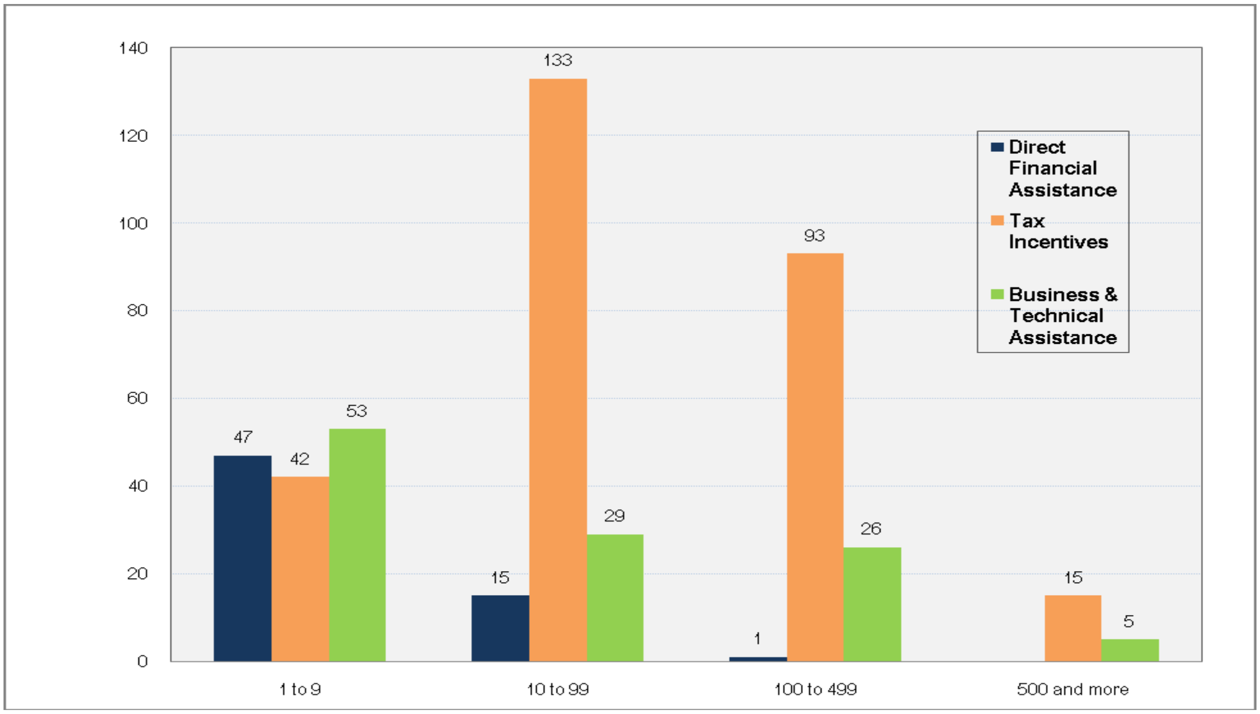
	All Surveyed 2008 - 2009		All Respondents 2008 - 2009	
Program Affiliation	**Number**	**Percent**	**Number**	**Percent**
Agricultural Development Grant Program	16	0.9%	5	0.7%
Agricultural Marketing Loan Fund	32	1.7%	4	0.5%
Business Equipment Tax Reimbursement	390	21.2%	243	33.1%
Commercial Loan Insurance Program	139	7.6%	21	2.9%
Economic Recovery Loan Program	22	1.2%	6	0.8%
Employment Tax Increment Financing	83	4.5%	56	7.6%
Governor's Training Initiative	108	5.9%	41	5.6%
Jobs and Investment Tax Credit	7	0.4%	4	0.5%
Linked Investment for Agriculture	15	0.8%	2	0.3%
Linked Investment for Commercial	10	0.5%	3	0.4%
Loring Development Authority	24	1.3%	5	0.7%
Maine Attraction Film Incentive	3	0.2%	1	0.1%
Maine Farms for the Future Grants	165	9.0%	36	4.9%
Maine International Trade Center	244	13.3%	70	9.5%
Maine Made/Maine Products Marketing	108	5.9%	23	3.1%
Maine Quality Centers	24	1.3%	15	2.0%
Maine Seed Capital Tax Credits	37	2.0%	18	2.4%
Municipal Tax Increment Financing	21	1.1%	6	0.8%
Pine Tree Development Zones	157	8.5%	96	13.1%
Potato Marketing Improvement Fund	96	5.2%	13	1.8%
Research Expense Tax Credit	10	0.5%	5	0.7%
Shipbuilding Facility Credit	1	0.1%	1	0.1%
Office of Business Development	129	7.0%	61	8.3%
* Total	1841	100%	735	100%

(Note: Only one firm is eligible for shipbuilding facility credit).

As companies grow in size, their use of programs also changes. As Figure 4-4 shows, large firms rarely tap into state technical assistance programs, and almost exclusively rely on tax incentive programs. In particular, the Business Equipment Tax Reimbursement is a popular program that has generated both strong praise and numerous reform suggestions that are discussed in Chapter 8. Newer and smaller firms are more likely to use a mix of programs, and are the most common users of technical assistance programs such as the Maine

International Trade Center or the Maine Quality Centers. In effect, it may be misleading to identify these larger firms as economic development "customers." It may be more accurate to identify them as users or recipients of tax credits.

Figure 4-4. Distribution of State Assistance Types by Company Size, 2008



What are the Impacts of Maine's Economic Development Programs?

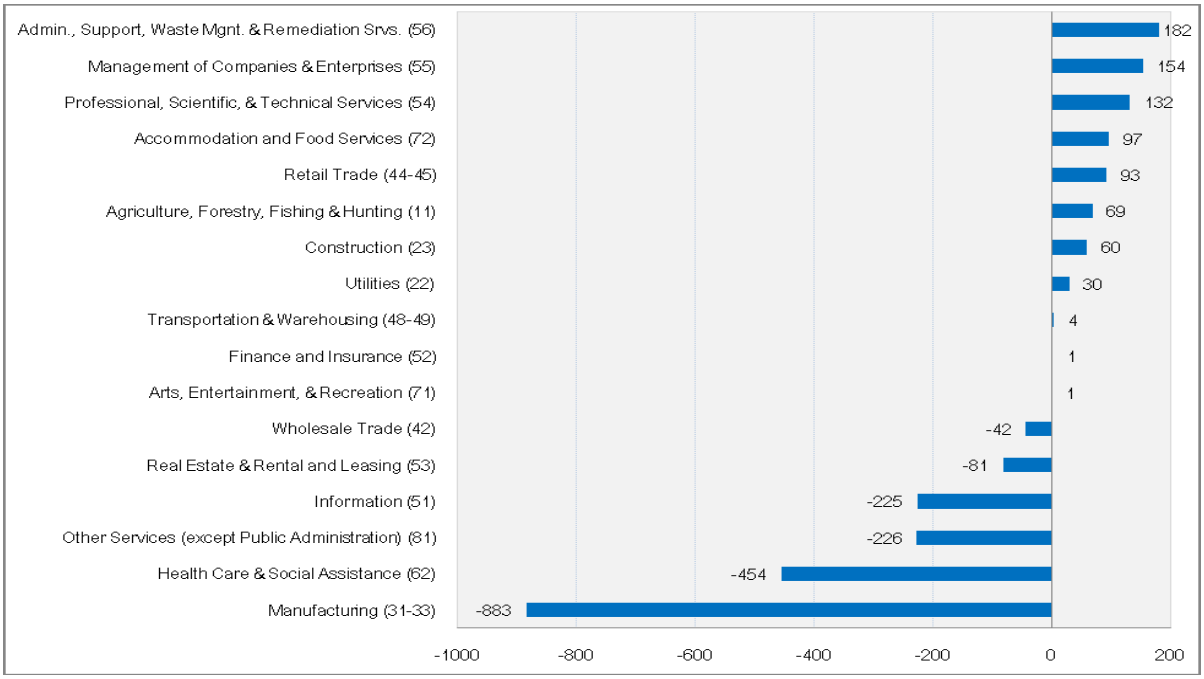
In general, 2008 was a tough year for business, and firms in our survey sample were not immune from the downturn. According to the latest data from the Maine Department of Labor,[21] total non-farm employment in Maine declined by 1.9% between December 2007 and December 2008. The largest employment declines occurred in construction (down 10.6%) and natural resources/mining (down 10.3%). Other declining sectors included manufacturing (down 2%), information (down 4.4%), and retail trade (down 4.6%).

Our sample group also suffered job losses in 2008 (see Figure 4-5). Total employment among the group declined slightly by 1.78 percent. Among the survey respondents, manufacturers accounted for the vast bulk (73%) of all lost jobs. Other hard hit sectors included health care and information. The decline in health care employment within the survey sample appears to be an anomaly, but the declines in manufacturing and information technology mirror

[21] Data are available from the Maine Department of Labor's Center for Workforce Research and Information at http://www.state.me.us/labor/lmis/

statewide industry patterns. As noted in Chapter 3, between 2000 and 2007, manufacturing and information technology employment declined by respective levels of 4.1 percent and 1.0 percent.

Figure 4-5. Employment Gains/Losses of Survey Respondents by Major Industry, 2008



While much of the data paint a gloomy picture for Maine-based companies, a few bright signs do emerge. First, assisted businesses are enjoying strong revenue growth. As a group, respondent firms report that annual revenues grew by 7.14 percent last year. Manufacturers enjoyed a particularly strong bump in annual revenues (see Figure 4-6). This impressive jump in revenues is a potential sign that assisted firms are enjoying significant productivity improvements.

Changes in Maine's gross state product offer one rough benchmark for understanding these figures. According to data found in the latest edition of the MEGC's reports,[22] Maine's gross domestic product grew by 1.3 percent in 2007, and has enjoyed a total increase of 8.6 percent between 2000 and 2007. Assisted firm revenue growth is at or above these levels in most cases.

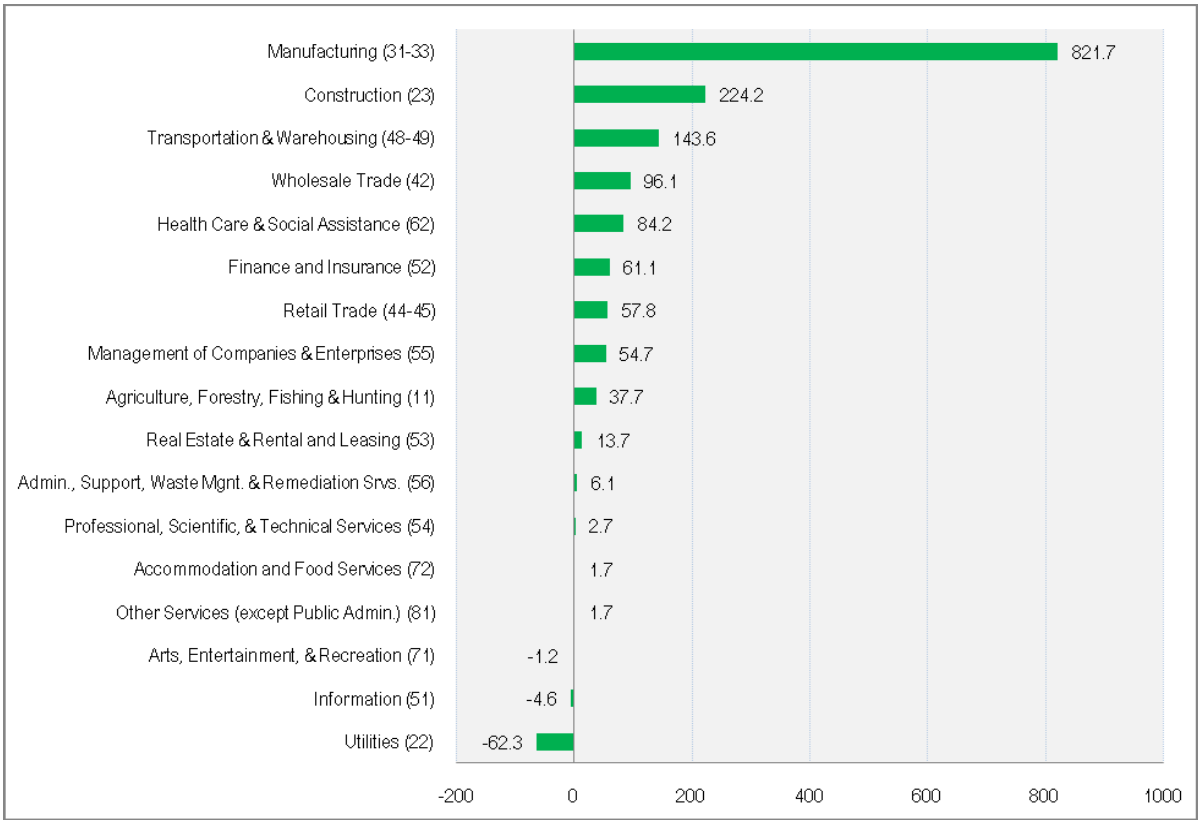
In addition, survey respondent firms have performed fairly well in terms of generating revenue from exports. Company export revenues from Maine-based operations grew by an impressive 9.96 percent over the past year. This growth

[22] Maine Economic Growth Council, *Measures of Growth in Focus, 2009*, Augusta, Maine Development Foundation, 2009.

rate far outpaces the statewide average growth export growth rate (6.8 %) between 2002 and 2007.

As we will see below, the group's employment levels have dipped slightly, but the state's economic development incentives are having a strong impact on stemming job loss. As a group, respondent firms report that, thanks to various support programs, they were able to create 3,602 jobs while retaining an additional 13,090 positions. The total number of supported new jobs is more than three times the size of the total job loss experienced by respondent firms.

Figure 4-6. Total Revenue Impacts of Survey Respondents by Major Industry, 2008 (in millions $)



Economic Impact Analysis

In an effort to better understand the economic impact of companies receiving state economic development support, the evaluation team analyzed the results using the Economic Impact Regional Input-Output Model developed by Economic Modeling Specialists, Inc. (www.economicmodeling.com).[23] The EMSI

[23] This same tool was used to analyze the results of the 2008 Comprehensive R&D Evaluation, see pp. 92-97.

model produces regional multipliers for each industry at the six-digit level of (North American Industrial Classification System (NAICS) codes. The multiplier values allow analysts to estimate the outcomes of jobs and sales generated from additional inputs into the regional economy. Different from the IMPLAN model, the EMSI's multiplier values represent the combination of both indirect and induced impacts. Indirect impacts relate to purchases from business suppliers, while induced impacts relate to local purchases made by each impacted firm's workers.

Each survey respondent was asked to identify a six-digit NAICS code that best described their business operations.[24] In addition, firms were also asked to provide data on employment levels and changes in revenue. Because a number of surveyed firms failed to provide complete information, the economic impact analysis does not include data on all firms who responded to the survey. The total number of respondents thus varies between a range of 376 (i.e. those who reported revenue data) to 470 (i.e. those firms who reported employment data). Thus, the findings likely understate the economic impacts of both responding firms and the entire sample of assisted firms.

To estimate the impact of state investment on Maine's assisted companies, the research assumes that all new revenues generated or new workers hired in 2008 were impacted exclusively by state grants. No other variables or additional funding, such as Federal dollars, were included in the estimates.

This analysis aided us in calculating the direct and indirect impact of state investments in relation to a number of factors, especially industry type and company size. According to reporting from aided companies, state incentive programs assessed in this survey have assisted with the creation of 3,602 jobs while retaining an additional 13,090 positions. Firms also enjoyed 2008 revenue growth totaling an additional $969 million. Using the EMSI models, these outputs have total impacts (including both direct and indirect impacts) of 39,245 jobs and increased statewide economic activity totaling a value of approximately $1.153 billion. As Figures 4-7 and 4-8 indicate, these effects were most pronounced among manufacturers and large companies.

[24] For those companies that did not indicate the NAICS code on the survey, the researchers, where possible, used the business database of ReferenceUSA to verify the information in order to assign an appropriate NAICS code to each respondent.

Figure 4-7. Total Jobs Created and Retained by State Incentives by Major Industry, 2008 (includes direct and indirect impacts)

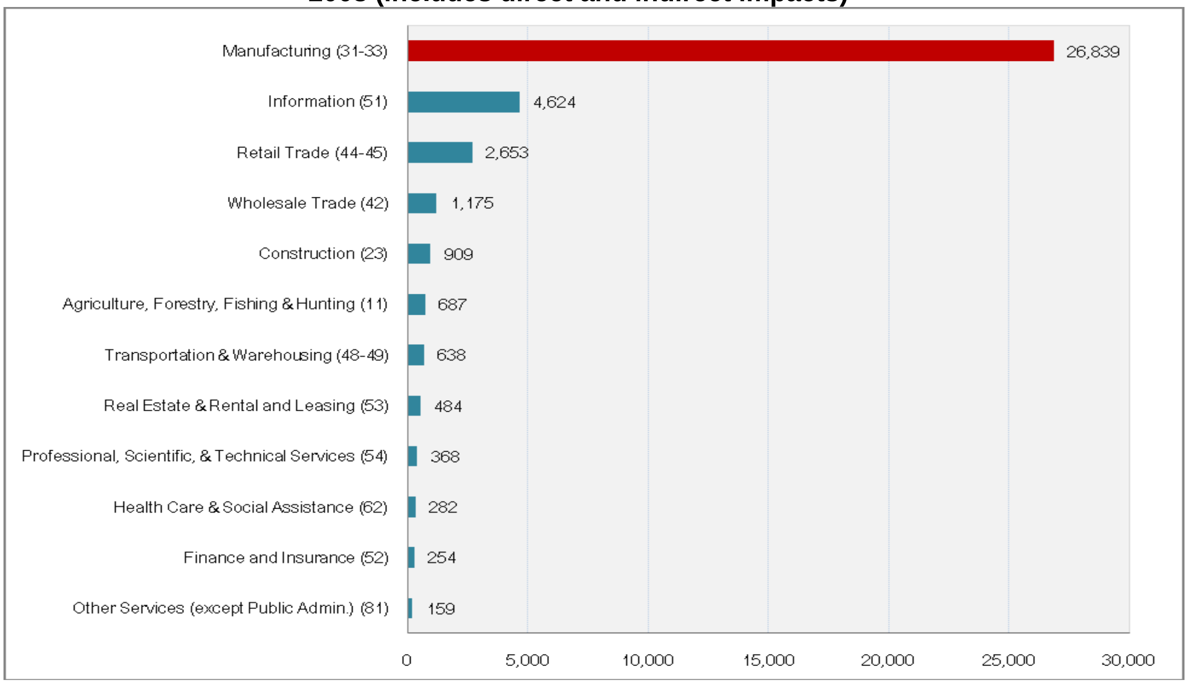
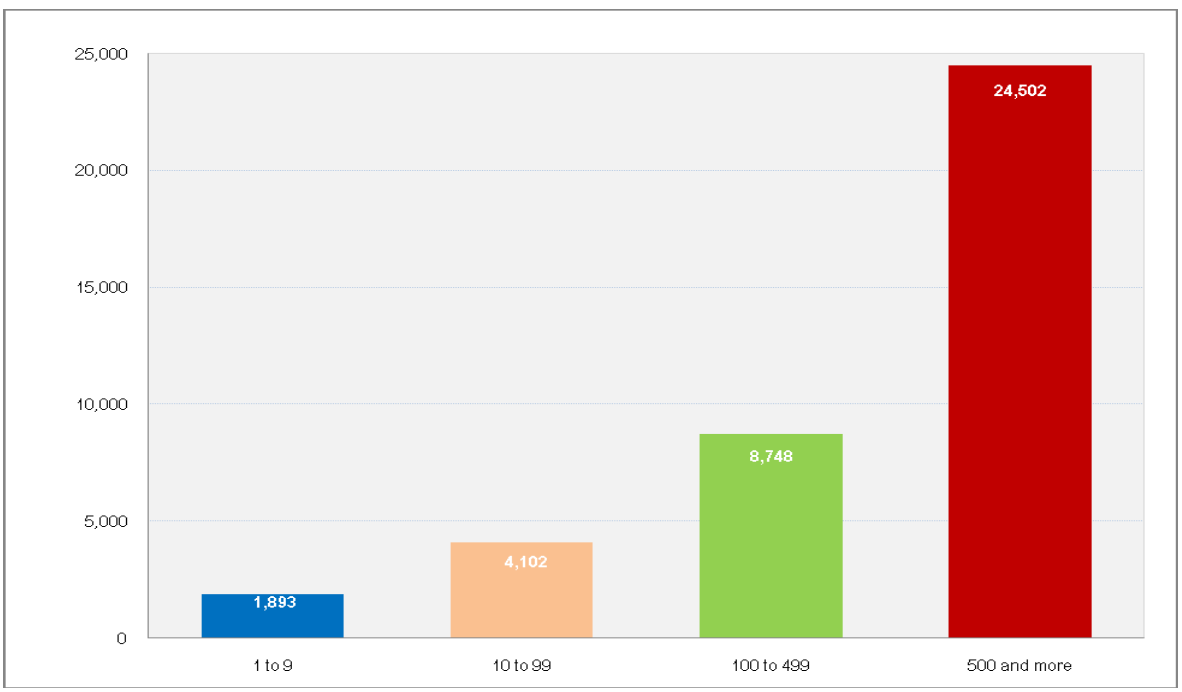


Figure 4-8. Total Jobs Created and Retained by State Incentives by Company Size, 2008 (includes direct and indirect impacts)



What do Customers Think of the Programs?

One of the most striking results from the survey is that Maine's businesses appear to have a very limited and incomplete understanding of how Maine's economic development programs work and how they can benefit from state-sponsored support and investment. Indeed, a number of survey respondents were unaware that they received state support until they were asked to complete our survey.

At the same time, a large number of survey respondents noted that they did not know how to access other support programs or even where to identify programs that might be relevant to their needs. A sampling of comments from the customer surveys captures the flavor of this perspective:

"I need to be able to have access to other programs but can't find the support I need."

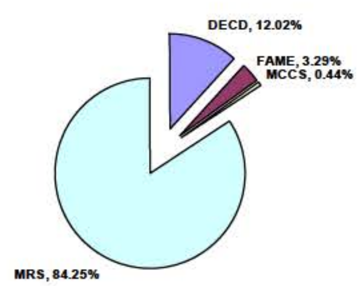
"I am sure that there are programs we can utilize but are unaware of them. We would love to know where the clearinghouse is to take advantage of them."

"Would love to know how one would discover what services and incentives the state offers!"

It was also striking, given the range of business support programs offered by the state, that 89 percent of all assisted businesses and 81 percent of respondents participated in only one program. This result may reflect the overrepresentation of larger, older, manufacturing firms. However, it may also be a symptom of support programs that operate in relative isolation from each other. More exploration of this result would provide useful guidance to economic development organizations as they as it work to create a stronger system of business support in the state.

This may be a function of the fragmented nature of economic development programs in the state. The programs are spread over six agencies and seven nonprofits, with DECD responsible for only 12 percent of the funding.

Figure 4-9 Share of Economic Development Funding by Agency (2007)[25]



[25] MDF Inventory op cit

Finally, while many survey respondents were pleased with the support provided by state economic development programs, overall levels of satisfaction and perceptions of effectiveness fall in the middle range of our ranking scheme. Respondents generally had a positive perception of the quality of support programs in Maine. When asked to comment on satisfaction with state programs, 62 percent reported that they were "satisfied" or "very satisfied." A similar portion of respondents (60%) viewed state assistance as either "very important," "critically important," or "frequently important." Looked at from another perspective, 15.5 percent of respondents considered state programs to be "unimportant." Meanwhile, 11 percent of respondents were unsatisfied with state support. We recommend that program managers undertake an in-depth assessment to better understand the factors leading to low customer satisfaction and program effectiveness ratings.

Table 4-3: Importance of State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Critically important	60	15.5%
Very important	108	28.0%
Frequently important	66	17.1%
Occasionally important	92	23.8%
Not important	60	15.5%
Total	386	100.0%

Table 4-4: Satisfaction with State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Very satisfied	89	23.1%
Satisfied	150	38.9%
Somewhat satisfied	103	26.7%
Unsatisfied	23	6.0%
Very unsatisfied	21	5.4%
Total	386	100.0%

While Maine businesses tended to have positive views about the support received via economic development programs, their general perceptions of the quality of Maine's overall business support systems were not upbeat (see Table 4-5). This perception was not limited to Maine's economic development programs. Many companies felt the same about assistance from the private sector, non-profits, and local governments as well. When asked to rate the value of assistance from a variety of organizations on a scale of 1-5 (with 1 being "completely unimportant" and 5 being "critically important"), none of the programs was rated above 3.3--or "important." To interpret these statements more fully, interviews with program customers should be considered to gain a better understanding of the respondents' views. For instance, it could be that respondents did not consider the assistance that they were receiving as valuable OR they could be saying that the assistance was limited in the face of a very strong national economic headwind. It will be important to track this question over time to determine whether Maine's network of business assistance providers can improve their standing in the eyes of the state's business community.

Table 4-5 Importance of Support Organizations

	All Respondents 2008 - 2009						
	Degree of Importance						
Support Organizations	**Didn't Use**	**1**	**2**	**3**	**4**	**5**	**Mean Score (Sorted from High to Low)**
Trade Associations in Maine	145	18	44	73	59	47	3.30
Other Firms in your Industry outside of Maine	144	25	41	69	64	43	3.24
Maine Department of Economic and Community Development, Office of Business Development	166	32	38	55	43	52	3.20
Any Campus of the University of Maine System (UMS)	216	22	23	59	36	31	3.18
Finance Authority of Maine	257	22	23	28	26	30	3.15
Maine Community Colleges (including the Maine Quality Centers Program	230	20	24	54	34	25	3.13
Other Maine Firms in your Industry	139	31	40	84	53	39	3.12
Maine Department of Agriculture	265	23	17	35	17	29	3.10
Trade Associations outside of Maine	177	29	33	70	45	32	3.09
Maine Chambers of Commerce	155	35	38	84	41	33	3.00
Maine Department of Labor	168	30	54	69	35	30	2.91
Maine Technology Institute	267	24	32	32	19	12	2.69
Maine Small Business Development Centers	261	31	27	32	20	15	2.69
Maine International Trade Center	263	32	25	38	12	16	2.63
Maine Manufacturing Extension Partnership (MEP)	283	27	27	17	22	10	2.62
Maine Office of Tourism	283	29	26	18	19	11	2.58
Maine Procurement Technical Assistance Center	308	30	20	20	6	2	2.10

Note: 1 = 'completely unimportant', to 5 = 'critically important'

The private sector remains the "provider of choice" for many Maine firms. Surveyed firms were most likely to reach out to trade associations or other businesses. More than 60% of respondents tapped these sources for support or information, and, not surprisingly, trade associations and other Maine firms received some of the higher rankings in Table 4-5's assessment of the quality of provided assistance. Importance ratings are directly correlated with the use of the program. Service providers that are used most tended to be rated more highly while those that had not fully connected with the business community through their outreach were more likely to rate lower on this "importance index."

Table 4-6. Use of Support Organizations

Use of Support Organizations	All Respondents 2008 - 2009	
	Didn't Use	Used
Trade Associations in Maine	37.6%	62.4%
Other Firms in your Industry outside of Maine	37.3%	62.7%
Maine Department of Economic and Community Development, Office of Business Development	43.0%	57.0%
Any Campus of the University of Maine System (UMS)	55.8%	44.2%
Finance Authority of Maine	66.6%	33.4%
Maine Community Colleges (including the Maine Quality Centers Program	59.4%	40.6%
Other Maine Firms in your Industry	36.0%	64.0%
Maine Department of Agriculture	68.7%	31.3%
Trade Associations outside of Maine	45.9%	54.1%
Maine Chambers of Commerce	40.2%	59.8%
Maine Department of Labor	43.5%	56.5%
Maine Technology Institute	69.2%	30.8%
Maine Small Business Development Centers	67.6%	32.4%
Maine International Trade Center	68.1%	31.9%
Maine Manufacturing Extension Partnership (MEP)	73.3%	26.7%
Maine Office of Tourism	73.3%	26.7%
Maine Procurement Technical Assistance Center	78.6%	20.2%

Conclusions

Insights gained through the survey of private assisted companies in the state suggest that Maine’s economic development programs are creating positive economic impacts for the state. While assisted firms, like many other firms in Maine, lost jobs over the past year, revenues were up and a significant number of jobs attributed directly to the state’s assistance were created or retained. The programs’ impact extends beyond the jobs and revenues attributed directly to assisted firms, and includes the indirect job and revenue creation associated with their activity. In terms of revenue growth, the state is achieving a positive rate of return on its investment.

The survey findings suggest that the state needs to consider ways to improve the marketing of its programs to the business community and identify ways to engage its customers and improve satisfaction with program delivery. More detailed recommendations based on these survey results are included in Chapter 8.

CHAPTER 5
THE PINE TREE DEVELOPMENT ZONE PROGRAM

In 2004, Maine designated its first set of Pine Tree Development Zones (PTZs). These sites, and additional later designated sites, enjoy access to a wide range of tax benefits designed to spur business expansion and new job creation. The benefits are available to firms over a ten-year period, which have been authorized through December 31, 2018.

The current timing and expiration of PTZ benefits means that future companies applying for Pine Tree Zone designation will not enjoy the full time period of tax benefits. As a result, the attraction of these incentives will likely erode over time.

Program managers and other key stakeholders face several alternatives in response to this situation. They can support the slow expiration of PTZ benefits, they can simply extend the program in current form, or opt to redesign the program to move in other directions.

This chapter is designed to help inform that decision by providing an independent assessment of the Pine Tree Development Zone's program design and operation. This chapter does not serve as a complete formal independent evaluation of the PTZ program. Instead, it seeks to assess the zones by comparing them to similar programs in other states as well as by reviewing the growing research literature on the impact of state enterprise zones and their effective design and implementation.

Our analysis is organized around four sections:

1) A review of the Pine Tree Development Zone program's history, current operations, and impacts to date
2) A brief literature review that assesses current knowledge about program design, implementation and impact
3) Benchmarking of PTZ in relation to programs in nine other states. This list includes states ranked as peers in our wider benchmarking analysis as well as states that have developed especially large or innovative enterprise zone programs.
4) A series of recommendations for improving current PTZ programs and ensuring that they provide a strong return on investment for Maine

Background on Pine Tree Development Zone Program

Origin, History and Initial Purpose

Maine's PTZ program was first enacted into law in 2003 as part of an effort to help reduce the cost of doing business in various parts of the state. The statute authorizing the program identified four key goals:

- Provide new employment opportunities
- Improve existing employment opportunities
- Improve and broaden the tax base
- Improve the general economy of the state

These goals were aligned with the Baldacci Administration's broader commitments to build a more competitive business climate in Maine. In particular, the Governor has argued that the zones would help lower Maine's tax burden below the New England average. According to this model, businesses will be more likely to relocate or expand in communities where businesses costs are comparatively lower.

What are the Benefits of Zone Designation? Program Description

The first eight Pine Tree Development Zones were designated in the Fall of 2004. These initial locations included:

- Androscoggin Valley
- Aroostook County
- Downeast
- Kennebec Valley
- Midcoast
- Penobscot Valley
- Penobscot/Piscataquis
- Southern Maine

By 2006, several additional zones had been designated. The Military Redevelopment Zone is located in the two-county area surrounding the soon to be shuttered Brunswick Naval Air Station. Additional acreage has also been provided for Maine's Indian Tribes.

These broadly defined zones cover the entire map of Maine, but each broad region does not constitute a zone. Instead, certain communities or parcels of land are designated for PTZ status within each broad zone area. To date, parcels comprising more than 30,484 total acres have been approved for PTZ status.

Businesses gain significant cost advantages by opting to locate or expand within a PTZ. The benefits include:

- Corporate Income Tax Credit: Provides tax credit benefit for net new PTZ payroll and property as a percentage of all Maine payroll and property. Tax credit is 100 percent for years 1-5, and 50 percent for years 6-10.
- Insurance Premiums Tax Credit: This benefit only applies to financial services firms, which are eligible for these credits as they relate to net new PTZ payroll and property as a percentage of all Maine payroll and property. (Credit is 100 percent in years 1-5, and 50 percent for years 6-10.)
- Income Tax Reimbursement: Taxes are reimbursed (at a rate of 80 percent of value) for all income taxes withheld as a result of net new qualified jobs created.
- Real Property Tax Exemption: Qualified businesses pay no tax on all new tangible property that will become a permanent part of a business' real property and will be used in the qualified business activity.
- Personal Property Tax Exemption: Qualified firms pay no tax on qualified tangible personal property purchases, as long as they are used in relation to the qualified business activity.
- Access to reduced electricity rates from leading Maine utilities.

Businesses qualify for benefits by applying with Maine's Department of Economic and Community Development (DECD). Several criteria determine whether an application is favorably considered. First, the business must operate in an approved location and in an approved industry sector. PTZ benefits are presently available to firms in the following sectors: manufacturing, financial services, biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, information technology, and advanced technologies for agriculture and forestry. Beginning in 2007, PTZ benefits were made available for manufacturing firms who meet qualifying criteria (including the creation of four full-time jobs), regardless of location within or outside of a formally designated zone. These manufacturing firms must also have maintained operations in Maine for three years prior to receiving benefits.

Certified companies must agree to produce at least one net new job that produces above average wages and provides access to both health care and retirement benefits. The benefits are designed to promote job creation, and are not available for job retention-related initiatives.

Finally, approved firms must make what DECD refers to as the "but for" case. They must provide details to show that their new investment or expansion would not occur "but for" the benefits provided by the PTZ program.

The process for PTZ approval is very clearly delineated and easy to understand. The administrative burden on applying firms is fairly limited. To date, over 200 companies have been certified via this process.

Program Impacts

The PTZ program provides companies with a wider array of benefits when compared to initiatives under way in states facing similar economic conditions. What is critically important, however, is to understand the impacts of these benefits rather than to focus on design and size alone. As part of the overall evaluation of Maine's economic development programs, firms receiving benefits through the PTZ were asked to respond to an online survey and identified the impacts of the program on firm performance. This section summarizes these results.

A total number of 157 companies who have received PTZ benefits responded to the FY2008-2009 survey.[26] This figure represents an overall 50.32 percent response rate for PTZ beneficiaries. The age of these firms is quite diverse. A good portion of surveyed companies (29.4%) was organized prior to 1980, and a similar portion (27.1%) is quite new, having started operations since 2005. These results present a sharp contrast to the total sample of firms using Maine's economic development programs. Within this larger sample, 41.9 percent of firms were started prior to 1980. Nearly 80 percent of these PTZ-assisted firms are headquartered in Maine, with locations across the state. Central and Southern Maine account for the largest portion of PTZ beneficiaries, with each region serving as home to 31 percent of respondents.

Like most firms in Maine, PTZ beneficiaries tend to be smaller. Only 2.4 percent of surveyed firms employ more than 500 people. In contrast, 22.4 percent of these companies employ less than ten people, and 62.4 percent employ less than fifty people. These results present a strong contrast when compared to respondents in our full sample and in surveys undertaken as part of Maine's 2008 Comprehensive R&D Evaluation. In general, firms responding to our overall economic development evaluation surveys tend to be slightly larger. Twenty nine percent of these firms employ more than 100 people. In the larger survey, 36.1 percent of firms employ less than 10 people. In contrast, Maine's R&D programs appear to serve a much different type of company. The R&D survey respondent sample is largely composed of new and small firms; 81.4% of these companies employ less than ten people.

Not surprisingly, PTZ beneficiaries were not immune to last year's economic downturn. Overall, the 157 surveyed firms now employ 9,251 people. As a group, the firms saw their total employment drop last year by 2.3 percent. This drop compares to a 1.7% decline for the full survey sample of all firms aided

[26] A summary of survey results can be found in Appendix C.

by Maine's economic development programs. While job loss was slightly higher among PTZ beneficiaries, the group did see a significant increase in revenues in the past year. Average revenues jumped an impressive 14.3 percent, nearly double the rate of firms in the full survey sample.

PTZ beneficiaries also attribute much of their success to state support efforts. As a group, the firms report that PTZ benefits helped them to create 554 new jobs and retain 1,967 existing jobs. These findings suggest that one benefit of PTZ and other economic development programs in a down economy relates to their role in retaining jobs and slowing job loss. For example, the 554 new jobs created thanks to PTZ incentives far exceeds the total number of jobs lost--218--by survey respondents in the past year.

Surveyed firms tend to provide high paying jobs. In fact, the average wage among PTZ beneficiaries is $48,750. This figure is significantly higher than average wage paid by firms in our full sample ($43,219) or in the related survey of companies aided by Maine's R&D investments where the average wage was $42,061.

Finally, PTZ recipients are satisfied with the support they receive from the state. More than 63 percent reported that they were "satisfied" or "very satisfied" with the program, and fifty percent identified PTZ benefits as "very important" or "critically important" to their companies.

Literature Review: What Do We Know about Enterprise Zones and their Impacts?

Maine is not alone in its embrace of targeted enterprise or development zones. In fact, 43 states now operate zone programs of some type.[27] In addition, the Federal government has also supported targeted zone programs, first at the state level during the first Bush Administration and then in a federal form through the Clinton Administration's Empowerment Zone/Enterprise Communities (EZ/EC) initiative. The EZ/EC program included two sites in Maine: the Aroostook County Empowerment Zone and the Empower Lewiston Enterprise Community. To a large degree, the Empowerment Zone/Enterprise Communities program was a departure from the past state efforts because they included both Federal investment funds for major projects combined with federal tax incentives.

[27] For a review of state programs, see Ian Pulsipher, "Evaluating Enterprise Zones," National Conference on State Legislatures Issue Brief, February 2008; Alan H. Peters and Peter S. Fisher, State Enterprise Zone Programs: Have They Worked? (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2002).

The Federal programs, like many state enterprise zone initiatives, have had mixed reviews.[28] During the past eight years, little innovation has occurred at the federal level, and the state models have maintained their existing policies – which have been largely dominated by the use of tax incentives as the primary vehicle for influencing business and individual investment behavior.

Enterprise zone programs[29] generally share three characteristics.

- They serve a targeted geographical area.
- They target areas of economic distress or in need of regeneration.
- They rely primarily on private sector investments.[30]

Enterprise Zone programs are an import from Great Britain. In the late 1970s, several British academics and political leaders sought to identify ways that they could re-create the vibrancy that they saw in East Asian urban centers like Hong Kong and Singapore. They argued that these economies boomed because government regulations and strictures were very limited. If a similar environment could be produced in Britain's urban centers, local enterprises would boom.

This argument resonated with the British government of Margaret Thatcher and numerous zone programs were put into effect. American researchers soon sought to replicate this effort. Connecticut created the first US enterprise zone program in 1981, and state zone programs have been expanding ever since. Today, enterprise zones are a regular component of the state economic development tool kit.

Most enterprise zone programs operate with similar purposes. They are designed to improve economic conditions in underdeveloped or distressed regions or communities. Most zone programs seek to achieve one or more of the following goals:

- Improve Employment Opportunities for Local Residents
- Increase New Business Starts or Expansions
- Improve Overall Community Economic Conditions

Beyond this focus on distressed communities, various state programs often have differing objectives. For example, Michigan has used zone programs as a tool to prevent outmigration from distressed urban areas. Minnesota's JOBZ (Job Opportunity Building Zone) program targets rural regions. Pennsylvania's

[28] US Government Accountability Office, *Empowerment Zone and Enterprise Community Program:* Improvements Occurred in Communities, but the Effect of the *Program Is Unclear*, (Washington, DC: GAO, 2006). Available at: http://www.gao.gov/new.items/d06727.pdf.
[29] Zone programs operate according to a variety of different names. This analysis will refer to all zone programs as "enterprise zones."
[30] Peters and Fisher, p. 23.

Keystone Innovation Zones (KIZ) are aimed at encouraging investments in new technologies and research. Maine's PTZ focuses on job creation as opposed to job retention, and also targets key industry clusters. Other state programs, such as those in California, place a heavy emphasis on improving job quality or expanding opportunities for disadvantaged workers.[31]

Evaluation Evidence

While many states have aggressively embraced the enterprise zone model, the evidence in support of these strategies is mixed. A huge literature on the impact of enterprise zones is now emerging. The consensus on zone economic development effects seems to be that "it depends." Findings on zone impacts do vary greatly. The most comprehensive analysis of manufacturing related enterprise zones finds that zones have little or no effect on job creation or business growth.[32] A recent comprehensive study of California's zones found little impact in terms of new job creation.[33] Meanwhile, many case studies of state programs provide a more positive assessment of a zone program's economic development effects.[34] In addition, business owners and community leaders regularly report that zone programs contribute to positive business and community outcomes. These effects may be most pronounced among smaller firms (i.e., those with less than fifty employees), where relatively small incentives or investments can have a greater impact.

Much of the evaluation literature is hampered by limited access to key data, so active debate on enterprise zone impacts remains underway. Beyond these discussions, the research literature contains a number of important insights about effective program design and management. These guidelines provide important lessons as state policy makers consider potential revisions to the PTZ program.

Key lessons learned fall into several categories:

1) How and what to target
2) What benefits to provide
3) How to link zones to other benefits
4) How to track progress

[31] California Budget Project, "New Study Overstates Effectiveness of Enterprise Zones," CBP Budget Brief, August 2006.
[32] Peters and Fisher
[33] David Neumark and Jed Kolko, "Do Enterprise Zones Create Jobs: Evidence from California's Enterprise Zone Program," National Bureau of Economic Research Working Paper (#14530), December 2008.
[34] For reviews, see Peters and Fisher; Pulsipher; and Don Hirasuna and Joel Michael, "Enterprise Zones: A Review of the Economic Theory and Empirical Evidence," Minnesota House of Representatives Research Department Policy Brief, January 2005.

How and What to Target

The sheer diversity of enterprise zone programs across the US serves as something of a laboratory for various approaches to zone design. According to the National Conference of State Legislatures,[35] the US is home to 3,000 different enterprise zones. Three states – Arkansas, Kansas, and South Carolina – have designated the entire state as an enterprise zone. Louisiana is home to 1,700 different zones, but most states have fewer than 50 designated enterprise zones.

While the research literature does not prescribe one best design for enterprise zones, it does offer some guidelines for the types of regions that seem to show the greatest impacts from zone designations. Not surprisingly, less blighted areas tend to show a stronger post-zone-designation economic performance than do areas facing economic barriers. In effect, growing regions may enjoy faster growth thanks to incentives, while incentives may be insufficient to counter other economic development barriers.[36]

This message seems to be understood by state governments. In recent years, many states, including Maine, have weakened eligibility requirements for zone designations or significantly expanded the number of designated zones. [37] This shift in policy will likely have the effect of diluting the impact of zone designations on their original intended purposes of aiding distressed communities or employing economically disadvantaged residents. Moreover, as the number of zones proliferates, it becomes more difficult to ascertain whether the designation is truly adding employment or simply shifting employment from other parts of the state. As a result, some states, such as Kentucky, have opted to phase out enterprise zone programs and replace them with other forms of tax relief.

The overall general lesson from this research is that zone design must be closely aligned to program objectives. If the zone program seeks to revitalize communities with high levels of economic distress, state officials should designate a small number of zones with tight definitions on who benefits from the program. If the state is seeking to promote economic growth more generally, less stringent zone definition and rules may suffice.

What Benefits to Provide

When researchers find that zone programs have little or no effect, they rarely attribute these outcomes to poor program design or management. Instead, they tend to find that zone programs and incentives are simply too small

[35] Pulsipher, p. 1.
[36] See discussion in Hirasuna and Michael.
[37] Good Jobs First, "Straying from Good Intentions: How States are Weakening Tax Increment Financing and Enterprise Zone Programs," Washington, DC: Good Jobs First, 2003.

to generate significant long-term impacts. Thus, they recommend that if state officials opt to create enterprise zones, businesses should have access to incentives that are sufficiently large and consequential to trigger changes in investments, employment, and other productive activities.

These findings emerge from a wider research literature that assesses the impact of tax policies on firm location decisions.[38] These studies show that tax incentives can have small but positive impacts on a state's or region's economic performance. Because these effects can be small, the design of zone benefits becomes critically important. Benefits must be of sufficient scale and scope to overcome other disadvantages, such as a higher cost of doing business or difficulties in attracting workers, found within the zone.

Zone benefits should also be aligned with the stated goals of the zone program. Most state enterprise zone programs operate with a goal of promoting job creation, yet most of the benefits favor capital over labor.[39] For example, property tax abatements and capital credits may encourage firms to invest in machinery as opposed to support new job creation. While these incentivized investments may improve firm performance, they may not support the stated policy goals of new job creation. If a zone program seeks to encourage job creation, it should include direct benefits tied to this objective. Examples include tying corporate income tax credits to job creation or providing job training subsidies. Maine's PTZ incentives include a mix of benefits that support both labor (e.g., linking tax credits to payroll growth) and capital (e.g., personal and real property tax exemptions).

A related concern ties to the goal of many zone programs to create "good jobs." Many state zone programs provide credits for job creation, but do not tie these benefits to creation of higher paying positions. For example, Iowa requires that new jobs pay at least 90 percent of the average regional wage. Critics charge that the program should instead pursue a "high road" that supports higher paying jobs at a rate of 130 percent of the average regional wage.[40] Maine requires that new jobs pay at or above the average county wage where the business is located.

[38] See, for example, Peters and Fisher; Leslie E. Papke, "Low-tax States' Economic Development Incentives: The Effect of State and Local Public Policies on Economic Development: An Overview," New England Economic Review (March-April, 1997), pp. 135-137; Terry F. Buss, "The Effect of State Tax Incentives on Economic Growth and Firm Location Decisions: An Overview of the Literature," Economic Development Quarterly, Vol. 15, No.1 (2001), pp. 90-105.

[39] See discussion in Peters and Fisher, esp. pp.85-101

[40] Colin Gordon, "EZ Money: Evaluating Iowa's Enterprise Zone Program," Iowa Fiscal Partnership Working Paper, April 2008.

How to Link Zones to Other Benefits

Enterprise Zone programs do not work well in a policy vacuum. If other business climate issues, such as poor infrastructure or poor labor quality, are not addressed, zone designation will do little to stimulate new business activity.

Effective zone programs link themselves to other forms of support. Aggressive linkages to job training supports and job training credits seem to be especially important in this regard. For example, studies of Indiana's zone programs, which rely almost exclusively on jobs credits, identified very large effects on local unemployment rates.[41]

Statewide marketing of the zone programs also makes a difference. A recent study in Pennsylvania found that zone managers benefited greatly by linking zone designation to other statewide support tools.[42] The marketing support was especially important for attracting activity at brownfields and other less desirable commercial parcels.

How to Track Progress

The need for better evaluations may be the only one true point of consensus in the literature on enterprise zones and their impacts. Effective programs undergo regular evaluation to assess the zone's effects and the ratio of costs to benefits. These evaluations can take multiple forms, from case studies to benchmarking exercises such as this report. However, zone programs should also be subject to more rigorous evaluations that use regression analysis and that try to compare the economic performance of zone areas to control regions that did not receive zone designations.

Evaluations should also recognize that the timeframe of anticipated impacts is often not well aligned with the reality of long-term economic development investments. In particular, more distressed areas may require longer periods of time in order to create momentum in new job creation and economic activity.

State Benchmarks

Beyond the literature review, this analysis also benchmarks Maine's Pine Tree Development Zone initiative in comparison to other US state zone programs. This section of the report compares the PTZ program to similar initiatives in the comparator states that were used as benchmarks for Maine's

[41] Leslie E. Papke, "Tax Policy and Urban Development: Evidence from the Indiana Enterprise Zone Program," Journal of Public Economics, 54(1), pp. 37-49.
[42] Paula A. Holoviak and Damian Carabello, "An Evaluation of the Keystone Opportunity Zone and Keystone Opportunity Expansion Zone Programs in Rural Pennsylvania," Harrisburg, PA: Center for Rural Pennsylvania, July 2008.

overall economic performance: Idaho, New Hampshire, New Mexico, Nebraska, Rhode Island, South Dakota, and West Virginia. In addition, we also gathered data on two of the best known and most generous zone programs now in operation: Michigan's Renaissance Zones and Pennsylvania's Keystone Innovation Zones. The basic outlines of each program are detailed in Appendix D.

Like Maine, all of the other states manage aggressive tax incentive programs designed to spur new investments and to promote job creation. However, only two peer states have developed enterprise zone programs similar to those in Maine – New Hampshire and Rhode Island.[43] The other states employ a range of incentives with varying degrees of targeting by sector and geography. While the other state program goals are generally similar – to encourage the creation of jobs for state residents – incentive design, targeting, and implementation vary considerably.

Most of the benchmark states have opted to use more generalized tax incentives as opposed to targeted zone programs. In contrast, both Pennsylvania and Michigan have aggressively embraced the enterprise zone concept. In Pennsylvania, the Keystone Opportunity Zone (KOZ) began operations in 1999, with an original time frame of ten years. The KOZ program eliminates nearly all state and local taxes for firms that agree to new capital investments or significant new job creation efforts. In 2000, the program was extended via the Keystone Opportunity Expansion Zone (KOEZ) legislation. Overall, Pennsylvania has designated 12 zones that encompass sixty (out of a total of 67) different counties.

The KOZ/KOEZ effort operates akin to a traditional enterprise zone in that it seeks to promote redevelopment of blighted or distressed areas. A newer effort, the Keystone Innovation Zones (KIZ) seeks to support targeted "zones of opportunity and innovation."[44] Firms that operate within a KIZ can gain access to a variety of support services, such as assistance with accessing capital or obtaining technical assistance. In addition, firms are eligible for up to $100,000 per year in tax credits tied to an increase in a company's annual gross revenue.[45]

Michigan's Renaissance Zone program is also aggressive, and may be the most generous zone program now in operation. At present, 150 such zones are in place. Businesses from all sectors are eligible for benefits in most zones, but several targeted zones, for industries such as tool-and-die and forest products, are also in place. Like Pennsylvania, Michigan's zone benefits provide

[43] Several of these benchmark states are home to Federally-designated Empowerment Zones, but no state benefits are tied directly to this designation.
[44] Pennsylvania Department of Community and Economic Development "Keystone Innovation Zones: Program Guidelines," April 2004.
[45] KIZ tax credit guidelines.

abatements for nearly all state and local taxes. Michigan even provides abatements for new residents within the designated zones.

Generally, the state programs share several common traits. First, all programs require that new investment and/or jobs be created by business in order to qualify for the incentives. The zone programs in Maine, New Hampshire and Rhode Island also require that businesses be located in designated zones. Nebraska and West Virginia provide differing levels of incentives based on the amount of investment made. In Nebraska, the tier system provides higher levels of credit as investment and/or job creation increase. This system also recognizes the value of rewarding job creation alone (without investment) and investment alone (without job creation). In West Virginia, special allowance is made for small businesses so that they can qualify for credits by meeting a lower job creation threshold.

When compared to other benchmark states, Maine's initial threshold for receiving benefits, requiring the creation of one net new job, is on the lower end of the scale. However, this low threshold has served to help support the state's commitment to small business and entrepreneurship development. The other enterprise zone programs require more significant investments or job creation before benefits kick in. For example, Rhode Island requires a 5 percent growth in employment for benefit eligibility. Pennsylvania employs a slightly more rigorous standard of 20 percent job growth or a 10 percent increase in capital investment. New Hampshire's program only targets capital investments, and has no job creation criteria.

Among states without zone programs, New Mexico provides benefits for each new job created. The other states use higher thresholds. For example, Nebraska's lowest level of incentives (Tier 1) requires $1 million in new investment and the creation of ten new jobs.

Second, Maine's PTZ effort is similar to most enterprise zone programs in that it targets new job creation with an emphasis on attracting new businesses to an area or promoting expansion among existing businesses. Several of the more expansive zone programs, such as those in Michigan, Minnesota, and Pennsylvania, provide benefits to existing firms too. In the case of Michigan, benefits can also be extended to individual residents.

Third, many, but not all, of the states utilize some means of sectoral targeting. Most states restrict incentives to certain types of businesses. Maine, Nebraska, and Michigan all operate with this type of targeting. New Hampshire, Rhode Island, and South Dakota do not employ sectoral targets. Finally, New Mexico has additional incentives specific to certain sectors, such as aerospace and clean technology. In addition to its basic Renaissance Zone program, Michigan also operates special zones for key industries like agriculture, forestry, and tool-and-die.

Fourth, most of the states employ geographic targets. By definition, zone programs are geographically targeted. Yet, even states without enterprise zones have designed programs that target investment to rural areas. Idaho, Nebraska, and New Mexico all operate specific rural investment initiatives.[46]

Fifth, few of the benchmark states appear to employ clawback (i.e., repayment) provisions tied to enterprise zone designations.[47] More states are using clawback provisions for other tax incentive programs. For example, Maine law requires repayment for non-performance related to the Jobs and Investment Tax Credit. Most of the benchmark states, with the exception of Pennsylvania, have directly tied clawback provisions to zone designations. Iowa and Ohio also have clawback provisions related to zone designations. Among the other benchmark states without zones, Nebraska has been especially aggressive in linking clawbacks to the provision of tax incentives.

Finally, states differ to the greatest extent when it comes to the benefits provided as part of the incentive program. Benefits vary from simple sales tax refunds on investment in South Dakota to more complex systems of multiple credits for investment in Maine, Idaho, and West Virginia. Some states, notably New Hampshire, have established a ceiling on overall incentive payments, while others cap the amount of credits that individual businesses can receive, such as Rhode Island's maximum credit per new employee of $2,500-5,000.

These trends align with overall patterns among state enterprise programs. A recent analysis of 33 state programs[48] found that the top six incentive programs were as follows:

Incentive	Percent of States Using
• Employer Income Tax Credit	67%
• Job Creation/Wage Credit	61%
• Sales and Use Tax Credits	58%
• Regulatory Relief (e.g., reduced permit fees)	55%
• Credit for Selective Hiring (e.g. disadvantaged workers)	54%
• Property Tax Reduction	46%

As this sampling shows, Maine's PTZ offers a fairly typical set of incentives for certified companies. The heavy reliance on employer income tax

[46] Each state uses its own unique definition of "rural."
[47] Clawback provisions refer to state rules and regulations that allow a state government to recoup subsidies paid to a company that does not fulfill its job creation or capital investment promises.
[48] Florida Legislature, Office of Program Policy Analysis and Government Accountability, "Florida's Enterprise Zone Program is Similar to those of Other States," OPPAGA Information Brief (No. 04-24), March 2004.

and property tax relief are common features of zone programs across the US. Maine also provides PTZ incentives related to sales tax relief, but not for regulatory relief or job training.

What Steps Could be Taken to Improve or Strengthen the Program?

The following recommendations are offered for consideration as the state's economic development leaders review the PTZ program and consider potential program refinements.

- Consider Expanding Program Eligibility to the Entire State

State policy makers might consider two potential revisions to the existing PTZ eligibility criteria. The first potential set of revisions concerns the geographic scope of the program. While the PTZ can be classified as an enterprise zone program, its geographic scope covers nearly the entire state of Maine. Furthermore, the program's original objectives always had a more general focus on supporting community economic development as opposed to providing employment opportunities or spurring investment in specific communities or neighborhoods.

In reality, much of the program already operates in this fashion thanks to the 2007 decision to make manufacturing firms eligible for PTZ benefits regardless of location. Expanding the PTZ effort to the entire state would involve only minor changes in the program's current operations.

Other states have also been moving in this direction and have faced much criticism for diluting their commitment to rebuilding distressed neighborhoods and communities.[49] Many states use enterprise zones as a tool for employing disadvantaged workers, and, as they shift their focus away from distressed neighborhoods, the benefits of zones for this purpose may be diluted. In contrast, PTZ benefits have always sought to generate broader economic development outcomes. As such, the effects of changed program eligibility may not further disadvantage distressed neighborhoods or workers. However, state policy makers should recognize that this eligibility expansion <u>will</u> limit Maine's ability to encourage development in more economically distressed localities.

- Introduce More Stringent Eligibility Requirements

A widening of the program's geographic scope could be accompanied by a tightening of the eligibility requirements. When compared to other states, the PTZ program has a low threshold for eligibility. State officials might consider

[49] Good Jobs First, 2003.

requiring additional job creation or new investments to be eligible for benefits in the future. Many states also include job quality provisions in their eligibility criteria. Our survey results do not indicate that job quality is presently a concern for the PTZ program. Surveyed PTZ beneficiaries pay a significantly higher wage than the Maine median income or when compared to average wages paid by other economic development program beneficiaries.

At the same time, the state should introduce direct clawback provisions into the PTZ effort. This will allow the state to recoup subsidies from firms that fail to meet stated performance objectives.

- Link Zone Benefits to Other Programs

At present, PTZ benefits are not well linked to other state and local economic and workforce development programs. DECD and other state programs do not explicitly seek to tie PTZ assistance to other forms of support. However, these linkages do appear to happen on an informal basis. Among survey respondents, more than half of the firms reported receiving other state support beyond PTZ benefits. A large number of these companies reported that they had received support from DECD's Office of Business Development. It is likely that OBD staff introduced these companies to other available support programs.

If DECD opts to develop more formal program linkages across support efforts, Pennsylvania's Keystone Opportunity Zones (KOZ) and Keystone Innovation Zones (KIZ) offer potential models. Firms located in KOZs are given priority consideration for other state and local assistance, and the KIZ program is explicitly organized around a model to provide a wide range of program supports to target companies.

- Continue Regular Evaluation of the Zone Program

Enterprise zone programs, like PTZ, provide very generous taxpayer benefits to private businesses. Because program managers are stewards of public dollars, they are diligent in seeking to ensure that zone benefits are provided only in cases where investments or expansions would not occur "but for" the state subsidy. Current procedures provide assurances at the outset of a company's zone certification. However, as the process continues, regular outside evaluations are needed to ensure that the program is providing a positive return on investment to Maine's taxpayers.

CHAPTER 6
Evaluation Results: Communities

Community development – investments to help a community develop and enhance its potential in areas such as infrastructure, housing and business development – is managed by the Office of Community Development (OCD), within the Department of Economic and Community Development. The mission of OCD is to serve as a funding source for community-based projects in the state. OCD staff view community development and economic development as being "intertwined" and, in some ways, community development capacity is a pre-requisite for subsequent economic development.

OCD operates somewhat differently from other parts of DECD. Local governments, as opposed to businesses, are its primary customers. It invests in a much wider array of activities such as building affordable housing, supporting upgrades of housing or business properties, financing new or existing businesses, and supporting construction of new buildings or community infrastructure. Finally, the federal government is a critical partner in its programs.

Overall, community development investments represent only about 2.5 percent of Maine's wider economic development portfolio.[50] Most of OCD's funding comes from the Federal government in the form of Community Development Block Grant (CDBG) funding. In 2007, OCD awarded over $12 million to community projects through the federal CDBG program, and OCD projects that more than $13 million was invested in 2008.[51] For 2009, the state has $9.9 million allocated to communities through CDBG.[52]

OCD investments in key qualify of life factors, such as housing, water and sewer, or other kinds of amenities are designed to make communities better places to live and do business so that workers and businesses will locate and/or stay in those places. In addition to the federal support, the state provides funding to several programs that support community development including:

[50] Maine Development Foundation, *Inventory of Maine's Economic Development Programs*, Submitted to the Joint Standing Committee on Business Research and Economic Development, April 2008.
[51] *2007 Highlights*, Maine Department of Economic and Community Development, http://www.econdevmaine.com/resources/pdfs/Highlights_2007.pdf.
[52] In 2008, the U.S. Department of Housing and Urban Development made $19.6 million available through the state's CDBG program for Neighborhood Stabilization. These funds were provided to help local governments acquire and develop foreclosed properties. While these funds were not included in this analysis, their use in communities provides an important community development benefit.

- Home Repair Network – Combines CDBG, US Department of Agriculture Rural Development, and Maine State Housing Authority funds to address housing needs of low and moderate-income households in the state.
- Municipal Investment Trust – Supports bricks and mortar investments in service centers for downtown revitalization.
- Riverfront Community Development Bond Program – Assists communities located along the state's riverfronts to develop river-oriented community development projects and to ensure environmental sustainability is included in those plans.

In addition to these resources, OCD works with other state staff administering complementary programs, such as the Pine Tree Development Zone (PTZ) program and Business Development Specialists. OCD also provides technical assistance to communities. Staff provides workshops on grant opportunities, and Maine is one of only eight states to offer a Certified CDBG Administrator training program. OCD provides a consistent set of programs that communities can count on over time – they serve as the "front door" for community resources and make referrals when OCD programs cannot meet community needs.

In addition to providing resources, OCD investments seek to stimulate grassroots community involvement. In fact, OCD's grant rating system bases 20 percent of its total scoring on community participation. This requirement serves as a strong incentive for communities to engage local residents and to build support for programs from the grassroots. In addition, OCD requires communities to demonstrate they are trying to accomplish the goals and objectives of an approved community plan. Together, these requirements have the potential to increase the effectiveness of the grants by insuring that communities have "planned and participated" in the community development process. In this way, OCD avoids investing in "one shot" deals. For example, OCD funding in 2008 was used to support retail development plans in Bucksport and Dover-Foxcroft, to revitalize the wharf in Greenville, and to beautify the streetscape in Scarborough and to revitalize Rockland's Main Street. All of these projects are directly linked to wider community economic development plans.

Community Development Tools

The most important community development tool in Maine, and in most states, is the federal Community Development Block Grant (CDBG) program. The U.S. Department of Housing and Urban Development (HUD) provides funds for this program in two ways – through direct allocations to larger municipalities (the entitlement program) and through state allocations to meet the needs of smaller units of local government. In Maine, direct allocations are made to the entitlement cities of Auburn, Bangor, Biddeford, Lewiston and Portland and the urban county of Cumberland. Maine's OCD serves the state's other cities and towns (with population less than 50,000) and counties (with population less than 200,000).

The CDBG program's statutory objective is to "develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income [LMI]."[53] Each state is responsible for meeting that objective and responding to the unique needs of local units of government within its borders. At a minimum, community projects receiving state CDBG investments must meet one of three objectives:

- Benefit to LMI individuals and families
- Prevention and elimination of slum and blight conditions
- Meeting urgent community development needs

Maine has developed an additional set of guidelines for program investments. Projects must:

- Be part of a long-range community strategy
- Improve deteriorated resident and business districts and overall local economic conditions
- Provide the conditions and incentives for further public and private investments
- Foster partnerships between groups of municipalities, state and Federal entities, multi-jurisdictional organizations, and the private sector to address common community and economic development problems.
- Minimize development sprawl consistent with the State of Maine Growth Management Act and support the revitalization of downtown areas

These conditions ensure that investments meet national CDBG objectives while also encouraging economic development consistent with community and state strategic plans.

The OCD allocates CDBG funds through a number of specific programs, but the following community and economic development programs provide the most significant resources and support for communities.

Public Infrastructure grants (FY 2009 Proposed $2,200,000). These funds allow communities to address important infrastructure needs associated with public projects, historical preservation, affordable housing development and other needs associated with implementing a community development strategy. Communities can access funds in three categories:

[53] http://www.hud.gov/offices/cpd/communitydevelopment/programs/

- Water system installation/improvement, sewer system installation/improvement, water/sewer system hookup, storm drainage, other utility infrastructure
- Infrastructure supporting the creation of affordable LMI housing (roads, utilities, sidewalks, etc.)
- Streets, roads, sidewalks, parking areas, curbs, gutters

Economic Development Business Assistance grants (FY 2009 Proposed $1,800,000). This program provides gap financing for communities to help businesses create or retain quality jobs. The jobs must be targeted for low- and moderate-income individuals. Grants are made to support investments in public infrastructure that are necessary for job creation or retention. Examples include the rehabilitation of public infrastructure, or street and curb improvements. In addition, OCD makes grants to communities that, in turn, make loans directly to private businesses. These loans must also support job creation or retention through investments in new facilities, equipment, capital improvements, or other related business activities.

Community Enterprise grants (FY 2009 Proposed $750,000). These grant funds are used to support small businesses and microenterprises and for improvements to downtown areas. While communities can access up to $150,000, community loans to individual businesses are limited to $25,000.

Community Planning grants (FY 2009 Proposed $70,000). These relatively small grants can be accessed by communities to pay for planning activities. These activities may include conducting a study, strategic planning and analysis, and the articulation of implementation steps. The grants are intended to help communities that have an identified community development challenge but do not have the resources to commit to finding a solution or developing a strategy.

Downtown Revitalization grants (FY 2009 Proposed $500,000). These grants are made to communities that have completed or updated a comprehensive downtown development plan within the past five years. Activities permitted under the grant program are consistent with those identified in other categories (e.g., public infrastructure, community enterprise), but must contribute to innovative, comprehensive solutions to problems facing the downtown district. One objective is to have communities develop forward-thinking downtown revitalization plans that encourage future public and private investment.

Another important community development tool is Municipal Tax Increment Financing (TIF). In 2007, DECD approved the creation of 32 TIF districts in 22 communities and the economic development investment planned for those districts was over $529 million.[54] While this tool is not administered

[54] *2007 Highlights*, Maine Department of Economic and Community Development, http://www.econdevmaine.com/resources/pdfs/Highlights_2007.pdf.

through OCD, it is designed to provide communities with locally generated resources to support development. TIF is a locally driven tool for community development and DECD's role is essentially one of oversight – to ensure that communities are in statutory and regulatory compliance. As such, DECD does not establish the rules guiding TIF and state dollars do not flow to communities through this program. However, DECD staff can work with communities to develop TIF policies and to provide input on the creation of TIF districts.

By authorizing a TIF district, communities can use incremental property taxes generated through development to cover the costs of a specific project or to provide resources for future development. Specifically, a municipality can designate up to two percent of its total acreage as a TIF district. Within that district, local leaders may establish a policy allowing any incremental property taxes that result from a development project to be used in one of three ways:

- To cover some of the costs (e.g., debt service) associated with issuing municipal bonds to provide infrastructure for development within the district.
- To return a portion of revenues to the private sector business responsible for the development as a contribution toward the cost of their investment.
- To provide resources to support the municipality's overall economic development program, e.g., hiring staff to manage downtown redevelopment.

The survey results described below provide insights into the use and impacts of this funding.

Maine's Community Development Investment Portfolio

In FY2007, federal CDBG disbursements to the states were focused on grants for public improvements (55 percent), housing (17 percent) and economic development (14 percent).[55] Maine's allocation of community development investments is more evenly balanced in terms of investments in public infrastructure and facilities improvement, economic development (including business assistance), and housing. (See Figures 1 and 2 for comparisons.) Community enterprise grants, technical assistance, and community planning grants comprise a smaller portion of the overall portfolio.

[55] Use of CDBG Funds by States, www.hud.gov.

Figure 1. Disbursement of CDBG Funds, All States, 2007

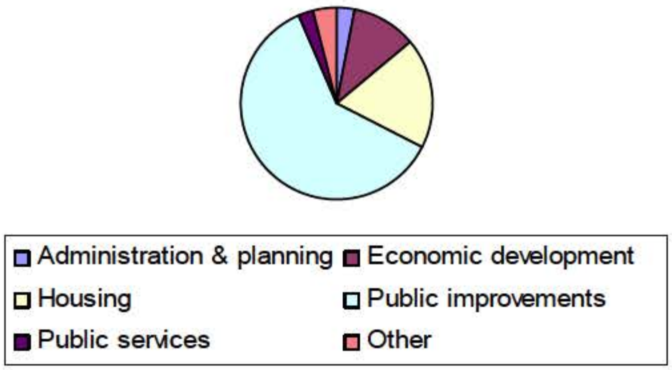
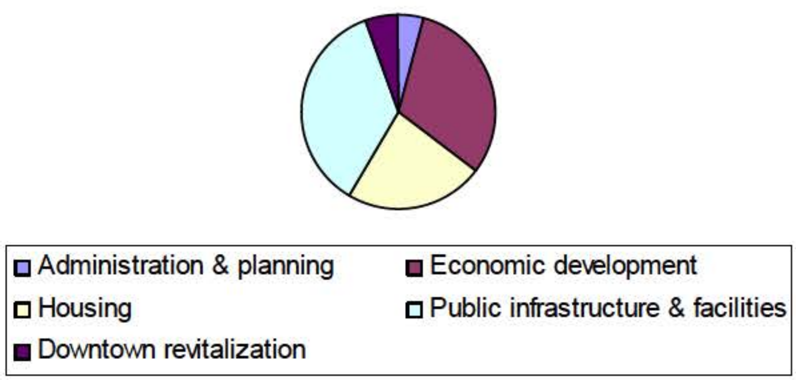


Figure 2. Disbursement of Maine CDBG Funds, Proposed 2009



From 1982 through the present, OCD made over 2200 grants to more than 300 entities across the state (primarily cities and towns). During that period, these entities averaged almost seven grants ranging in size from less than $500 (e.g., preliminary planning grant) to over $1 million (e.g., Housing Renewal Program grant). The distribution of grant funds by county is presented in Table 6-1, along with the individual poverty rate in each county. CDBG grants are designed to assist low- to moderate-income individuals and, in Maine, almost 47 percent of grant funds from 1982 to the present have gone to the five counties experiencing the highest levels of individual poverty – Washington, Franklin, Somerset, Aroostook, and Waldo. Almost three-quarters of the funds have been distributed in nine counties with individual poverty rates greater than the state average of 12.3 percent in 2005.[56]

[56] *Poverty in Maine Update*, Margaret Chase Smith Policy Center, University of Maine, Volume 1, Issue 2, August 2008, http://denali.asap.um.maine.edu/mcs/files/pdf/PovertyUpdateAUG08.pdf.

Table 6-1. Total State CDBG Funds (1982-2008) and Individual Poverty Rates (2005) in Maine, by County

County	Total CDBG Funds	% of State CDBG Funds	Individual poverty rate (%)
Androscoggin	7,848,623	2.11	12.0
Aroostook	82,122,197	22.13	16.6
Cumberland	14,960,888	4.03	10.0
Franklin	10,201,935	2.75	16.9
Hancock	20,136,505	5.43	10.4
Kennebec	28,637,170	7.72	13.0
Knox	16,548,415	4.46	11.9
Lincoln	5,122,064	1.38	11.0
Oxford	20,474,063	5.52	14.6
Penobscot	32,431,028	8.74	12.8
Piscataquis	13,881,881	3.74	16.3
Sagadahoc	12,282,254	3.31	9.0
Somerset	27,020,063	7.28	16.9
Waldo	12,239,224	3.3	16.6
Washington	41,858,739	11.28	19.1
York	25,403,780	6.84	9.0

To better understand the impacts of these community development investments, project managers were asked to participate in an online community development survey designed as part of the overall evaluation of Maine's economic development programs.[57] In 2007, the year covered by the survey, thirty-five communities received development benefits from the state through both the CDBG programs and Municipal Tax Increment Financing (see Table 6-2). In total, 18 communities, representing 26 different projects, responded to the survey, a response rate of 51 percent. These respondents received $2.45 million in CDBG funding from the state. Respondents were located in communities throughout the state, including all counties except Piscataquis and Waldo, and were representative of the larger set of communities receiving assistance from the state. A more detailed discussion of program participation and impacts is presented in the next section.

Community Development Program Survey Results

General Program Information

While communities choose to participate in the state's community development grant programs in response to a number of challenges (Table 6-3), the predominant reason for participating is to help grow the tax base of the

[57] More detailed survey results are available at Appendix B.

community (cited by 72.2 percent of respondents). Other important reasons are to respond to high unemployment (44.4 percent) or to the closure of a significant business in the community (38.9 percent). It could be argued that workforce development, measured by the combined responses associated with "low educational attainment" and "lack of or insufficiently skilled local labor force", also represents an important need in many Maine communities. Generally, two-thirds of community leaders felt that the programs available to support community development were "somewhat well matched" (33.3 percent) or "well matched" (22.2 percent) to needs in their communities (Table 6-4).

Table 6-2. Program Participation by Community Development Investment Recipients – Surveyed and Respondents

	All Surveyed		All Respondents	
Program Participation	Number	Percent	Number	Percent
Community Development Block Grants: Community Enterprise	5	12.5%	3	15.8%
Community Development Block Grants: Downtown Revitalization	2	5.0%	1	5.3%
Community Development Block Grants: Economic Development	11	27.5%	5	26.3%
Municipal Tax Increment Financing	22	55.0%	10	52.6%
Total	40	100%	19	100%

Table 6-3. Important Challenges Faced by Maine Communities

Top Economic Challenges Facing Your Community	Number	Percent*
Insufficient growth in the business tax base	13	72.2%
High local unemployment	8	44.4%
Sudden economic changes due to a dominant business closure or local downsizing	7	38.9%
High prevalence of poverty in the community	5	27.8%
Population decline	5	27.8%
Low levels of educational attainment	4	22.2%
Lack of or insufficiently skilled local labor force	4	22.2%
Population growth	2	11.1%

* Out of 18 respondents who could indiciate up to 3 responses

Table 6- 4. How Well Programs Match Community Needs

Need Level Met	Number	Percent
Very well matched to our needs	1	5.6%
Well matched to our needs	4	22.2%
Somewhat well matched to our needs	6	33.3%
Not at all well matched to our needs	1	5.6%
Not sure or neutral	6	33.3%
Total	18	100%

The primary purpose of the projects undertaken by communities reflects, to a large extent, the needs identified (Table 6-5). The top three project goals were business development/business assistance (identified as primary for 61.5 percent of projects), infrastructure investments (50 percent of projects) and downtown revitalization (50 percent of projects). All three of these goals relate in some way to the need to grow the business tax base of communities. Although workforce development needs were identified as being important to communities, less than 20 percent of projects served the primary purpose of workforce development. Whether this reflects a challenge in the design of interventions at the community level or limitations in the design of the grant programs themselves is an issue worth exploring in more detail.

Table 6-5. Primary Purpose of Community Development Projects

Primary Purpose of Project	Number	Percent*
Business Development/Assistance	16	61.5%
Infrastructure Improvements	13	50.0%
Downtown Revitalization	13	50.0%
Assistance to private, for-profit development activities	7	26.9%
Workforce Development	5	19.2%
Real Estate Development	4	15.4%
Other	3	11.5%
Microenterprise Assistance	2	7.7%
Affordable Housing	1	3.8%
Tourism Promotion	1	3.8%

* Represents 26 respondents who could check all that apply

In general, community leaders were “somewhat satisfied” (38.9 percent) or “satisfied” (27.8 percent) with the support and assistance received for community development. One respondent offered the following praise for DECD – “In my years of service to the City, 9 years, I have had the chance to work with the folks at the state that deliver economic/community development resources quite extensively. I have never had a bad experience and would actually say that in fact, I have had fantastic experiences." Four respondents indicated they were very dissatisfied with support received. Because the number of respondents is small overall, it is difficult to assess whether this dissatisfaction reflects something systemic to the programs or whether it reflects the unique experience of a few communities. As important for OCD, the survey showed that 94.4 percent of communities would apply for additional community development funding in the future – reflecting the importance attached to OCD's programs overall.

Specific Program Information

Ideally, state community development programs would stimulate and not replace private investment in development. Public dollars are often viewed as "but for" funds – they represent resources that are critical to a project moving forward. As one respondent offered, "The CDBG program is an invaluable asset for our community. Many projects would not be undertaken without it." Survey results suggest that this is very much the case throughout Maine. Over 50 percent of community projects probably or definitely would not have gone forward without state investment (Table 6-6). Equally important, communities leveraged other resources primarily from the private sector in moving these projects forward. While communities identified a range of financial partners (those who contributed money) and stakeholders (those for whom the project was important), local businesses were clearly the most signficant, and appropriate, partners (Table 6-7).

Table 6-6. Importance of State Funding to Community Projects

Likelihood Project Would Go Forward if State Funding Was Not Available	Number	Percent
Definitely would have gone forward	3	20.0%
Probably would have gone forward	1	6.7%
Not sure whether or not the project would have gone forward	7	46.7%
Probably would not have gone forward	4	26.7%
Definitely would not have gone forward	9	60.0%
Total	15	100%

Table 6-7. Primary Financial Partners and Stakeholders in Projects

Primary Financial Partners and Stakeholders	Financial Partners		Stakeholders	
	Number	Percent*	Number	Percent*
Local Business	16	72.7%	18	81.8%
Local Schools (K-12)	1	4.5%	4	18.2%
University	0	0.0%	1	4.5%
Community College	0	0.0%	1	4.5%
Local Non-Profits	4	18.2%	6	27.3%
Chamber of Commerce	0	0.0%	3	13.6%
State Agencies	6	27.3%	9	40.9%
Federal Agencies	4	18.2%	5	22.7%
Other	8	36.4%	5	22.7%

* Represents 22 respondents who could check all that apply

As described earlier in this chapter, OCD encourages communities to pursue grant funding in support of broader, strategic economic development goals established through a planning process. It appears that most communities are using community development grant funds as intended. Almost two-thirds of communities (62.5 percent) undertook a particular project in support of an existing economic development effort. Another 20.8 percent indicated that the projects grew out of a strategic planning process. In only one case did a respondent indicate that a project was a response to an immediate crisis or need as opposed to a strategic initiative. Since survey respondents were providing information about projects implemented prior to the current economic crisis, it is possible that more communities may seek funding to address short-term emergency needs during the current and following grant cycles.

Project Impacts

If the most important challenges in Maine communities are expanding the tax base and addressing high unemployment, then the state's community development investments generated important quantitative impacts that relate directly to these needs (Table 6-8). Specifically, the 24 projects included in the survey resulted in:

- The creation of 730 jobs
- The retention of 827 jobs
- The creation of 55 businesses
- The retention of 118 businesses
- $160.9 million leveraged in private investment

- $154.9 million increase in property tax base

Table 6-8. Direct Impacts of Project Investments

Direct Impacts of the Project	Number	Percent
Increased organizational capacity to support economic development	9	37.5%
Created local jobs	13	54.2%
Retained Existing Jobs	9	37.5%
Led to New Business Starts	8	33.3%
Retained Existing Businesses	5	20.8%
Generated New Private Sector Investment	12	50.0%
Increased the local tax base	13	54.2%
Revitalized vacant or underdeveloped land and real estate	13	54.2%
Developed new markets for local business	5	20.8%

* Represents 24 respondents who could check all that apply

While these quantitative impacts are often the primary focus of policy makers, survey respondents identified a number of important qualitative impacts associated with the projects (Table 6-9). More than half indicated that the project accomplished an existing economic development priority, while over 40 percent said the project helped the community undertake a new economic development strategy, again suggesting the strategic nature of most project investments. Almost half indicated that the project contributed to a more positive attitude in the community – an impact that was demonstrated in the three case studies conducted in support of the community development component of this evaluation (see Chapter 7).

Table 6-9. General Project Impacts in the Community

Project's General Impact in the Community	Number	Percent*
It helped accomplish an existing community/economic development priority	15	53.6%
It helped undertake a new economic development strategy or approach	12	42.9%
It helped build community or organizational capacity	10	35.7%
It created a more positive attitude in the community	13	46.4%
Other	10	35.7%

* Represents 28 respondents who could check all that apply

Program Observations

Respondents identified a number of strengths and several areas for improvement associated with the community development programs offered by OCD. Strengths included:

- Leveraged private investment
- Contributed to downtown renewal and investment
- Created or retained jobs
- Broadened the tax base through new business creation or facility rehabilitation

Several specific comments help to illustrate these strengths.

- “We have seen positive investments from many of the existing property owners, even ones who did not go through the grant program.”
- “Micro-enterprise program really effective; helped provide new attitude toward Main Street cohesiveness.”
- “Enticed private building owners to upgrade, rehab, and improve their Main Street buildings.”
- “The expansion [of a sawmill] has retained present jobs and created additional positions.”
- “The project created amenities that allowed events, sponsored by civic groups and merchants, to bring together citizens in the community in the downtown area.”

Areas for improvement associated with the community development grant programs include:

- Reducing the paperwork required for projects like façade improvement
- Providing communities with all the tools needed to manage TIF so they do not have to rely on consultants
- Creating flexibility in how TIF funds may be used particularly in terms of support for residential development in the downtown area – “To not be able to use Downtown TIF funds for housing related activities denies a very important economic engine; and downtowns need all the economic engines they can tap into.”

Conclusions

This evaluation was guided by two research questions – to determine the economic impact of the state’s economic development investments and to assess whether programs are achieving their statutory intent. Based on direct impacts alone, it is clear that Maine’s overall community development investments are generating outcomes that contribute to economic development in communities across the state – 1,557 jobs created or retained, 173 businesses created or retained and the property tax base increased by $154.9 million. While the indirect impact of these investments could not be measured given the limitations of the survey data, it is reasonable to assume that the jobs created through these investments would have additional indirect impacts throughout the local economy that would expand the overall impact, as was seen for the private companies included in the survey.

Community development programs are designed to do more than generate economic benefits. As described above, the statutory intent behind the CDBG program, OCD's most important community development tool, is to develop viable communities by investing in housing and infrastructure, and expanding economic opportunities. In addition, the program is targeted primarily at low- and moderate-income individuals. The projects funded in communities across the state were designed to accomplish economic and community improvement projects and to build the local capacity to engage in economic development. Funds have been distributed to counties with above average levels of poverty relative to the state as a whole. Specifically, these community development investments have:

- Funded projects in Maine communities that are focused primarily on business development, infrastructure, and downtown revitalization – all appropriate targeting given the intent of the programs.
- Funded projects at least half of which would likely not have gone forward without state support – helping promote the viability of communities through these investments.
- Funded projects that grew out of or were connected to a broader strategic planning process – meeting one of the additional intents behind Maine's use of CDBG funds.
- Attracted additional private sector investment and partners – an important goal for Maine's CDBG grants.

Based on these survey results, the community development programs of OCD appear to be achieving their statutory intent. However, a much richer understanding of the role that community development programs and related investments play in Maine was achieved through case studies of three communities – Calais, Rockland and Van Buren. The next chapter tells the story of the experience these communities have had with community development programs, provides some insights into what is working well and makes recommendations for improving this important component of economic development investments in the state.

Chapter 7
Maine's Community Development Investments – Insights from Three Community Case Studies

The Context for Community Development Investments in Maine

Community development investments can be a critical support tool, especially for smaller communities that lack resources to make their own economic development investments. Because they also support capacity building, they help Maine's towns build a stronger economic development foundation. Many communities – especially smaller rural towns or economically distressed regions – would be able to do little or nothing to support local economic development without the support of Office of Community Development (OCD) programs.

The broader academic literature highlights the importance of community development investments as a foundation for economic development. According to MDC, a long standing community development organization working in the southeastern U.S., "the attributes of a fully developed community – inclusive community leadership, effective schools, access to quality medical care, ample opportunity for productive and lucrative work, good roads and clean water – are both a by-product of positive economic performance and a foundation for future prosperity."[58] MDC identified building blocks for community development, which include:

- Business development
- Workforce development
- Physical infrastructure
- Social infrastructure
- Cultural and environmental stewardship
- Civic infrastructure

Many of these building blocks are consistent with the overall objectives of the Community Development Block Grant (CDBG) programs as operated in Maine and other states. However, there has also been recognition since the mid-

[58] MDC, *The Building Blocks of Community Development*," 2002, http://www.mdcinc.org/docs/building_blocks.pdf.

1990s of the important role of community capacity building as a precursor to success in economic and community development.

At its most basic level, community capacity can be defined as "simply the ways and means needed to do what has to be done. It is much broader than simply skills, people, and plans. It includes commitment, resources, and all that is brought to bear on a process to make it successful."[59] The importance of community capacity building was illustrated in an evaluation of the Appalachian Regional Commission's (ARC) community capacity building projects, beginning in 1995.[60] The evaluation showed that these capacity building projects had positive impacts at three levels. The projects helped build the skills of **individuals** as community leaders and organizers. Projects benefited **organizations** through collaboration and idea sharing. And, the projects helped **communities** by improving planning, increasing civic participation, and improving infrastructure and education. The study also noted that: "such enhanced capacity has paved the way for longer term economic, environmental, and social benefits, as well as increased community assets and decreased liabilities."[61]

Given this broader community development context and because Maine's community development investments operate in a unique niche within DECD, the evaluation team supplemented the survey research described in Chapter X with more in-depth case studies of community development investments in three communities – Calais, Rockland, and Van Buren. The case study included visits to each area and interviews with municipal and other community leaders. The communities vary in terms of size and geography, and represent different approaches and potential strategies for economic development.

The intent behind the case study approach was to learn more about the importance of these investments to the communities and how well the process of accessing state support for community development is working for them. As well, the case study interviews provided suggestions for additional kinds of investment that may be needed to address community development capacity issues that may impede the achievement of economic development outcomes.

This chapter shares the insights gained through the selected case studies, describing the three case study communities, their use of community development grants, and the experience they have had with these programs. The final section offers conclusions about what is working well in terms of the state's community development investments and recommendations for future directions.

[59] Frank, F. and Smith, A., *The Community Development Handbook: A Tool to Build Community Capacity*, 1999, www.hrdcdrhc.gc.ca/community.
[60] Westat, *Evaluation of the Appalachian Regional Commission's Community Capacity-Building Projects*, 2004, http://www.arc.gov/images/reports/capacitymodel/capacity.pdf.
[61] Westat, p. 79.

Three Case Studies – Calais, Rockland, Van Buren

There is important variation across individual cities and towns in the use of the CDBG program in particular. Some communities have received a grant in only one of the 27 years covered by the data from OCD (e.g., Aurora), while others (e.g., Caribou) have received grants in 21 of 27 years. Some communities sought multiple grants in a single year (e.g., in 2000, Fort Kent received a grant for water and sewer infrastructure improvements and another grant for downtown revitalization), while others received only a single grant (e.g., in 2001, Bridgton received a business assistance grant for a communications company).

Survey results show that, in a given year, most communities participate in a single program (88.6 percent). However, longitudinal data and our interview findings suggest that communities view OCD programs from a portfolio perspective. Most towns seek multiple grants from multiple program sources and seek to create synergy between the various investments. In recent years, Rockland, for example, has used several different grants to assist in its downtown revitalization efforts. It has used OCD funds to support business façade improvement, streetscape upgrades, and historic preservation of downtown buildings.

While the communities of Calais, Rockland and Van Buren have distinctive economic profiles, they all have been active users of OCD grant programs, and the local project managers all have wide and long-term experience with a broad range of community development investments. As such, these communities cannot be viewed as “typical” of most program participants. Each has received grants from 1982 through 2008 that number well above the average for communities in the state. Thus, our case studies do not seek to portray the “typical” Maine community development story. They seek instead to describe how some Maine communities use OCD programs to help stimulate other economic development activity. Hearing about the benefits and challenges from using these programs in these places can provide insights into the potential of OCD’s programs to achieve the state’s broader community development objectives.

While each of the three communities faces unique economic circumstances, several commonalities emerged from the interviews and other analysis:

- Each community is served by a community development representative with long years of experience, active involvement in community affairs, and strong connections in the region and across the state. Each individual has developed the expertise and commitment to accessing community development grants on behalf of the community.
- All three communities have tapped a range of OCD grants to meet their needs – planning, infrastructure and facility improvement, business

assistance, and housing grants. They are using these funds to invest in community capacity building (e.g., infrastructure) as well as to invest more directly in business development (e.g., loans to private enterprises to create or retain jobs).

- OCD grants helped to support investments that these communities identified as being critical to the achievement of existing strategic plans. The communities were pursuing grants that helped them move closer to long-term development goals.
- Even with these community development investments, it was recognized that success in economic development often brings challenges in terms of workforce preparedness. The need to link education and skills training to economic development is an important challenge faced by all three communities.
- The power of community development investments to trigger changes in the attitudes of local residents was acknowledged in all three communities. This change was documented through comments such as “there’s a stronger community spirit”, “the community rallied behind the project”, and “day and night change in town”. And, communities showed more concrete evidence of this change as public investments, such as in façade improvements, were followed by private sector investments in similar upgrades.

Calais

Located on the Canadian border in Washington County, Calais has a population of 3,277 (2006).[62] Since 2000, population has declined by almost 5 percent. The community faces both the challenges (e.g., competition) and opportunities (e.g., access to markets) that their border location provides; however, increased border security and the impending completion of a new bridge that bypasses downtown Calais have created additional challenges to the community.[63] Thus, Calais faces both long-term and more immediate economic development challenges. As it has in the past, it is seeking to revitalize its downtown area so that it is more attractive both to shoppers and to businesses considering relocation to the area. This long-standing set of challenges is now further complicated by the potential impacts of the new bypass that will shift traffic and customers away from Calais’ main shopping district.

Since 1982, Calais has received 37 grants from OCD, totaling $8,418,387. Over the past ten years, Calais has received grants totaling more than $3.89 million. Grants have ranged from $10,000 planning grants to $500,000 grants for water and sewer upgrades and acquisition and demolition of downtown property to make way for new building. To provide a sense of the range of grants received

[62] All community demographic data are from http://www.state.me.us/spo/economics/economic/towndata.htm.

[63] An earlier construction project that also led to a bypass of downtown was estimated by downtown business merchants to have triggered a ten percent decline in business.

and the diversity of uses for these funds, grants for the past 10 years are included in Table 7-1.

Calais' economic development planning efforts date back to 1998; its primary focus has been to revitalize Calais' downtown area so that it can serve as an economic engine for the region. Under this broad objective, the community has sought to use OCD funds to make general improvements in the downtown area, and also to attract or support projects generated from other businesses or other sources. In terms of general improvements in the downtown area, OCD funds have been utilized to remove blighted buildings and to generally improve the streetscape and business facades in the downtown area. Most interviewees agreed that the downtown business district has been significantly improved thanks to these investments.

In terms of other key infrastructure, OCD's support for water and sewer improvements in Calais has been critically important. City leaders recognize that, on its own, Calais could never afford these critical upgrades. And, without effective water and sewer facilities, the prospects for other business development are severely constrained.

Table 7-1. OCD Grants to Calais, 1998-2008

Year	$ Amount	Use
1999	400,000	WCPA (Residential Childcare Facility)
1999	25,000	
1999	400,000	Franklin Street sewer
2000	205,000	WCPA (Residential Childcare Facility)
2000	400,000	ICT Group (private call center)
2002	402,500	Wastewater facility improvements
2002	50,000	Acquisition/eliminate slum/blight
2002	10,000	Economic Development study
2003	500,000	Downtown revitalization
2003	402,500	The project is to remove burned out, vacant, and obsolete buildings, construct needed parking, create new city park, assist businesses to restore facades, and build a handicapped accessible link between the historic downtown and the waterfront
2004	21,500	TA pass-thru for Eastern Maine Development Corporation (EMDC) Washington County area
2005	23,000	Pass-thru for EMDC (Washington County area)
2005	125,000	Façade Program
2005	10,000	Downtown planning in anticipation of new bridge
2006	25,000	Pass-thru for EMDC (Washington County area)
2006	100,000	Improvements to the Saint Croix fire station
2007	9,200	Community center for LMI residents

2007	19,994	Pass thru for Washington County Council of Governments (WCCOG)
2007	500,000	Water and sewer line utility replacement
2007	150,000	Multiple downtown streetscape and landscaping improvements
2008	500,000	Replace and make minor repairs to sewer lines
2008	20,000	Pass thru for WCCOG

Calais has had more mixed results in supporting larger scale projects. City leaders point to the building of a youth-care facility for Washington County Psychotherapy Associates (WCPA) as one of their most successful projects. OCD grants were used in the development of a residential childcare facility for disabled children. This WCPA facility has been successful in providing a residential alternative for local children, at the same time that it has created new, well paying jobs in the region. Children get better care and the state saves money, with positive economic development benefits to the region.

Calais' experience with the Downeast Heritage Museum, funded in part with OCD grants, has been less successful   As part of a strategy to develop the downtown around heritage tourism, OCD grants were part of a broader funding package used to build the Downeast Heritage Museum – a beautiful new riverfront facility including a visitor's center and a museum focused on the Native American heritage in the region.   The facility has been completed, but the expected operating funds (from the US Forest Service), never materialized. The museum has been forced to shut down, although a visitor's information center still operates there. Unfortunately, this high profile episode has soured many residents on the prospects for tourism development in Calais. However, local leaders are optimistic that the impressive riverfront facility can be used for other purposes.

These two grants illustrate the challenge of effectively using community development grants as part of an overall economic development strategy. In the case of the children's facility, one interviewee described the project as having "lots of local energy". As a result, it was easy to work with OCD and the state was very responsive and supportive of what the community was planning. The concept and energy came from the community, with support from a number of state agencies that worked well together.

With the Downeast Heritage Museum, the community was dependent on both planning (e.g., a feasibility study) and funding (e.g., US Forest Service) from outside the region and the state. However, the failure of the museum to get off the ground and survive has had repercussions in the community. Most interviewees noted that the future use of the facility was unknown, creating, at least for now, a very public vacancy in the downtown area. And, some interviewees described people in the community, leaders and residents, as being challenged by this experience – "It's hard to come back from a failure."

The community has also had mixed results with two call centers. OCD provided support for ICT, the first of two call centers to come to the area. The center was not successful, providing low wages and a poor work environment according to interviewees. However, a new Acrobat facility has been more successful, providing better local employment opportunities and an improved work environment. This experience suggests that grant support from communities to business owners should be tied to an accurate understanding of what that company will bring to the community – all job creation is not equal.

In interviews with community leaders, the important role of infrastructure and downtown revitalization investments was stressed. These investments were viewed as being the foundation for job creation – improvements to the downtown that would help it become a destination. As one interviewee described it, the downtown is “infinitely prettier than it was before.” Façade improvements, a roof for the bandstand, and benches in the public space have resulted in positive community feedback, according to another interviewee. The bandstand is the location for Tuesday night concerts, sponsored by local businesses, that draw residents to the downtown, creating “stronger community spirit”.

Another tangible example of this stronger community spirit is the St. Croix #1 Firehouse restoration project. With some funding from OCD, a determined group of volunteers is working to restore the firehouse as a handicapped accessible, attractive public space. Working with a large number of volunteers and donations, the group is making progress toward creating a new focal point for community pride. Although the restoration is unlikely to create jobs directly in the community, it has already helped to solidify a spirit of giving back to the community that could be leveraged for other projects.

There are a number of economic development opportunities on the horizon for Calais, if they can create the capacity to respond to them:

- New bridge – The new entry point will create some jobs related to the Canadian border crossing and there is likely to be some economic development around the new bridge. It will take a concerted effort and cooperation with the Maine Department of Transportation (MDOT) to create signage that draws traffic from the bridge to the downtown. Continued improvement in the downtown and reconciling the future of the Heritage Museum are important for Calais to become a destination and attract people from the new bridge into town.
- Development of the riverfront – The riverfront was described as an asset by many interviewed for this case study. The town has a plan for waterfront development, but it has not moved beyond the planning stage. Resources to support this longer-term goal will be needed. Some view development of the riverfront as being tied to a broader regional tourism effort for the Calais region.

- Liquid Natural Gas (LNG) Project – The LNG project offers the potential for economic development impacts in Calais, particularly during the construction phase.

It is clear that in pursuing past and future opportunities, leaders in Calais view OCD as a potential resource partner, along with the Washington County Council of Governments (WCCOG), Sunrise Economic Development Council and, in the past, Eastern Maine Development Corporation (EMDC). WCCOG provides information on grant opportunities to leaders in Calais and OCD has been "easy to work with" and "very helpful" in accessing these grants. However, several suggestions for additional ways in which OCD might be helpful to the town include:

- Provide stronger technical assistance to communities in developing a long-range plan and then provide resources to accomplish that plan – make sure towns pursue grants that are based on strategic needs as opposed to funding availability.
- Facilitate communication between towns and other state agencies that may be important to the town's success – create avenues for towns to negotiate with, for example, MDOT, on signage.
- Recognize the multi-year nature of most infrastructure projects – since infrastructure investments like water and sewer projects are foundational to economic development and job creation, larger grants that can support the cost of projects implemented over several years should be considered.

Rockland

Located in Midcoast Maine (Knox county), Rockland boasts a protected harbor that contributed to its history as a working waterfront. With 7,578 residents in 2006, Rockland's population has declined less than one percent since 2000. The community has a vibrant downtown and is actively planning how to revitalize the waterfront. The Farnsworth Art Museum provides a cultural anchor to the downtown that contributes to its success as a tourist destination. Several popular festivals, such as the annual Maine Lobster Festival, also attract tourists to the area.

Rockland has had a successful partnership with OCD, receiving 43 grants worth $9,314,430 from 1984 to 2008. As was seen in Calais, these grants ranged from small planning grants of $10,000 or less to large home repair and infrastructure investments of over $500,000. Table 7-2 provides information on grants, totaling $ 4.934 million, received by Rockland over the past 10 years.

Table 7-2. OCD Grants to Rockland, 1998-2008

Year	$ Amount	Use
1998	105,000	

1999	10,000	
2000	2,500	
2000	300,000	Housing rehab, revolving loan
2000	15,000	Housing assessment
2001	100,950	Micro-Loan
2001	10,000	Study of Job retention on the Municipal Fish Pier for LMI persons.
2003	378,860	
2003	400,000	Sewer reconnections for LMI residences in the Target Area and storm/sanitary separations on two specific dead-end streets
2003	100,500	Home Repair Network (HRN) Program
2003	10,000	Economic Development study
2004	150,000	Oak Island Seafood
2004	702,500	Home Repair Network, Pass-thru
2004	44,000	Purchase of four station wagon vehicles by Coast Transportation, Inc., (Coastal Trans) that will be used to provide transportation services for elderly persons in the Coastal Trans service area. The vehicles will add to Coastal Trans fleet.
2004	10,000	Tilson Avenue redevelopment district planning study
2004	102,500	Micro-Grants
2004	302,500	Housing Rehab
2005	702,500	State Wide Home Repair Program
2006	152,500	Business Façade
2006	1,052,500	Home Repair Network
2006	100,000	Oak Island Seafood, Inc. (operating capital)
2007	100,000	Historic preservation to the 1936 Community Recreation Building
2008	82,990	Downtown improvements - paving, sidewalks, harbor trail

Rockland's experience with community development investments can be summarized best in these statements from interviewees – "investment begets investment" and "infrastructure investments can build a community". Rockland experienced a wave of public and private sector investment that has created the foundation for economic development both at present and into the future. Early investments by a private financial services company, MBNA, in reclaiming a vacant building and in the Farnsworth Museum, set the stage for further private investment in renovating the Strand Theater. About the same time, public investments using OCD grants were made in downtown improvements and other infrastructure investments. Façade and public infrastructure investments resulted in private sector investments – seeing the city invest "sent the right signals to business owners" that investing in their properties made sense. This private investment continued, after a struggle with a landowner, and the Camden National Bank building was renovated.

Those interviewed for this case study agree about the importance of the OCD grants in leveraging private investments, helping to raise the morale of the business community, and creating positive press for the city. Rockland's success, it was acknowledged, is known through the state. The most obvious impact of these grants has been the physical improvements on Main Street. While at times the city has taken the lead, and at other times has worked in parallel to the private sector, those interviewed suggested that OCD grants are critical to maintaining momentum for downtown revitalization and, in many cases, are providing resources for investments that would not have been made "but for" the state support. In effect, state investments helped trigger a virtuous cycle of other outside investments.

Rockland's experience offers some useful lessons to other communities in the effective use of community development investments. Initially, a small amount of public grant money was used to develop a plan for the city. The community development director was responsible for getting community input and buy in for that plan and, by all accounts, the process of gaining that input was handled well, particularly in terms of his partnership with the Downtown Alliance and getting input from Main Street business owners. With the plan in hand, Rockland has been diligent about accessing OCD grants to implement elements of that plan in a systematic way. In addition, the city has partnered with many organizations, including the MDOT, the Maine Department of Conservation, the private sector and even the Masonic Lodge, which provided trees for streetscape improvements. Rockland has coupled their grant seeking with the creation of a Tax Increment Financing (TIF) zone for the downtown area – a tool for capturing some of the tax revenues that result from growth in the downtown area so that they can be reinvested in further revitalization.

While Rockland's experience working with OCD has been very positive – "they bend over backward to help" – the community development director acknowledged that not all communities have the dedicated staff who can navigate through OCD and access these grant funds. There was also concern that community development investments may be diluted in the future by heavy demands for housing investments, leaving fewer resources for public infrastructure. These infrastructure investments, and those that are needed for the future, are critical to Rockland's current and future success.

Rockland has experienced both success and challenges in using OCD grants. Success has come from the positive demonstration effect of seeing the public develop a plan and begin to put pieces of that plan into action. The negative experience has come through the microloan and business assistance grants. The city had a loss on a microloan that led to more caution and rigor in lending standards. They now require full real estate collateralization – a change that may make it more difficult to address capital gaps for small and start up businesses. The challenge with business and microloan assistance also illustrates a capacity constraint that may be reflective of other smaller communities. Rockland's focus on public facilities and infrastructure improvements is, in part, an expression of the town's capacity – the skills of the community development director better match the requirements for these types of investments as compared to business development and financing. Fortunately, there are other partners in Rockland, particularly the Chamber of Commerce, that emphasize economic and business development.

In spite of the investments that have been made in the downtown area, other opportunities remain untapped:

- There is an unrealized opportunity for recreational development in the area, particularly in terms of safe walking and biking trails. These would contribute to the tourism potential for the community.
- One part of the downtown area, Tilson Avenue, has not yet been affected by revitalization efforts. Vacant buildings and further development of the harbor represent opportunities that future public and private investment might address. These opportunities also extend to efforts to regain a "working waterfront" in Rockland.
- These community development efforts, particularly in terms of the creation of a "working waterfront," must be tied to business development so that the city is "ready" for waterfront redevelopment. One tool that can work in conjunction with these investments is the Pine Tree Development Zone (PTZ) Program. The city is part of the Midcoast Maine Pine Tree Zone and used that program to assist Boston Financial in moving to the facility vacated by MBNA, as well as to invest in other businesses. Most importantly, PTZ provided a catalyst for three counties in the region to work together. This collaboration may provide an important lesson for future use of community development investments that benefit the broader region.
- A challenge that could be turned into an opportunity is to foster more local investment and ownership in these community development efforts. The city has been a significant leader in identifying investments and accessing OCD grant funds to date. Moving forward, there is an opportunity for the local business community in particular, through the Downtown Alliance or Chamber, to take more leadership in setting priorities for community development and in providing local resources to support those efforts.

Van Buren

On the northern edge of Aroostook County's rolling potato fields, Van Buren lies on the Canadian border. In 2006, the town's population was 2,534, a four percent decline from 2000. A former mill town, Van Buren was characterized by a lack of investment by local businesses and a depleted housing stock, including the first public housing project in the state. The community depends on the Canadian market for about half of its commerce. While trade with Canada has been affected negatively by tighter border controls, strategic community development investments are beginning to reverse declining investment in both downtown businesses and housing units.

Since 1982, Van Buren has received 43 grants from OCD for a total of $8,591,718 in investments. Table 4 lists grants for the past 10 years – a mix of funds (totaling $5.17 million) for housing rehabilitation, major investments in water and sewer, and investments in business development and façade improvements. As with both Calais and Rockland, Van Buren seeks grants to support a community strategic plan and the private sector has been an important partner in these efforts.

Van Buren's important successes have been with façade improvements and housing rehabilitation. On Main Street, a single façade improvement grant encouraged other business owners to make improvements without public support. Another owner was able to make improvements to the outside of her building, acknowledging that "it would have been years before they would have done it." These improvements helped create what was described as a "day and night change" in the town, with positive feedback from local residents. Town leaders understand the importance of making a good first impression to visitors and of getting local people thinking positively about the community – "things are getting better." These investments have helped create an environment where positive changes are happening.

Another outcome associated with OCD's investments was the town's decision to participate in the national Main Street program. Van Buren Main Street is the first program north of Bangor. Support for the program comes from three-year pledges by local businesses and 100 percent of businesses have honored those pledges. Local business support for community development has also been evidenced by their willingness to provide commitment letters indicating their contribution toward the local match needed for OCD grants. The community development director noted that this represents a significant change from the recent past when local businesses would not even have a conversation about investing in their businesses and there was no spirit left on Main Street – "why should I be the only one to invest on the street?"

Table 7-3. OCD Grants to Van Buren, 1998-2008

Year	$ Amount	Use
1998	205,000	
1998	9,050	
1998	100,000	Aegis Bike
1998	105,000	
1998	400,000	
1999	400,000	Replacement of sewer

1999	300,000	
2000	400,000	Construction of an industrial building; first tenant Acadian Paper (formerly Valley Paper)
2002	400,000	I & I problem, sewer improvement and storm water separation
2002	300,000	Rehab single-family homes and apartments
2002	10,000	Feasibility study for Industrial/Business Park
2003	150,000	
2004	10,000	Acadian Village Revitalization Study
2004	50,000	Senior and LMI exercise program
2005	300,000	Rehab 18 to 20 homes
2005	125,000	Façade Program
2005	500,000	Sewer/water upgrade for Violette Street Cluster
2006	10,000	Downtown Plan
2007	500,000	PF, PI, CE and HA - different sites and structures on Van Buren's Main Street
2007	200,000	Improving Acadian Village infrastructure and buildings to make site more tour bus ready
2008	300,000	Modifications/repairs to Northern Aroostook Alternatives buildings
2008	150,000	Micro-enterprise – assisting small LMI business owners with rehab, inventory, equipment and heating upgrades
2008	250,000	Rehab 12 housing and 2 rentals

Van Buren’s community development director has established a strong relationship with OCD and describes the staff as having the attitude of “how can I help you to be successful?” At the same time, he acknowledges that grant seeking requires time and expense on the part of the town, including the hiring of a grant writer. However, the benefits to a community like Van Buren, with its strategic use of grants over time, are acknowledged to be significant. One improvement in the state’s assistance to communities could be in bringing resources together into one place – a “one stop shop” for communities. In addition to the OCD programs that Van Buren taps regularly, the town also manages a TIF district and uses the PTZ and Enterprise Zone programs. Bringing information about these tools together in one place would make it easier for smaller communities to access these resources.

Van Buren faces a number of opportunities/challenges in terms of community and economic development, some of which would benefit from state support:

- Community leaders expressed optimism that Van Buren could be a destination community with promotional support from the state, further development of tourism infrastructure and a change in attitude by local residents. OCD grants have been used to improve Acadian Village, a tourist site that will become tour bus accessible as a result of these investments. The regional tourism authority is also promoting snowmobiling in the area and, with the redevelopment of a local hotel, Van Buren could benefit from tourist traffic. However, leaders acknowledged that residents "tolerate tourists," an attitude that must change if the town is to realize the full economic development potential that tourism might entail.

- Related to tourism development is the development of the riverfront. In collaboration with other municipalities, Van Buren is part of the St. John Riverfront Project. The project will include the development of a community boat dock and river walk in Van Buren. According to some interviewees, the river represents untapped potential for the community.
- Business development remains an important need for Van Buren, particularly in terms of developing niche businesses that can bring more people downtown for shopping. This development is important in conjunction with turning Van Buren into a destination as well as providing residents with more opportunities to "buy local". One need which might be addressed through a planning grant is a study of local businesses and what types of businesses are missing from the local community. For example, there is no local real estate agent in Van Buren. These businesses might represent niche areas for business development.

Insights and Recommendations

While each of the case study communities is inherently unique, their collective experience with the state's community development grant programs provides insights that may serve to reinforce what is working well and to improve practices that could work better. Based on these insights, and supportive evidence from the survey results, a number of insights and recommendations are offered.

What is Working Well?

There is a great deal of support for Maine's community development programs. As one community leader stated, *"Community development and economic development are intertwined."* Several observations about what is working well are offered below:

- OCD grant programs provide resources to support investments that smaller communities could not make on their own. These smaller communities would have difficulty, particularly under current fiscal constraints, raising dollars needed for major infrastructure and community improvement projects. These grants make an important

contribution to increasing communities' capacity for economic development.
- OCD staff is effective at providing outreach to smaller communities that helps bring resource opportunities to the attention of community leaders. The personal connections made between OCD staff and local economic developers facilitate the ready exchange of information and serve to enhance the capacity of communities to respond to these opportunities.
- Community development projects are connected to and grow out of the community's strategic planning process. The design of the grant making process reinforces this connection and appears to help communities be more strategic in the design and implementation of community development efforts.
- Communities are doing a good job of leveraging private resources and partners in support of community development programs. The case studies, anecdotally, and the survey results, with quantitative evidence, support this conclusion. To the degree that program design reinforces this private sector involvement, it should be deemed successful and should be continued.

Recommendations for Improvement

Survey results and case study interviews suggest that OCD is viewed very positively overall and the programs offered are deemed to be important to the community and economic development efforts of Maine communities. However, there were a number of program specific comments or suggestions received in response to the survey and during the case studies. As a result, OCD (and perhaps DECD more broadly) should consider the creation of a business and community advisory group to serve as the "eyes and ears" of the department throughout the state. This group could provide real time input on program rules and share issues and concerns with program implementation as they arise. In addition to this overarching suggestion, several additional recommendations are offered as suggestions for improving the effectiveness of these notable programs:

- Create a "one stop shop" or central portal for information related to community economic development. Even the experienced economic developers represented in the case studies identified the need for a central clearinghouse of information about programs available to support community development. While this recommendation specifically comes out of the community development case studies, any central clearinghouse should be coordinated with efforts to make economic development programs, in general, more easily accessible to businesses and communities throughout the state, e.g., Maine Works website.
- Build the capacity of local economic developers to participate in community development grants. The case studies in particular show the

importance of individual capacity to the success of the grant seeking process. While OCD undertakes outreach associated with its community development programs, it might consider ways to build the capacity of local economic development staff or volunteer community leaders, in smaller towns, to successfully tap CDBG or other grant monies.

- Make a more intentional connection between community development investments and workforce development. The survey results suggest that community development projects are not targeting workforce development needs and case study interviews noted the importance of addressing skills and other gaps in workforce development as a part of community economic development. The state might consider how OCD and other agencies charged with workforce development might partner to develop new programs or to expand the use of existing programs to bring community and workforce development into closer alignment.
- Develop a better set of performance metrics as a way of assessing the importance and outcomes of community development projects in the state. This evaluation demonstrated the challenge associated with measuring the outcomes associated with community capacity building grants. The survey results describe quantitative outcomes associated with these investments, e.g., jobs created/retained. The survey and the case studies identified more qualitative impacts associated with these programs that may prove to be equally important to the long term economic development prospects of communities, e.g., changing community attitudes, increased private sector participation. However, these latter observations are not derived from a set of quantitative and/or qualitative metrics gathered across projects. The creation of a measurement system for community development investments would yield important insights into the value of these programs as part of the overall set of economic development investments undertaken by the state.

CHAPTER 8
Detailed Recommendations

Beyond the broad themes noted earlier, the evaluation team offers several other suggestions for strengthening Maine's economic development portfolio and improving the evaluation process in the future.

- Reassess Some Current Program Designs

Our evaluation has focused primarily on program outputs and outcomes, but it also generated a number of useful suggestions related to specific programs. In particular, three programs--the Pine Tree Development Zone incentives, the Business Equipment Tax Reimbursement program, and the investments made by Maine's Office of Community Development--may warrant further refinements.

As shown in Chapter 5, the PTZ program has generated significant impacts and strong support among its beneficiaries in designated businesses and communities. As the Legislature reviews the program this year, it should examine approaches to address a number of the issues highlighted in our case studies. These include the potential introduction of more specific performance requirements, the development of either performance provisions (designed to reward companies after they achieve their agreed upon job creation/retention or sales revenue generation results) or clawback provisions (designed to recoup state investments in the case a company underperforms in meeting its agreed upon performance objectives), and even the expansion of benefits to aid companies across the state.

The Business Equipment Tax Reimbursement (BETR) program generated the largest number of comments from surveyed business customers. Businesses almost universally praised BETR as a critically important incentive, but also noted that current BETR processes could be improved and streamlined. Specific suggestions included speeding up the reimbursement process so that benefits are provided in the same year as tax payments, and introduction of "grandfathering" provisions for BETR beneficiaries. Under this plan, Firms receiving BETR benefits would receive reimbursements based on their original BETR formula, and would not see a change in benefits due to subsequent legislatively-mandated recalculations of the formula. Firms make capital expenditure decisions based on the BETR rules at the time they apply; changing the rules after these decisions are made has a potentially significant negative impact on the businesses. As a general rule, unless the state simply cannot afford to do so, projects benefiting from long-term incentive programs need to have certainty about their reimbursements because they incorporate the cost reductions associated with the reimbursements in their respective project pro formas and financing plans.

Finally, the impact of state community development investments could also be enhanced through modifications to the design of several current programs. Suggestions, which are detailed in Chapters 6 and 7, include developing closer linkages between community development investments and the activities of Maine's workforce development programs, as well as the development of a more extensive performance measurement system that does a better job of capturing specific qualitative and quantitative impacts resulting from state and local investments.

- Improve Outreach Efforts

While many businesses and communities using Maine's economic and community development programs suggested changes emphasizing program design and operations, most concerns focused on challenges in simply identifying and accessing needed help. Many businesses indicated that they were not even aware they had received support until they were asked to participate in this evaluation survey. DECD and other state programs must do a better job of marketing and promoting existing programs and initiatives as well as working with assisted businesses (in particular) to better quantify program impacts. Governor Baldacci's Working Group on improving Maine's economic development systems reached a similar conclusion in its recent report. [64]

Improved outreach can take many forms. Additional funding for program marketing efforts should be considered, but this may not be a feasible option in the present fiscal environment. Under current funding levels, DECD and other economic development support providers must also identify other methods to educate Maine businesses about existing support tools and programs. For example, DECD and its partners, such as the Finance Authority of Maine or the Maine Technology Institute, should consider creating a single consolidated outreach budget and campaign that promotes all programs with a common theme or themes. Furthermore, this outreach should focus not on simply telling the story of individual programs, but on effectively communicating with companies about their needs and engaging businesses and entrepreneurs in business-oriented venues like trade group meetings or networking events. Thus, the use of private sector networks (such as industry trade groups) as well as web-based networking might also be techniques for reaching out to companies. In addition, as an incentive to work with companies in a way that adds greater value to the company's bottom line or in the community's best interest, "market penetration rates" (representing the overall awareness of

[64] Report to Governor John Baldacci from The Working Group to Increase the Efficiency and Effectiveness of the State Economic Development Delivery System, November 3, 2008. Hereafter referred as *Economic Development Working Group Report*.

support programs) as well as specific program impact data derived through current and future client surveys might be used as inputs into the DECD personnel performance review process for program teams as well as individual program managers. A similar performance review process should be used for other support providers, such as the Small Business Development Center Network or the Manufacturing Extension Partnership. This will provide greater incentive for staff at all leading organizations to consider creative ways to interact with companies using their limited resources for outreach.

This revised outreach effort should focus on reducing confusion among business customers who have little interest in trying to understand the differences between PTZ, BETR, or various other government program acronyms and abbreviations. At present, Maine's economic development partners "market" their individual programs by encouraging potential customers to apply for discrete program benefit streams.

A new mindset, based on marketing "solutions" is needed. This might take a more problem-oriented approach to addressing business needs. With this new approach, support providers would focus on understanding the needs of individual businesses and communities, and responding to those needs by bringing together a set of programs that can most effectively address those needs. This customer-focused orientation would move economic development organizations from delivering programs to providing solutions. This approach would also require closer coordination with other state departments (e.g., Transportation) so that their resources could be applied to these solutions. Such a change in approach would likely result in stronger satisfaction with Maine's business service delivery system and lead to improved economic and other impacts as businesses and communities find solutions to their challenges.

We also readily admit that if such an approach were adopted, that it would involve redesigning the survey used in this evaluation to reflect such an approach. For instance, under such an evaluation framework, companies would be asked about the key issues and challenges they faced and how well the provided assistance helped to overcome those challenges rather than focusing on their relative satisfaction with specific programs. Of course, we would still be interested in the specific company performance (especially relative to relevant industry performance) as well as the company's assessment of how much of its success was due to state-backed investments or related interventions.

- Better Linkages across Programs

While we recognize that better funded and better organized outreach efforts would improve Maine's ability to communicate effectively with the state's business owners, we also recognize that improved outreach provides, at best, only a partial solution to the challenges identified in this year's surveys. Maine's economic development programs currently operate in silos, with very little incentive to collaborate. Outside of the core economic development networks, this collaboration is even more limited. For example, there appear to be few initiatives that link economic development and workforce development efforts. These kinds of partnerships are becoming commonplace across the US.[65] In Maine, however, efforts, such as the North Star Alliance (funded in part by the US Department of Labor Workforce Innovations in Regional Economic Development, or WIRED, initiative), are undertaken primarily as discrete pilot projects rather than as efforts aimed at building systemic change. The commitment to integration must become a core operating principle of state investments in economic development, not a one-time demonstration effort.

The weakness of these linkages is reflected in our survey results. Very few surveyed firms access more than a single state support program, despite the fact that many of the programs are designed to address complementary needs. In fact, 81% of those surveyed received support from only one program. This is problematic primarily because firms indicate they are not using these other programs because they are either unaware of or uncertain about ways to access them.

Addressing these concerns requires that Maine invest in making economic development programs more customer-friendly by introducing three reforms to current operations. First, Maine should develop and aggressively promote a business support portal that can be accessed on-line and via an 800 phone line. This business portal should serve as the initial entry point for Maine businesses seeking assistance with any business issue or concern. The Maine Business Answers program should serve as the core infrastructure for this activity. In its present form, Maine Business Answers is primarily focused on helping businesses comply with tax and regulatory issues. It should be expanded to provide assistance and referrals for all business questions. Furthermore, the Maine Business Answers program should also be the primary resource for developing a comprehensive database of assisted businesses that could be tapped for joint program outreach (as well as later program evaluation) activities.

This path has already been followed in North Carolina where the state had operated a Business Servi-Center within its Department of Commerce. In its early years, the Servi-Center operated much like the Business Answers program with a heavy emphasis on responding to questions about taxes and regulations. Beginning last year, the Servi-Center has been transformed into the North Carolina Business Link program (www.blnc.gov) and now serves as the primary gateway for a host of state business support programs. Other excellent statewide business link systems exist in Wisconsin via the Wisconsin Entrepreneurs Network (www.wenportal.org) and the Kansas Business Center (http://www.kansas.gov/businesscenter/).

[65] See, for example, National Center on Education and the Economy, *Under One Roof: New Governance Structures for Local Economic and Workforce Development*, (Washington, DC: NCEE, 2005).

Second, DECD and its partners must develop a common business assistance protocol that links state and local programs that target new and existing businesses. We concur with the Comprehensive R&D Evaluation's recommendations that Maine establish a comprehensive and customized set of support services for the state's entrepreneurs.[66]

Finally, DECD and its partners must improve current collaboration efforts. Governor Baldacci's Economic Development Working Group has developed several excellent recommendations for how to strengthen important cross-agency partnerships. For example, the creation of an Economic Development Subcabinet can help improve policy coordination and spur partnerships at the local and regional level. Georgia's Small Business Coordinating Network provides another example of an effort to bring together multiple state agencies that provide some assistance to the state's business community. The value of the network lies in the exchange of information across agencies and their ability to work collaboratively on issues that affect Georgia's entrepreneurs and business owners.

- Build New Partnerships

Maine's economic development providers must also improve their efforts to gain feedback and support from their "customers." At present, business and community program beneficiaries have limited means to share ideas or to offer feedback to DECD and other service providers. We recommend that DECD establish two outside councils as a means to improve communications between the agency and its primary customers. The Business and Industry Council would be composed of business leaders and entrepreneurs – with an emphasis on business owners who have used DECD programs. The Regional Development Council would be composed of local and regional economic development leaders, such as the heads of Maine's six economic development districts or other community leaders using OCD programs. Each council would meet on a regular basis (using technology wherever possible to reduce the time burdens on the business people) with the primary purpose of providing feedback on current programs and offering suggestions for new initiatives and program directions. In addition to providing regular program feedback, these Councils can also help improve outreach efforts. In effect, they will serve as another marketing channel for DECD and its partners.

- Improving the Evaluation Process

During this first year of the Comprehensive Economic Development Evaluation, Maine's businesses and communities have provided an abundance of useful data and analysis that can be used to enhance and better focus Maine's

[66] See Comprehensive R&D Evaluation 2008, pp. 71-72.

future economic development investments. However, we also recognize that the process could be improved if the Legislature opts to support future iterations of this research. In particular, we would suggest the following revisions to future evaluation research.

First, we recommend that this evaluation be merged with the ongoing R&D evaluation effort. By combining both evaluations, the state can gain some economic efficiencies while also gaining a better and broader picture of the impact of the entire portfolio of state economic development investments. DECD is already considering this move and has taken leadership in easing such a consolidation by facilitating collaboration across the project teams and, wherever possible, utilizing similar methodologies and survey tools for the two evaluation efforts.

Second, future customer surveys need to be made more "customer friendly." As researchers and policy makers, we always prefer to have "more data," and quite frankly, a significant amount of the information being requested of Maine firms is required to meet statutory requirements. However, we also recognize that these data demands can place significant administrative burdens on Maine's business owners. These burdens can be especially great on smaller firms, where the owner or manager cannot rely on staff to provide needed information or respond to data requests.

The current CEDE survey and the EDIR evaluation process request a great deal of information, yet much of this information has not proven to be useful for subsequent program analysis and evaluation. The survey response rate of 30% must be significantly improved in future years to ensure that we are accurately reporting program impacts. We suspect that the relatively low response rate to the first version of this survey stems from the large amount of data asked of survey recipients. Indeed, a significant number of respondents began, but did not complete, the survey. Following are four recommendations for improving this response rate as well as reducing the cost of acquiring the data required to conduct the most efficient and useful evaluation of DECD programs.

- The length of the survey was dictated, in no small part, by statutory requirements for the EDIR. The legislature should review the program requirements under this program to assess whether certain reporting requirements may be redundant and could be eased. This would help to reduce the length of the business survey, making it more user friendly.

- The evaluation team will review the survey again to determine whether the length of the survey could be reduced in other ways to reduce the amount of time the assisted companies need to spend on program impact reporting.

- State program managers should implement a system that captures key data points as part of the program application. That information would be integrated into a comprehensive, highly secure DECD database that maintains information on program recipients, including information about their locations, the locations impacted by the assistance received, the amount of assistance provided, the different programs that were accessed, as well as past information reported about program impacts.

- Certain program information requirements could also be achieved through greater interaction with other state agencies that collect and maintain business data. To that end, we have begun collaborating with the Department of Labor's Center for Workforce Research and Information – which already collects some of the data required for their program purposes. We would encourage the legislature to allocate modest resources (and authority, if necessary) for the Center so that it can provide data on employment and wages for assisted companies to be used in aggregate for economic development program evaluation purposes.

APPENDIX A
Maine Comprehensive Economic Development Evaluation FY 2008-2009 Results from Private Sector Survey

1. **Survey Response**

The total number of companies/entities surveyed in FY 2008–2009 is 1,475. 390 companies completed all survey questions for an overall response rate of 26.4%. Response rates per question ranged from a low of 25.3% to 35.7%.

2. **Maine Economic Development Program Affiliation**

1,482 total entities surveyed in 2008–2009 represented 1,841 State Economic Development Program interactions.
523 total survey respondents in 2008-2009 represented 735 State Economic Development Program interactions. 89.47 percent of all surveyed and 81.07 percent of all respondents received support from only one program.

	All Surveyed 2008 - 2009		All Respondents 2008 - 2009	
Program Affiliation	Number	Percent	Number	Percent
Agricultural Development Grant Program	16	0.9%	5	0.7%
Agricultural Marketing Loan Fund	32	1.7%	4	0.5%
Business Equipment Tax Reimbursement	390	21.2%	243	33.1%
Commercial Loan Insurance Program	139	7.6%	21	2.9%
Economic Recovery Loan Program	22	1.2%	6	0.8%
Employment Tax Increment Financing	83	4.5%	56	7.6%
Governor's Training Initiative	108	5.9%	41	5.6%
Jobs and Investment Tax Credit	7	0.4%	4	0.5%
Linked Investment for Agriculture	15	0.8%	2	0.3%
Linked Investment for Commercial	10	0.5%	3	0.4%
Loring Development Authority	24	1.3%	5	0.7%
Maine Attraction Film Incentive	3	0.2%	1	0.1%
Maine Farms for the Future Grants	165	9.0%	36	4.9%
Maine International Trade Center	244	13.3%	70	9.5%
Maine Made/Maine Products Marketing	108	5.9%	23	3.1%
Maine Quality Centers	24	1.3%	15	2.0%
Maine Seed Capital Tax Credits	37	2.0%	18	2.4%
Municipal Tax Increment Financing	21	1.1%	6	0.8%
Pine Tree Development Zones	157	8.5%	96	13.1%
Potato Marketing Improvement Fund	96	5.2%	13	1.8%
Research Expense Tax Credit	10	0.5%	5	0.7%
Shipbuilding Facility Credit	1	0.1%	1	0.1%
Office of Business Development	129	7.0%	61	8.3%
Total	1841	100%	735	100%

Number of Programs Companies Received Support From	All Surveyed 2008 - 2009 Number	Percent	All Respondents 2008 - 2009 Number	Percent
1	1326	89.47%	424	81.07%
2	109	7.35%	65	12.43%
3	31	2.09%	22	4.21%
4+	16	0.01%	12	2.29%
Total	1482	100.0%	523	100%

3. Company Type

Type of Company	All Respondents 2008 - 2009 Number	Percent
Corporation	342	65.4%
LLC	92	17.6%
Not a business, but an individual	28	5.4%
Partnership	15	2.9%
Sole Proprietorship	46	8.8%
Total	523	100.0%

Of the 523 companies that indicated whether they were in business or out of business, only 6 companies (1.1%) indicated they were out of business.

4. Year Organized

Of the 471 companies that responded to this question, 41.4% were organized prior to 1980. 24.2% have organized since 2000.

Years	All Respondents 2008 - 2009	
	Number	Percent
Pre- 1980	195	41.4%
1980 - 1984	22	4.7%
1985 - 1989	37	7.9%
1990 - 1994	41	8.7%
1995 - 1999	62	13.2%
2000 - 2004	56	11.9%
2005 - 2008	58	12.3%
Total	471	100%

5. Company Structural Change

Company Change	All Respondents 2008 - 2009	
	Number	Percent*
Been Acquired	11	2.4%
Purchased Other Companies	24	5.2%
Had an Initial Public Offering (IPO)	1	0.2%
Total	36	7.7%

* Out of 466 companies that responded to this question

6. Company Headquarters

Of the 462 companies who responded to the question, 349 or 75.5% are headquartered in Maine. 110 companies are headquartered in the U.S. but outside of Maine, with 29 states represented. Three companies reported being headquartered in Canada.

Of the 110 companies headquartered outside of Maine, 39 of them are located in New England, with the largest amount being in Massachusetts and Connecticut.

County Breakdown	All Respondents 2008 - 2009 Number	Percent
Androscoggin	33	9.5%
Aroostook	37	10.6%
Cumberland	87	24.9%
Franklin	6	1.7%
Hancock	14	4.0%
Kennebec	27	7.7%
Knox	10	2.9%
Lincoln	12	3.4%
Oxford	8	2.3%
Penobscot	41	11.7%
Piscataquis	7	2.0%
Sagadahoc	10	2.9%
Somerset	13	3.7%
Waldo	8	2.3%
Washington	4	1.1%
York	32	9.2%
Total	349	100.0%

Regional Breakdown	All Respondents 2008 - 2009 Number	Percent
Central	100	28.7%
Eastern	18	5.2%
North	37	10.6%
South	119	34.1%
Western	75	21.5%
Total	349	100.0%

Central: Androscoggin, Kennebec, Knox, Lincoln, Sagadahoc & Waldo Counties
Eastern: Hancock and Washington Counties
North: Aroostook County
South: Cumberland and York Counties
Western: Franklin, Oxford, Penobscot, Piscataquis & Somerset Counties

7. Employment

Number of Employees Last Month	All Respondents 2008 - 2009 Full-time Number	Full-time Percent	Part-time Number	Part-time Percent
1 - 10	110	27.0%	187	77.3%
11 - 20	37	9.1%	23	9.5%
21 - 30	21	5.1%	3	1.2%
31 - 40	23	5.6%	3	1.2%
41 - 50	20	4.9%	3	1.2%
51 - 100	64	15.7%	6	2.5%
101 - 499	108	26.5%	14	5.8%
500+	25	6.1%	3	1.2%
Total*	408	100%	242	100%

* There were 470 total respondents. Those who answered 0 were not included in this table

Number of Employees 12 Months Ago	All Respondents 2008 - 2009 Full-time Number	Full-time Percent	Part-time Number	Part-time Percent
1 - 10	103	25.6%	183	76.9%
11 - 20	34	8.5%	16	6.7%
21 - 30	27	6.7%	9	3.8%
31 - 40	15	3.7%	4	1.7%
41 - 50	25	6.2%	1	0.4%
51 - 100	65	16.2%	6	2.5%
101 - 499	106	26.4%	18	7.6%
500+	27	6.7%	1	0.4%
Total*	402	100%	238	100%

* There were 470 total respondents. Those who answered 0 were not included in this table

Total Employment Current Year: 64,670
Total Employment Previous Year: 65,848
Change in Employment (previous to current year): -1,178 or -1.78%

8. Job Creation and Retention Resulting from Incentives

Jobs Created in the Last 12 Months	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	91	71.1%	39	92.9%
11 - 20	13	10.2%	0	0.0%
21 - 30	6	4.7%	2	4.8%
31 - 40	5	3.9%	0	0.0%
41 - 50	2	1.6%	0	0.0%
50+	11	8.6%	1	2.4%
Total*	128	100%	42	100%

* There were 436 total respondents. Those who answered 0 were not included in this table

Jobs Retained in the Last 12 Months	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	90	79.9%	52	98.0%
11 - 20	25	6.1%	3	0.7%
21 - 30	7	2.0%	1	0.2%
31 - 40	7	1.6%	0	0.0%
41 - 50	5	1.1%	1	0.2%
50+	39	9.3%	4	0.9%
Total*	173	100%	61	100%

* There were 436 total respondents. Those who answered 0 were not included in this table

Total Jobs Created due to incentives: 3,602

Total Jobs Retained due to incentives: 13,090

Wages

Total Wages and salaries paid in last full fiscal year: $2,798,886,986

Wages per Employee: $43,279

9. **Revenues**

Total Company Revenues for Maine-based Operations	All Respondents 2008 - 2009			
	Last Fiscal Year		Year Prior to Last Fiscal Year	
	Companies	Percent	Companies	Percent
$0	39	10.4%	49	13.0%
$1 - 49,999	25	6.6%	30	8.0%
$50,000 - $99,999	8	2.1%	3	0.8%
$100,000 - $499,999	27	7.2%	23	6.1%
$500,000 - $999,999	16	4.3%	18	4.8%
$1 million - 4,999,999	52	13.8%	49	13.0%
$5 million+	209	55.6%	204	54.3%
Total	376	100%	376	100%

Total Revenue Current Year: $14,543,104,524
Total Revenue Previous Year: $13,573,665,328
Change in Revenue (previous to current year): $969,439,196 or 7.14%

Company Export Revenues from Maine-based Operations	All Respondents 2008 - 2009			
	Last Fiscal Year		Year Prior to Last Fiscal Year	
	Companies	Percent	Companies	Percent
$0	264	69.1%	274	71.7%
$1 - 49,999	18	4.7%	13	3.4%
$50,000 - $99,999	8	2.1%	8	2.1%
$100,000 - $499,999	18	4.7%	18	4.7%
$500,000 - $999,999	13	3.4%	11	2.9%
$1 million - 4,999,999	38	9.9%	35	9.2%
$5 million+	23	6.0%	23	6.0%
Total	382	100.0%	382	100.0%

Total Export Revenue Current Year: $ 694,961,838
Total Export Revenue Previous Year: $ 632,017,415
Change in Export Revenue (previous to current year): $ 62,944,423 or 9.96%

10. **Corporate Income Tax Paid**

The respondents paid $25,770,490 in Maine corporate income tax in the last tax year.

11. **Debt Financing**

	All Respondents 2008 - 2009		
Debt Financing Sources	Number of Transactions	Dollars of New Debt	Percent of Total New Debt
Bank	104	$778,908,110	61.9%
SBA Guaranteed Loans	5	$8,663,900	0.7%
FAME Loans	13	$161,897,000	12.9%
Maine DOA Loans	0	$0	0.0%
Friends and Family	8	$1,757,089	0.1%
Other	36	$307,971,455	24.5%
Total	166	$1,259,197,554	100.0%

12. **Equity Financing**

	All Respondents 2008 - 2009		
Equity Financing Sources	Number of Transactions	Dollars of New Debt	Percent of Total New Debt
Venture Capital Firms	1	$7,000,000	63.0%
State Seed Capital Funds (e.g. SEGF)	3	$21,400	0.2%
Angel Investors	3	$520,000	4.7%
Friends and Family	5	$2,859,000	25.7%
Other	4	$708,000	6.4%
Total	16	$11,108,400	100.0%

13. Importance of Support Organizations

Support Organizations	All Respondents 2008 - 2009						
	Degree of Importance						
	Didn't Use	1	2	3	4	5	Mean Score (Sorted from High to Low)
Trade Associations in Maine	145	18	44	73	59	47	3.30
Other Firms in your Industry outside of Maine	144	25	41	69	64	43	3.24
Maine Department of Economic and Community Development, Office of Business Development	166	32	38	55	43	52	3.20
Any Campus of the University of Maine System (UMS)	216	22	23	59	36	31	3.18
Finance Authority of Maine	257	22	23	28	26	30	3.15
Maine Community Colleges (including the Maine Quality Centers Program	230	20	24	54	34	25	3.13
Other Maine Firms in your Industry	139	31	40	84	53	39	3.12
Maine Department of Agriculture	265	23	17	35	17	29	3.10
Trade Associations outside of Maine	177	29	33	70	45	32	3.09
Maine Chambers of Commerce	155	35	38	84	41	33	3.00
Maine Department of Labor	168	30	54	69	35	30	2.91
Maine Technology Institute	267	24	32	32	19	12	2.69
Maine Small Business Development Centers	261	31	27	32	20	15	2.69
Maine International Trade Center	263	32	25	38	12	16	2.63
Maine Manufacturing Extension Partnership (MEP)	283	27	27	17	22	10	2.62
Maine Office of Tourism	283	29	26	18	19	11	2.58
Maine Procurement Technical Assistance Center	308	30	20	20	6	2	2.10

Note: 1 = 'completely unimportant', to 5 = 'critically important'

Use of Support Organizations	All Respondents 2008 - 2009	
	Didn't Use	Used
Trade Associations in Maine	37.6%	62.4%
Other Firms in your Industry outside of Maine	37.3%	62.7%
Maine Department of Economic and Community Development, Office of Business Development	43.0%	57.0%
Any Campus of the University of Maine System (UMS)	55.8%	44.2%
Finance Authority of Maine	66.6%	33.4%
Maine Community Colleges (including the Maine Quality Centers Program	59.4%	40.6%
Other Maine Firms in your Industry	36.0%	64.0%
Maine Department of Agriculture	68.7%	31.3%
Trade Associations outside of Maine	45.9%	54.1%
Maine Chambers of Commerce	40.2%	59.8%
Maine Department of Labor	43.5%	56.5%
Maine Technology Institute	69.2%	30.8%
Maine Small Business Development Centers	67.6%	32.4%
Maine International Trade Center	68.1%	31.9%
Maine Manufacturing Extension Partnership (MEP)	73.3%	26.7%
Maine Office of Tourism	73.3%	26.7%
Maine Procurement Technical Assistance Center	78.6%	20.2%

14. Business Assistance Satisfaction

	All Respondents 2008 - 2009						
	How Well Your Needs Were Met						
Type of Business Assistance	No Opinion	1	2	3	4	5	Mean Score (Sorted from High to Low)
Tax Relief/Tax Incentives	115	56	37	63	59	66	3.15
Community Development	216	38	32	63	28	19	2.77
Grants	229	45	30	39	26	27	2.76
Workforce Training	204	39	34	76	22	21	2.75
Business Assistance - for general advice/help including with business planning and financing	232	39	37	48	20	20	2.66
Technical Assistance - for specific issues such as trade, procurement, process improvement, etc.	238	31	40	58	22	7	2.58
Promotion	236	47	32	53	16	12	2.46
Access to Capital - Loans	258	41	34	34	17	12	2.46
Access to Capital - Equity	278	44	30	30	8	6	2.17

Note: 1 = 'not well at all', to 5 = 'extremely well'

15. Stage of Business Development Satisfaction

	All Respondents 2008 - 2009							
	How Well Your Needs Were Met							
Stage of Business Development	No Opinion	1	2	3	4	5	Mean Score (Sorted from High to Low)	Median
Expansion stage	218	40	34	48	24	22	2.73	3
Early business stage	250	36	27	41	16	16	2.63	3
Start-up stage	259	39	24	36	13	15	2.54	3
Retention stage	232	43	34	47	20	10	2.48	2
Idea-Research stage	278	33	22	32	11	10	2.47	2

Note: 1 = 'not well at all', to 5 = 'extremely well'
Median is presented as an alternative measure of central tendency due to skewness in the data.
Median is the middle value of ordered data.

16. Importance of State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Not important	60	15.5%
Occasionally important	92	23.8%
Frequently important	66	17.1%
Very important	108	28.0%
Critically important	60	15.5%
Total	386	100.0%

17. Satisfaction with State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Very satisfied	89	23.1%
Satisfied	150	38.9%
Somewhat satisfied	103	26.7%
Unsatisfied	23	6.0%
Very unsatisfied	21	5.4%
Total	386	100.0%

APPENDIX B: Maine Community Development Evaluation FY 2008-2009 Survey Results

COMMUNITY SURVEY PART 1- Community Level Information

Thirty-five communities received economic benefits from the state and were surveyed. The state support was through the Community Development Block Grant and Municipal Tax Increment Financing Programs. 18 communities responded to the survey for a response rate of 51.4%.

1. County

	All Surveyed		All Completed	
County	Number	Percent	Number	Percent
Androscoggin	3	8.6%	2	11.1%
Aroostook	5	14.3%	2	11.1%
Cumberland	4	11.4%	2	11.1%
Franklin	2	5.7%	1	5.6%
Hancock	2	5.7%	2	11.1%
Kennebec	2	5.7%	1	5.6%
Penobscot	3	8.6%	1	5.6%
Piscataquis	1	2.9%	0	0.0%
Sagadahoc	3	8.6%	1	5.6%
Somerset	3	8.6%	3	16.7%
Waldo	2	5.7%	0	0.0%
Washington	2	5.7%	2	11.1%
York	3	8.6%	1	5.6%
Total	35	100%	18	100%

2. Program Participation

Program Participation	All Surveyed Number	All Surveyed Percent	All Respondents Number	All Respondents Percent
Community Development Block Grants: Community Enterprise	5	12.5%	3	15.8%
Community Development Block Grants: Downtown Revitalization	2	5.0%	1	5.3%
Community Development Block Grants: Economic Development	11	27.5%	5	26.3%
Municipal Tax Increment Financing	22	55.0%	10	52.6%
Total	40	100%	19	100%

Benefit & Program Counts

Benefit Count	Total Surveyed Number	Total Surveyed Percent	Total Respondents Number	Total Respondents Percent
1	23	65.7%	15	83.3%
2	7	20.0%	2	11.1%
3	5	14.3%	1	5.6%
Total	35	100%	18	100%

Program Count	Total Surveyed Number	Total Surveyed Percent	Total Respondents Number	Total Respondents Percent
1	31	88.6%	17	94.4%
2	3	8.6%	1	5.6%
3	1	2.9%	0	0.0%
Total	35	100%	18	100%

3. Top Economic Challenges Facing Communities

Top Economic Challenges Facing Your Community	Number	Percent*
Insufficient growth in the business tax base	13	72.2%
High local unemployment	8	44.4%
Sudden economic changes due to a dominant business closure or local downsizing	7	38.9%
High prevalence of poverty in the community	5	27.8%
Population decline	5	27.8%
Low levels of educational attainment	4	22.2%
Lack of or insufficiently skilled local labor force	4	22.2%
Population growth	2	11.1%

* Out of 18 respondents who could indiciate up to 3 responses

4. How Well Did State Programs Provide Resources to Meet Economic Challenges facing Community

Need Level Met	Number	Percent
Very well matched to our needs	1	5.6%
Well matched to our needs	4	22.2%
Somewhat well matched to our needs	6	33.3%
Not at all well matched to our needs	1	5.6%
Not sure or neutral	6	33.3%
Total	18	100%

5. Plan to Apply for Additional Funding

Apply for Additional Community Development Funding	Frequency	Percent
No	1	5.6
Yes	17	94.4
Total	18	100.0

6. Satisfaction with Support and Assistance

Satisfaction with Support and Assistance	Number	Percent
Very Satisfied	2	11.1%
Somewhat Satisfied	7	38.9%
Satisfied	5	27.8%
Unsatisfied	0	0.0%
Very Unsatisfied	4	22.2%
Total	18	100%

COMMUNITY SURVEY PART 2 – Project Level Information

The following are results for each of the projects reported by the community respondents. In total, there were 18 communities that responded representing 26 separate projects. The data below is summarized for the reported projects.

1. Primary Purpose of Project

Primary Purpose of Project	Number	Percent*
Business Development/Assistance	16	61.5%
Infrastructure Improvements	13	50.0%
Downtown Revitalization	13	50.0%
Assistance to private, for-profit development activities	7	26.9%
Workforce Development	5	19.2%
Real Estate Development	4	15.4%
Other	3	11.5%
Microenterprise Assistance	2	7.7%
Affordable Housing	1	3.8%
Tourism Promotion	1	3.8%

* Represents 26 respondents who could check all that apply

2. Likelihood of Moving Forward

Likelihood Project Would Go Forward if State Funding Was Not Available	Number	Percent
Definitely would have gone forward	3	20.0%
Probably would have gone forward	1	6.7%
Not sure whether or not the project would have gone forward	7	46.7%
Probably would not have gone forward	4	26.7%
Definitely would not have gone forward	9	60.0%
Total	15	100%

3. Primary Financial Partners and Stakeholders

Primary Financial Partners and Stakeholders	Financial Partners		Stakeholders	
	Number	Percent*	Number	Percent*
Local Business	16	72.7%	18	81.8%
Local Schools (K-12)	1	4.5%	4	18.2%
University	0	0.0%	1	4.5%
Community College	0	0.0%	1	4.5%
Local Non-Profits	4	18.2%	6	27.3%
Chamber of Commerce	0	0.0%	3	13.6%
State Agencies	6	27.3%	9	40.9%
Federal Agencies	4	18.2%	5	22.7%
Other	8	36.4%	5	22.7%

* Represents 22 respondents who could check all that apply

4. Primary Reason for Undertaking Project

Primary Reason for Undertaking This Project	Number	Percent
Continued or built on an existing economic development effort in the community	15	62.5%
Developed out of a strategic planning process	5	20.8%
Responded to an immediate need or crisis faced by the community	1	4.2%
Other	3	12.5%
Total	24	100%

5. General Impact

Project's General Impact in the Community	Number	Percent*
It helped accomplish an existing community/economic development priority	15	53.6%
It helped undertake a new economic development strategy or approach	12	42.9%
It helped build community or organizational capacity	10	35.7%
It created a more positive attitude in the community	13	46.4%
Other	10	35.7%

* Represents 28 respondents who could check all that apply

6. Direct Impact

Direct Impacts of the Project	Number	Percent
Increased organizational capacity to support economic development	9	37.5%
Created local jobs	13	54.2%
Retained Existing Jobs	9	37.5%
Led to New Business Starts	8	33.3%
Retained Existing Businesses	5	20.8%
Generated New Private Sector Investment	12	50.0%
Increased the local tax base	13	54.2%
Revitalized vacant or underdeveloped land and real estate	13	54.2%
Developed new markets for local business	5	20.8%

* Represents 24 respondents who could check all that apply

In terns of specific impacts, the 24 reporting projects noted the following impacts:

- 730 jobs created
- 827 jobs retained
- 55 businesses started
- 118 businesses retained
- $160,887,567 leveraged in private investment
- $154,881,561 increase in property tax base

7. Non-State Funding

Total Funding to date from other, non-state (Maine) sources is $214,851,284.

	Dollars	Percent*
Federal Funds	$18,683,436.00	8.70%
Local Government Funds	$2,835,681.00	1.32%
Private Funds	$191,545,467.00	89.15%
Foundation/Non-Profit	$154,700.00	0.07%
All Other	$607,000.00	0.28%

* Percent total does not equal 100% due to some some respondents not indicating percent in each category

APPENDIX C
Results from Pine Tree Development Survey, 2008-2009

1. Survey Response

The total number of Pine Tree Zone companies/entities surveyed in FY 2008–2009 is 157. 79 companies completed all survey questions for an overall response rate of 50.32%. Response rates per question ranged from a low of 42.04% to a high of 61.78 percent.

2. Maine Economic Development Program Affiliation

157 total Pine Tree Zone entities surveyed in 2008–2009 represented 500 State Economic Development Program Interactions. All respondents reported 316 total program interactions.

	All Surveyed 2008 - 2009		All Respondents 2008 - 2009	
Program Affiliation	**Number**	**Percent**	**Number**	**Percent**
Commercial Loan Insurance Program	1	0.2%	0	0.0%
Economic Recovery Loan Program	1	0.2%	0	0.0%
Linked Investment for Commercial Enterprises	1	0.2%	1	0.3%
Business Equipment Tax Reimbursement	24	4.8%	16	5.1%
Employment Tax Increment Financing	61	12.2%	42	13.3%
Jobs and Investment Tax Credit	1	0.2%	1	0.3%
Maine Seed Capital Tax Credits	1	0.2%	1	0.3%
Municipal Tax Increment Financing	3	0.6%	3	0.9%
Pine Tree Development Zones	157	31.4%	97	30.7%
Governor's Training Initiative	24	4.8%	16	5.1%
Maine International Trade Center	16	3.2%	9	2.8%
Maine Made/Maine Products Marketing Program	1	0.2%	0	0.0%
Maine Quality Centers	9	1.8%	6	1.9%
Direct Financial Assistance	3	0.6%	2	0.6%
Tax Incentives	157	31.4%	97	30.7%
Business & Technical Assistance	40	8.0%	25	7.9%
Total	500	100%	316	100%

Number of Programs Companies Received Support From	All Surveyed 2008 - 2009		All Respondents 2008 - 2009	
	Number	Percent	Number	Percent
1	74	47.13%	43	44.33%
2	46	29.30%	28	28.87%
3	24	15.29%	17	17.53%
4+	13	8.28%	9	9.28%
Total	157	100%	97	100%

3. Company Type

Type of Company	All Respondents 2008 - 2009	
	Number	Percent
Corporation	68	70.1%
LLC	27	27.8%
Partnership	2	2.1%
Total	97	100.0%

Of the 85 companies responding to this question, only two firms (less than 3%) indicated they were out of business.

4. Year Organized

Of the 85 companies that responded to this question, almost 30% were organized prior to 1980. 39% have organized since 2000.

Year Organized	All Respondents 2008 - 2009	
	Number	Percent
Pre- 1980	25	29.4%
1980 - 1984	6	7.1%
1985 - 1989	10	11.8%
1990 - 1994	3	3.5%
1995 - 1999	8	9.4%
2000 - 2004	10	11.8%
2005 - 2008	23	27.1%
Total	85	100.0%

5. Company Structural Change

Company Change	All Respondents 2008 - 2009 Number	Percent*
Been Acquired	1	1.2%
Purchased Other Companies	7	8.3%
Had an Initial Public Offering (IPO)	0	0.0%
Total	8	9.5%

* Out of 84 companies that responded to this question

6. Company Headquarters

Of the 84 companies who responded to the question, 67 or 79.8% are headquartered in Maine. Seventeen companies are headquartered in the U.S. but outside of Maine, with 12 states represented.

County Breakdown	All Respondents 2008 - 2009 Number	Percent
Androscoggin	6	9.0%
Aroostook	6	9.0%
Cumberland	8	11.9%
Franklin	0	0.0%
Hancock	2	3.0%
Kennebec	4	6.0%
Knox	3	4.5%
Lincoln	3	4.5%
Oxford	2	3.0%
Penobscot	9	13.4%
Piscataquis	3	4.5%
Sagadahoc	4	6.0%
Somerset	2	3.0%
Waldo	1	1.5%
Washington	1	1.5%
York	13	19.4%
Total	67	100%

Regional Breakdown	All Respondents 2008 - 2009	
	Number	Percent
Central	21	31.3%
Eastern	3	4.5%
North	6	9.0%
South	21	31.3%
Western	16	23.9%
Total	67	100.0%

Central: Androscoggin, Kennebec, Knox, Lincoln, Sagadahoc & Waldo Counties
Eastern: Hancock and Washington Counties
North: Aroostook County
South: Cumberland and York Counties
Western: Franklin, Oxford, Penobscot, Piscataquis & Somerset Counties

7. Employment

Number of Employees Last Month	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	19	22.4%	31	91.2%
11 - 20	11	12.9%	2	5.9%
21 - 30	8	9.4%	0	0.0%
31 - 40	9	10.6%	0	0.0%
41 - 50	6	7.1%	0	0.0%
51 - 100	13	15.3%	0	0.0%
101 - 499	17	20.0%	1	2.9%
500+	2	2.4%	0	0.0%
Total*	85	100.0%	34	100.0%

* There were 87 total respondents. Those who answered 0 were not included in this table

Number of Employees 12 Months Ago	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	17	20.0%	28	90.3%
11 - 20	13	15.3%	2	6.5%
21 - 30	10	11.8%	0	0.0%
31 - 40	6	7.1%	0	0.0%
41 - 50	8	9.4%	0	0.0%
51 - 100	12	14.1%	0	0.0%
101 - 499	16	18.8%	1	3.2%
500+	3	3.5%	0	0.0%
Total*	85	100.0%	31	100.0%

* There were 87 total respondents. Those who answered 0 were not included in this table

Total Employment Current Year: 9,251
Total Employment Previous Year: 9,469
Change in Employment (previous to current year): -218 or -2.30%

8. Job Creation and Retention Resulting from State Incentives

Jobs Created in the Last 12 Months	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	32	78.0%	8	100.0%
11 - 20	4	9.8%	0	0.0%
21 - 30	2	4.9%	0	0.0%
31 - 40	0	0.0%	0	0.0%
41 - 50	1	2.4%	0	0.0%
50+	2	4.9%	0	0.0%
Total	41	100.0%	8	100.0%

* There were 81 total respondents. Those who answered 0 were not included in this table

Jobs Retained in the Last 12 Months	All Respondents 2008 - 2009			
	Full-time		Part-time	
	Number	Percent	Number	Percent
1 - 10	24	51.1%	10	90.9%
11 - 20	12	25.5%	1	9.1%
21 - 30	2	4.3%	0	0.0%
31 - 40	2	4.3%	0	0.0%
41 - 50	1	2.1%	0	0.0%
50+	6	12.8%	0	0.0%
Total	47	100.0%	11	100.0%

* There were 81 total respondents. Those who answered 0 were not included in this table

Total Jobs Created due to incentives: 554

Total Jobs Retained due to incentives: 1,967

Wages

Total Wages and salaries paid in last full fiscal year: $ 450,982,267

Wages per Employee: $48,750

9. Revenues

Total Company Revenues for Maine-based Operations	All Respondents 2008 - 2009			
	Last Fiscal Year		Year Prior to Last Fiscal Year	
	Companies	Percent	Companies	Percent
$0	4	5.3%	9	12.0%
$1 - 49,999	1	1.3%	2	2.7%
$50,000 - $99,999	2	2.7%	1	1.3%
$100,000 - $499,999	5	6.7%	5	6.7%
$500,000 - $999,999	5	6.7%	3	4.0%
$1 million - 4,999,999	23	30.7%	24	32.0%
$5 million+	35	46.7%	31	41.3%
Total	75	100.0%	75	100.0%

Total Revenue Current Year: $ 1,604,844,263

Total Revenue Previous Year: $ 1,404,014,438
Change in Revenue (previous to current year): $ 200,829,825 or 14.3%

	All Respondents 2008 - 2009			
	Last Fiscal Year		Year Prior to Last Fiscal Year	
Company Export Revenues from Maine-based Operations	Companies	Percent	Companies	Percent
$0	47	61.8%	51	67.1%
$1 - 49,999	6	7.9%	4	5.3%
$50,000 - $99,999	2	2.6%	1	1.3%
$100,000 - $499,999	6	7.9%	6	7.9%
$500,000 - $999,999	4	5.3%	2	2.6%
$1 million - 4,999,999	8	10.5%	8	10.5%
$5 million+	3	3.9%	4	5.3%
Total	76	100.0%	76	100.0%

Total Export Revenue Current Year: $ 55,281,287
Total Export Revenue Previous Year: $ 54,845,823
Change in Export Revenue (previous to current year): $ 435,464 or 0.79%.

10. **Corporate Income Tax Paid**

The respondents paid $7,804,824 in Maine corporate income tax in the last tax year.

11. Debt Financing

	All Respondents 2008 - 2009		
Sources	Number of Transactions	Dollars of New Debt	Percent of Total New Debt
Bank	32	$261,003,151	88.9%
SBA Guaranteed Loans	2	$8,453,400	2.9%
FAME Loans	3	$12,300,000	4.2%
Maine DOA Loans	0	$0	0.0%
Friends and Family	2	$1,209,500	0.4%
Other	8	$10,551,212	3.6%
Total	47	$293,517,263	100.0%

12. Equity Financing

	All Respondents 2008 - 2009		
Sources	Number of Transactions	Dollars of New Debt	Percent of Total New Debt
Venture Capital Firms	1	$7,000,000	47.8%
State Seed Capital Funds (e.g. SEGF)	1	$6,900	0.0%
Angel Investors	1	$320,000	2.2%
Friends and Family	3	$314,000	2.1%
Other	1	$7,000,000	47.8%
Total	7	$14,640,900	100.0%

13. Importance of Support Organizations

Support Organizations	All Respondents 2008 - 2009						
	Degree of Importance						
	Didn't Use	1	2	3	4	5	Mean Score (Sorted from High to Low)
Maine Department of Economic and Community Development, Office of Business Development	15	3	7	11	17	23	3.82
Trade Associations in Maine	26	4	11	15	10	10	3.22
Any Campus of the University of Maine	47	5	5	7	4	8	3.17
Other Firms in your Industry outside of Maine	21	5	13	14	14	9	3.16
Finance Authority of Maine	47	7	4	5	4	9	3.14
Maine Department of Labor	27	3	13	18	8	7	3.06
Trade Associations outside of Maine	33	8	5	12	13	5	3.05
Maine Community Colleges (including the Maine Quality Centers Program)	47	5	7	6	4	7	3.03
Maine Chambers of Commerce	28	8	5	21	6	8	3.02
Other Maine Firms in your Industry	23	7	10	18	11	7	3.02
Maine Small Business Development Centers	45	3	5	15	7	1	2.94
Maine Manufacturing Extension Partnership	48	6	5	7	6	4	2.89
Maine Technology Institute	50	2	7	11	4	2	2.88
Maine International Trade Center	53	5	5	7	2	4	2.78
Maine Department of Agriculture	55	7	5	7	1	1	2.24
Maine Procurement Technical Assistance	54	10	4	6	2	0	2.00
Maine Office of Tourism	61	7	4	2	2	0	1.93

Note: 1 equals “completely unimportant” and 5 equals “critically important.”

Use of Support Organizations	All Respondents 2008 - 2009	
	Didn't Use	Used
Maine Department of Economic and Community Development, Office of Business Development	19.74%	80.26%
Trade Associations in Maine	34.21%	65.79%
Any Campus of the University of Maine	61.84%	38.16%
Other Firms in your Industry outside of Maine	27.63%	72.37%
Finance Authority of Maine	61.84%	38.16%
Maine Department of Labor	35.53%	64.47%
Trade Associations outside of Maine	43.42%	56.58%
Maine Community Colleges (including the Maine Quality Centers Program)	61.84%	38.16%
Maine Chambers of Commerce	36.84%	63.16%
Other Maine Firms in your Industry	30.26%	69.74%
Maine Small Business Development Centers	59.21%	40.79%
Maine Manufacturing Extension Partnership	63.16%	36.84%
Maine Technology Institute	65.79%	34.21%
Maine International Trade Center	69.74%	30.26%
Maine Department of Agriculture	72.37%	27.63%
Maine Procurement Technical Assistance	71.05%	28.95%
Maine Office of Tourism	80.26%	19.74%

14. Business Assistance Satisfaction

Type of Business Assistance	All Respondents 2008 - 2009						
	How Well Your Needs Were Met						
	No Opinion	1	2	3	4	5	Mean Score (Sorted from High to Low)
Tax Relief/Tax Incentives	6	8	9	15	17	21	3.49
Workforce Training	26	6	5	21	10	8	3.18
Grants	35	8	4	13	7	9	3.12
Community Development	29	7	7	14	12	7	3.11
Business Assistance - for general advice/help including with business planning and financing	34	8	11	12	7	4	2.71
Technical Assistance - for specific issues such as trade, procurement, process improvement, etc.	42	5	8	14	7	0	2.68
Access to Capital - Loans	41	7	9	11	5	3	2.66
Promotion	45	10	4	11	3	3	2.52
Access to Capital - Equity	47	9	8	8	2	2	2.31

Note: 1 = “not well at all” and 5 = “extremely well.”

15. Stage of Business Development Satisfaction

Stage of Business Development	All Respondents 2008 - 2009							
	How Well Your Needs Were Met							
	No Opinion	1	2	3	4	5	Mean Score (Sorted from High to Low)	Median
Expansion stage	31	7	8	13	7	10	3.11	3
Start-up stage	46	8	4	8	5	5	2.83	3
Early business stage	42	8	6	10	4	6	2.82	3
Retention stage	40	8	11	7	6	4	2.64	2
Idea-Research stage	55	5	6	6	2	2	2.52	2

Note: 1 = 'not well at all', to 5 = 'extremely well'

Median is presented as an alternative measure of central tendency due to skewness in the data.

Median is the middle value of ordered data.

16. Importance of State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Not important	17	22.4%
Occasionally important	12	15.8%
Frequently important	9	11.8%
Very important	19	25.0%
Critically important	19	25.0%
Total	76	100.0%

17. Satisfaction with State Assistance

How Important?	All Respondents 2008 - 2009 Number of Companies	Percent
Very satisfied	23	30.3%
Satisfied	25	32.9%
Somewhat satisfied	16	21.1%
Unsatisfied	7	9.2%
Very unsatisfied	5	6.6%
Total	76	100.0%

APPENDIX D
Comparison of Maine's Pine Tree Zone Program to Other State Incentive Programs

State	Eligibility criteria	Benefits	Sectors targeted	geography targeted	time frame
Maine – Pine Tree Development Zones	Manufacturers, financial service businesses, and targeted technology companies that generate qualified business activity within a zone – investments in property and payroll that would not have occurred **but for** the program	• Income/Franchise Tax Credit (100%, Years 1-5; 50%, Years 6-10) • Insurance Premiums Tax Credit (100%, Years 1-5; 50%, Years 6-10) • Employment Tax Increment Financing (ETIF) Income Tax Reimbursement (80%, Years 1-10) • Sales and Use Tax Exemption (100%, Years 1-10) • Sales and Use Tax Reimbursement (100%, Years 1-10) • Access to reduced electricity rates as approved by the Public Utilities Commission	• Manufacturing, including precision manufacturing technology • Financial services • Biotechnology • Aquaculture and marine technology • Composite materials technology • Environmental technology • Advanced technologies for forestry and agriculture • Information technology	High unemployment and low wage regions: • Aroostook County • Androscoggin Valley • Downeast • Kennebec Valley • Midcoast • Penobscot Valley • PenQuis • Southern Maine Legislative change to add: • Additional acreage approved for Maine Indian Tribes (2005) • Military Redevelopment Zone (2006) • For-profit manufacturer located anywhere in the state eligible for benefits (2007)	Tax advantages for up to 10 years

Idaho – tax incentives but no specific enterprise zones	Businesses investing at least $500,000 in new facilities and creating at least 10 new jobs averaging $40,000 annually plus benefits	• Investment Tax Credit of 3.75% (up to $750,000) or 62.5% of tax liability in any one year • New Jobs Tax Credit starting at $1,500 and increasing to $3,000 per job • Real Property Improvement Tax Credit of 2.5% (up to $125,000) in any one year along with a 25% rebate on sales tax paid on construction materials for new facilities • May request full or partial Property Tax Exemption from county commission	No sectors specifically targeted. However, additional targeted incentives exist, e.g., R&D Income Tax Credit, 100% Sales Tax exemption for businesses purchasing equipment used in manufacturing, processing, mining, fabricating, logging, clean rooms, alternative fuel production activities	No specific geography targeted. However, additional incentives are targeted to “rural” as defined by USDA Rural Development, e.g., property tax exemption, new employee training reimbursement.	Range from any one year to carry over for up to 20 years depending on specific tax incentive program.
Michigan	Business must be located in zone and compliant with tax and other legal obligations.	• Abatement of all property taxes. • Abatement of state and local income and business taxes.	Most zones have no specific industry targets. 25 zones designated as Tool and Die Recovery Zones. Special zones also designated for: agricultural processing, renewable energy, and forest products processing.	150 zones across state	Depends on zone, generally 12 to 15 years.

Nebraska – Advantage Act Incentives	Tiered benefit system based on (1) amount of business investment and/or (2) number of jobs created	• **Tier 1 – Nebraska Small Business Advantage – $1 million new investment and 10 new jobs** Refund of ½ of the sales tax paid for qualified capital purchases at the project, the full sliding scale wage credit of 3,4,5 or 6% depending on wage level, and a 3% investment tax credit. • **Tier 2 - $3 million and 30 new jobs** Refund of all sales taxes for capital purchases at the project, the sliding scale wage credit and a 10% investment credit. • **Tier 3 – Jobs only tier** (**30 new jobs)** Sliding scale wage credit. • **Tier 4 - $10 million and 100 new jobs** In addition to the sales tax refund, jobs credit, and the investment credit, personal property tax exemption on turbine-powered aircraft, personal computer systems, agricultural product processing machinery and personal property used in a	Specific sectors are identified by tier.	No specific geography targeted. However, **Rural Development Advantage** provides qualified businesses with refundable tax incentives for projects that create 2 new jobs and invest $125,000 in counties with less than 15,000 residents. Tele-workers count as new employees. In addition, the $250,000-investment and 5-job thresholds remain in place for counties with populations 15,000-25,000.	Varies by incentive but 10 year maximum.

		distribution facility for up to 10 years. • **Tier 5 – Investment only tier** (**$30 million)** Refund of all sales taxes paid on capital purchases with the project. • **Super Tier 6 – $10 million and 75 new jobs OR $100 million and 50 new jobs** Any business activity other than retail qualifies. Refund of all sales tax on projects capital purchases, 10% job credit on new employee “compensation”—wage thresholds per new position are the greater of 200% of the county average wage OR 150% of the Neb. average wage, 15% investment credit, and personal property tax exemption for all personal property at the project for up to 10 years.			

New Hampshire – Economic Revitalization Zones (formerly CROP Zones – Community Reinvestment Opportunity Program)	Businesses must do one of the following: • Create a new facility • Make capital additions to existing facility that equal at least 50% of market value • Make improvements to existing facility that equal at least 50% of market value • Make improvements to vacant facility equal to at least 20% of market value	Set amount of tax credits is designated by the state ($850,000). Zone credit generally equals that amount of compensation business pays new employees that are hired as a result of qualified investments made in the Zone.	No specific targeting	18 zones designated across the state Targeted to (1) brownfield areas or (2) areas with at least one of the following: • Population decline over the past 20 years • At least 51% of households have incomes less than 80% of median income for NH households • At least 20% of households have median income level below the poverty level • Zone contains unused or underutilized industrial parks or vacant land/structures previously used for industrial, commercial or retail purposes and creation of Zone would likely reduce blight and rate of tax delinquency	Tax credits are available for tax liabilities during 5 consecutive tax periods including and following certification

New Mexico – tax incentives but no specific enterprise zones	Eligibility based on job creation and investment – levels vary by tax incentive program	General incentives • **High-Wage Jobs Tax Credit** Credit equals 10% of value of salaries and benefits per new job paying minimum of $28,0000 per year in areas with populations less than 40,000; companies in larger areas must pay salaries of $40,000 to receive credit. • **Manufacturers' Investment Tax Credit** Credit of 5% of value of qualified equipment and other property used in manufacturing operation. Must add one new job for each credit up to $30 million; one new employee must be hired for each $500,000 in equipment. • **Rural Jobs Credit C**redit of 6.25% of first $16,000 in wages. If located in Tier 1 community (< 15,000 population), credit for 4 consecutive years; located in Tier 2 community (> 15,000 in population) credit for 2 consecutive years. • **Technology Jobs Credit C**redit on research expenditures of 4% (8% in rural areas).	Specific sectors targeted with additional incentives: • Aerospace • Agri-business • Clean and renewable energy • Technology and manufacturing • Telemarketing	Some targeting to rural, defined as any part of state other than Los Alamos, Albuquerque, Rio Rancho, Las Cruces, Santa Fe and 10 mile radius around any of these municipalities.	Varies with incentives, 4-7 years.

Pennsylvania – Keystone Opportunity Zone Program	Must increase employment by 20% in first year of operation or make a 10% capital investment in zone property. Threshold is based on prior year gross revenue.	• Exemption from Sales and Use Tax for certain property and materials used in zone. • Exemption from municipal, school district, real estate taxes. • Various credits and abatements, depending on zone – for taxes related to earned income/net profits, business gross receipts, realty use and occupancy, and mercantile license. • KOZ firms receive priority consideration for other state programs.	No specific targeting.	Targets underutilized and underdeveloped areas. 12 zones across the state, includes 193 sub-zones encompassing 46,000 acres.	Varies by Zone, but generally 10 years.
Rhode Island – Enterprise Zone Program	Must be located in a zone and grow employment base by 5% (over previous year) with full-time state residents.	• Tax credit equal to 50% of annual wages paid to new employees (maximum $2,500 per employee). • Tax credit equal to 75% of annual wages paid to new employees who reside in the enterprise zone (maximum $5,000 per employee). • Business owners who reside in the enterprise zone may take Resident Business Owner Modification instead of tax credit – 3 year, $50,000 modification of taxpayer's federal adjusted grow income tax liability; during Years 4-5, $25,000.	No specific targeting	10 zones designated across the state	Annual and unused credits may be carried forward for up to 3 years

South Dakota – tax incentives but no specific enterprise zones	Businesses making capital investments in new facilities or expansion of existing facilities; minimum $10 million investment	Tax refunds issued for: • Sales tax paid on equipment • Contractors' excise tax • Sales tax paid by contractor on new construction Sliding refund rate: • $10-15 million – 25% • $15-20 million – 33% • $20-40 million – 50% • $40-60 million – 67% • $60-600 million – 75% • > $600 million – 90%	No specific sectors targeted	No specific geography targeted	Range from 3-6 years depending on size of initial investment (larger investments, longer time to recoup refund)
West Virginia – tax incentives but no specific enterprise zones	Businesses making investments in new or expanded business that result in new job creation.	• **Economic Opportunity Credit** Qualified investments creating at least 20 new jobs held by West Virginians (within 3 years and within 1 year for small business) eligible for 10% (small business) or 20-30% credit depending on # jobs created; % based on actual useful life of investment. • **Manufacturing Investment Tax Credit** Credit equal to 5% of investment. • **Strategic R&D Tax Credit** Credit equals greater of 3% of all qualified expenses for tax year or 10% of excess qualified expenses over average for a base period. • **High Growth Business Investment Tax Credit**	Originally general but targeted in 1993 to: • Manufacturing • Information processing • Warehousing • Goods distribution • Destination-oriented recreation and tourism	Some higher credits given for Tourism Development near surface mining operations.	Pro rated over 10 years (Economic Opportunity Credit, Manufacturing Investment Tax Credit)

		Credit equals 50% of qualified investment by companies certified eligible, up to $50,000 per year. • **Tourism Development Incentive** Eligible company operating a new or expanding tourism destination may retain consumer sales and service tax over 10 years, up to maximum of 25% of costs of development			

APPENDIX E
List of Interviewees for Community Development Case Studies

Michael Baran, Maine Office of Community Development
Dick Barnard, Community volunteer, Calais
Diane Barnes, City Manager; Calais
Marilyn Bernardini, Business owner; Calais
Sheila Cannon, Van Buren Chamber of Commerce
Thomas Cannon, Town Manager, Van Buren
Jeffrey Charland, Farnsworth Museum, Rockland
Rene Dorr, Recreation Director, Town of Rockland
Lorain Francis, Downtown Alliance and Penobscot Bay Regional Chamber of Commerce
Bob Hastings, Penobscot Bay Regional Chamber of Commerce.
Brittany Holloway, Business Owner, Calais
Frank Iginitis, Business Owner, Rockland
Debbie Johnson, Maine Office of Community Development
Dan LaPointe, Community Development Director, Van Buren
Robert Liberty, Business Owner, Rockland
Rodney Lynch, Community Development Director, City of Rockland
Charles McAlpin, Communications Director, Eastern Maine Electric Cooperative
Rita Michaud, Business owner, Van Buren
Don Ouellet, Business owner, Van Buren
Tony Pinnette, interim Main Street Director, Van Buren
Jim Porter, Assistant City Manager, Calais
Carl Royer, Business Owner, Calais
Dee Saucier, Business Owner, Van Buren
Andrea Smith, Maine Office of Community Development
Terry Ann Stevens, Maine Office of Community Development
George Terrien, local architect and Economic Development Advisory Board member, Rockland
Gail Wahl, Washington County: One Community (Calais)