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PRELIMINARY REPORT OF THE GOVERNOR'S TASK FORCE ON DEFENSE REALIGNMENT AND THE MAINE ECONOMY

Richard H. Silkman, Chair

April 4, 1991

TABLE OF CONTENTS

1. INTRODUCTION

Changes in superpower relationships combined with unsustainable federal government budget deficits appear to be leading to a realignment of U.S. national security priorities. While a welcome sign of easing international tensions, this shrinking and shifting of defense spending will have dramatic effects on the businesses, employees and communities that have relied upon defense spending.

Defense-related enterprises in Maine span the spectrum of activities and across the breadth of the State. They include military installations such as Portsmouth Naval Shipyard and Brunswick Naval Air Station in Southern Maine, and Loring Air Force Base in rural northern Maine, a number of private firms, including Bath Iron Works (Maine's largest employer), which are largely dependent upon primary or secondary defense contracts, and finally, hundreds of other Maine businesses and thousands of jobs which serve these defense facilities, contractors and their employees as suppliers, subcontractors, retailers and service providers.

In July of 1990, recognizing the prominence of defense activities in Maine and anticipating the potential effects of spending cuts, Governor John R. McKernan, Jr. established by Executive Order, the *Governor's Task Force on Defense Realignment and the Maine Economy*. Governor McKernan initiated the Task Force to develop a strategy to guide Maine's private and public sector efforts to cope with the potential dislocations, and capitalize on the opportunities associated with reduced defense spending in Maine. Such an effort will allow Maine workers, businesses and communities to buffer the economic consequences of shrinking defense spending.

The Task Force is comprised of 28 members representing appropriate State government Cabinet officials, Legislative representatives of Maine's defense-dependent regions, the Economic Development Administration, members of Maine defense and non-defense businesses and workers and local government. In addition, an array of efforts are underway in Maine communities and businesses in response to current or impending defense realignments. Communities in southern York County are working to cope with both the closing of Pease Air Force Base in New Hampshire, and the down-sizing of the Portsmouth Naval Shipyard in Kittery. Others in the Biddeford-Saco area have begun to identify the risks to their local economy associated with the high degree of defense-related production in the area. In the mid-coast area, business, citizens and government have joined to work toward reducing the defense dependency of their region. Finally, the Maine Peace Economy Project, a coalition of citizens, businesses, labor and others, has been raising the awareness of the impact of defense spending in Maine communities and encouraging a reduction in defense-dependency.

NO LORING

It became clear early in the work of the Task Force that this effort would require an on-going commitment to analysis and policy development. The full development of an effective strategy was beyond the capacity of the Task Force to accomplish within the several months since its inception. Instead, this report presents the preliminary findings of the Task Force as well as the beginning of a strategy to respond to Maine's defense-dependency. In the mean time, the Task Force has applied to the Economic Development Administration and to the Office of Economic Adjustment of the Department of Defense for financial assistance to insure that this issue recieve adequate attention in these difficult fiscal times.

Finally, this report comes less than a month after the end of the Persian Gulf crisis and the successful conclusion of Operation Desert Storm. The characteristics of this military action will certainly have some bearing on the shape of this nation's defense strategy. It is too early to determine how this new defensive posture will effect the defense activities in Maine. However, it emphasizes the inherently volatile nature of national defense priorities in the 1990's.

2. SUMMARY OF FINDINGS

A significant share of Maine's economy is defense dependent.

Defense dollars support some level of activity in virtually every part of Maine. While defense-related activity in Maine is widespread, it is most concentrated in three regions--York County (Portsmouth Naval Shipyard, Pease Air Force Base, Saco Defense, Fiber Materials, Inc.), Bath-Brunswick (Bath Iron Works and Brunswick Naval Air Station) and Central Aroostook County (Loring Air Force Base). In addition, a number of smaller military installations and primary and secondary defense suppliers are scattered around the State.

Aroostook County, for example, relies on Loring Air Force Base to support, directly and indirectly, nearly 6,000 jobs. Located in remote Northern Maine, Aroostook County has a per capita income that is only 81% of the Maine average and 74% of the U.S., and also suffers from above-average unemployment rates. The loss of Loring could push the County's unemployment rate to nearly 16%, from its 1990 level of 7.4%, and drain nearly $200 million in income annually from the region.

York County, a largely rural area in southern Maine, is already suffering the effects of the closure of Pease Air Force Base in neighboring New Hampshire. But the residents of this County rely even more heavily upon the 8,000 high-paying jobs at the Kittery-Portsmouth Naval Shipyard (4,500 of whom are Maine residents), as well as a number of smaller private defense contractors. The loss of this major employer could boost York County unemployment to over 10% from the 5.5% seen in 1990.

Similarly, the Bath/Brunswick area hosts not only Bath Iron Works, Maine's largest employer, at 11,400 workers, but is also the locale of Brunswick Naval Air Station, employing over 900 civilian and 3,300 military personnel. These two defense facilities, located within several miles of each other, support nearly $700 million in earnings in the regional economy. This represents 3% of all Maine income, and more than one-half of all Maine defense-dependent earnings.

Maine's defense-dependent employment is concentrated in Shipbuilding and related enterprises.

Maine's two biggest defense-related enterprises, from an economic perspective, are Bath Iron Works and Portsmouth Naval Shipyard. Combined they provide some 15,000 Maine residents with some of the highest paid employment in the State. Consequently, our defense dependency is concentrated in shipbuilding and related activities. An environment of defense cut-backs and the dominance of small and medium-sized firms, Maine's economy will be hard pressed to replace a significant number of shipbuilding jobs lost to defense cuts, with jobs of similar skill types or wage levels. The remainder of Maine's defense-dependent jobs are distributed across industries ranging from machinery, metal products and electronics to retail and wholesale trade, medical services and construction.

Defense reductions have already begun to impact Maine and the range of potential futures present a significant challenge to Maine businesses, workers and communities:

Some Maine workers and communities have already been adversely affected by cutbacks in defense spending. Twenty-five percent of the job losses associated with the closure of Pease Air Force Base implemented in recent months, have been felt in Southern York County. Brunswick Naval Air Station has recently reduced its military personnel by 300, and could see additional downsizing. Loring Air Force Base deactivated one of its two refueling squadrons as recently as October 2, affecting more than 50 jobs on that Base. The U.S. Air Force is planning to close the Over-the-Horizon Backscatter Radar Facility at Bangor within the current year. The closure of this facility will eliminate nearly 500 jobs in the Bangor area.

Even larger reductions face Maine employers and workers in the next several months. Bath Iron Works has announced that its 11,400 work force will be reduced by 2,500 over the next 18 months. The Kittery-Portsmouth Naval Shipyard has implimented a reduction-in-force that will reduce its 8,000 person work force by 1,500. Finally, Maine firms serving prime defense contractors outside of Maine are beginning to feel the reverberations of defense cuts already plaguing large contractors in Southern New England. National Semiconductor in South Portland has eliminated 150 defense-related jobs. Mid-State Machine in Winslow Maine has also announced the elimination of 50 to 60 jobs as a result of cutbacks at a prime contractor outside the State.

These job losses, painful at any time, come in the midst of a State and regional economic downturn. Since 1989, the Maine economy has gradually weakened. Maine has lost over 28,000 jobs in the months between December of 1989 and January of 1991 and the State's unemployment rate has nearly doubled since January of 1989. Employment conditions in neighboring New England states are even more severe.

In the present economic environment any job losses associated with defense cuts are difficult, if not impossible to absorb. Over the longer term, the Maine economy will be able to absorb modest defense cuts. However, significant reductions in any one of Maine's major defense enterprises will impose a weighty burden on the State's economy.

Recent defense cuts have already reduced employment and income in Maine, as noted above. Coming in the midsts of a protracted economic downturn, any new job losses will simply add to already burgeoning unemployment roles. By March, Maine employment had dropped by 28,000 below the 1989 peak. Current forecasts indicate that it Maine will not recoup these losses before 1994.

Over the longer term, anticipated economic growth offers a buffer against modest defense spending reductions, particularly if such reductions are implemented over a reasonable period of time. However, large and/or precipitous cutbacks at any of Maine's larger private or public defense facilities will place a significantly drag on Maine's economic health.

Maine firms have taken some steps to broaden their market base beyond defense-related customers (metal products survey):

As defense spending has gradually slowed Maine firms have made concerted efforts to reduce their dependency on defense dollars. According to a survey of Maine metal products companies, 60% of Maine metal firms make no sales to the military. Of the 40% that do, 70% make less than 25% of their sales to the military. A preliminary assessment of Maine's defense dependency indicates that neither machinery or electronics businesses in Maine appear to have a significant dependence on military sales. Finally, even BIW has broadened its activites beyond defense procurement to include international consultations and port facility designs.

Some Maine communities have begun the process of responding to Defense reductions:

In response to current or potential defense spending cuts citizens in some Maine communities have begun the process of planning for defense realignment. Eliot Regional Development Authority was established to respond to the closure and reuse of Pease Air Force Base in nearby Newington/Portsmouth, New Hampshire. In the Brunswick area, the Brunswick Area Conversion Task Force has begun to examine the potential reuse of Brunswick Naval Air Station. Business people in the Biddeford-Saco area have begun to strategize a response to declining defense contracts to area businesses. Individuals in the mid-coast area have taken the initiative to examine defense issues and their implications for their regional economy, and the Maine Peace Economy Project is working to help communities and businesses across the State recognize their defense dependency and work to reduce it.

The nature of defense realignment over the next few years offers opportunities for Maine:

Some aspects of defense realignment offer opportunities to strengthen the Maine economy. Shrinking the number of armed forces personnel will accelerate the re-patriation of workers to the Maine laborforce with excellent training and G.I. Bill benefits. While closure of bases will be painful, it offers the opportunity to replace government activity with private-sector businesses. Finally, the potential and real impacts of defense cuts has begun to serve as a catalyst for joint community development initiatives among Maine towns and an impetus for new product and market development for Maine firms.

The State of Maine can adopt an array of strategies to address the challenges and opportunities associated with defense realignment.

A comprehensive State strategy should help communities build development capacity, maximize the possibility of re-employment of defense-dependent workers, and assist Maine firms reduce their defense dependency.

The State Defense Realignment Task Force should develop programs to encourage and assist development capacity building in at-risk regions. Such programs should: incorporate multi-jurisdictional community & economic development planning, taking advantage of the on-going comprehensive planning process; assist in identifying economic development infrastructure needs, and avenues of assistance; and facilitate contingency DOD facility re-use planning.

Strategies to maximize the possibility of re-employment of at-risk workers in advance of actual cut-backs must recognize that most at-risk workers have relatively high level of skills and education. Thus, they will need either a new employer in similar industry, the ability to start their own business, or the ability to move into a new occupation with comparable pay. Such strategies should be designed to increase the educational level of at-risk workers; encourage and assist the expansion of Maine firms utilizing the skills of defense-dependent workers and the services of other defense-dependent firms.

Finally, the State should target business assistance programs to help Maine's defense-dependent firms reduce their reliance on defense spending. Such an effort can assist firms to identify new markets; encourage new technology investments and provide training assistance to facilitate the application of new technologies.

3. MAINE'S DEFENSE DEPENDENCY

A. Defense Spending and the Maine Economy

While Maine has been an integral a part of the nation's defense, so too has the flow of federal defense-related dollars become an increasingly important component of the State's economy. In fact, direct Defense Department spending in Maine rose from only 3% of gross state product in the early 1970's (averaging $146 million annually), to nearly 7% by the end of the 1980's (an average of nearly $1 billion per year), as shown in Figure 1. Virtually all of this growth, 81%, is attributable to defense procurement in Maine, of which Bath Iron Works has accounted for over 90%. As shown in Figure 2, federal defense wages and salaries, reflecting the number of the civilian and military personnel, have experienced much slower growth.

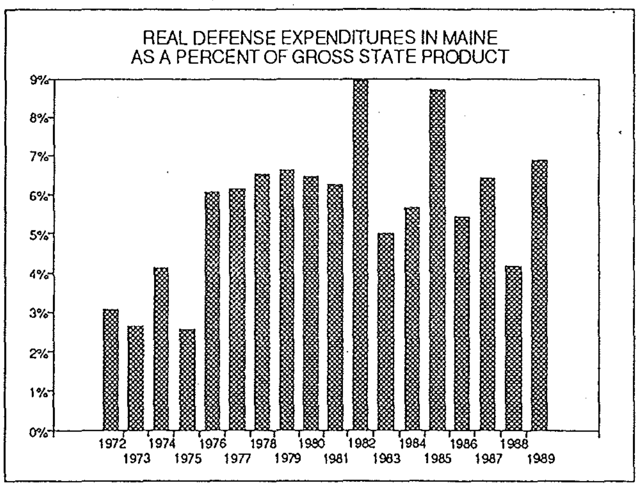

Figure 1

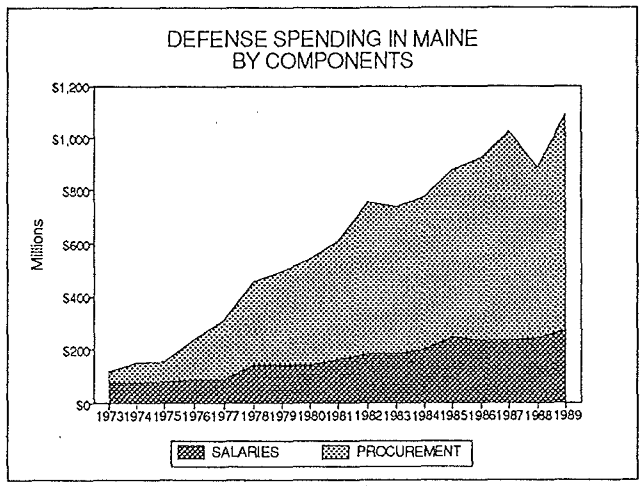

Figure 2

The estimates presented above mask the much larger role that defense-related enterprises play in Maine's economy. In fact, nearly 42,000 civilian jobs in Maine were directly or indirectly supported by defense-related activities by 1989. Fully 6% of Maine's civilian jobs and 10% of total earnings are dependent, either directly or indirectly, upon meeting the defense needs of the United States. The substantially larger share attributable to defense-related earnings in Maine reflects both the high wages provided many defense-dependent workers, and the wages of of over 15,000 active duty and part-time military personnel stationed in the State. Table 1 summarizes the estimated economic impacts of defense spending in Maine.

In fact, the Statewide estimates offered in Table 1 under-represent the level of economic activity in Maine supported by defense spending. Because of the prominence of each defense facility in Maine's relatively small rural economies, they often serve as the cornerstone of regional economies. Moreover, the loss of these facilities not only would threaten the majority of well-paying jobs in these regions, but would undermine the critical mass of many of the regional economies they support.

TABLE 1
ECONOMIC IMPACT OF DEFENSE SPENDING IN MAINE: 1989
(Source: Maine State Planning Office)

CIVILIAN EMPLOYMENT	DEFENSE-RELATED	SECONDARY IMPACTS	TOTAL	EARNINGS(MIL)
BRUNSWICK NAS	900	2,076	2,976	$160
~~LORING AFB~~	~~900~~	~~1,900~~	~~2,800~~	~~$137~~
PORTSMOUTH NSY	4,500	3,300	7,800	$206
NATIONAL GUARD	600	620	1,220	$81*
OTHER DoD	300	1,300	1,600	$33
BIW	11,400	7,700	19,100	$524
OTHER PRIVATE FIRMS	3,800	3,000	6,800	$166
TOTAL CIVILIAN	22,400	19,896	42,296	$1,307
Percent of Maine Total			6%	10%

* Includes salaries of full & part-time Air and Army National Guard personnel.

Another way to characterize the impact of defense spending is that it supports three layers of employment in Maine. These are direct, intermediate and induced defense-dependent jobs. ***Direct employment*** is divided between civilian personnel at Maine-based military installations, and those of prime contractors providing goods or services directly to a unit of the Defense Department. Maine's military installations directly employ approximately 7,200 Maine civilians, as shown in Figure 3. Among these are the 4,500 Maine employees of Portsmouth Naval Shipyard, with Loring Air Force Base, Brunswick Naval Air Station and a number of smaller facilities making up the remainer.

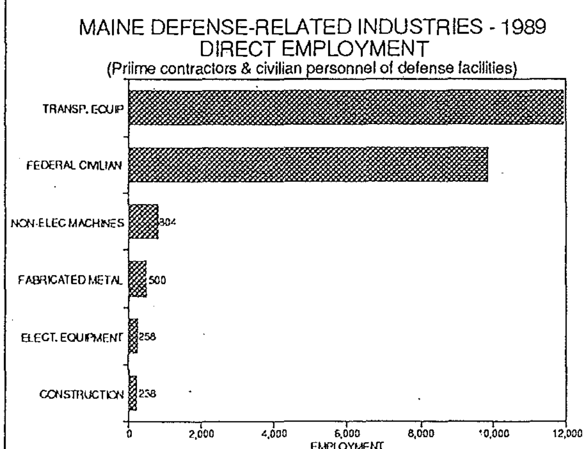

Figure 3

Prime contractors make up the second component of direct defense-dependent employment. The principle firms in this category include Bath Iron Works, Saco Defense, Pratt and Whitney, and Fiber Materials, Inc. Other Maine businesses that rely, to varying degrees, on military procurement include construction firms, business services, fuel dealers and laundry services serving Maine's military bases. Direct defense-dependent employment in Maine in 1989 is estimated at over 224,000, as shown in column A of Table 2, and account for 53% of Maine's defense-dependent employment.

TABLE 2
DISTRIBUTION OF DEFENSE-DEPENDENT EMPLOYMENT IN MAINE

INDUSTRY	TOTAL	(A) DIRECT	(B) INTRMD INPUTS	(C) LOCAL CONSMP	% OF DEFENSE	% OF INDUSTRY
TRANSPORTATION EQUIP	12,276	11,946	330	0	29%	84%
FEDERAL CIVILIAN	7,400	7,400	0	0	18%	46%
RETAIL(NON-REST.)	3,183	58	95	3,031	8%	3%
MEDICAL SERVICES	2,294	23	81	2,190	5%	5%
STATE & LOCAL GOVT	2,126	0	173	1,953	5%	3%
RESTAURANTS	1,776	0	670	1,106	4%	5%
MISC. BUSI. SERV.	1,302	0	1,256	45	3%	4%
ELECT. EQUIPMENT	1,209	258	939	12	3%	13%
FABRICATED METAL	1,150	500	645	4	3%	37%
WHOLESALE TRADE	1,110	0	707	403	3%	4%
MISC. PROF. SERV.	1,040	0	839	201	3%	6%
CONSTRUCTION	894	238	224	432	2%	2%
NON-ELEC MACHINES	845	804	25	15	2%	16%
NON-PROFIT ORG.	741	9	53	679	2%	4%
BANKING	631	0	354	277	2%	7%
PER. SERV. & MISC. REPAIR	561	30	151	380	1%	3%
REAL ESTATE	383	0	90	292	1%	2%
PRIVATE HOUSEHOLD	335	0	0	335	1%	4%
INSURANCE	335	0	125	210	1%	3%
HOTELS	326	0	215	111	1%	2%
EDUCATION	302	0	21	281	1%	3%
AMUSE.&RECREATION	273	0	35	237	1%	3%
AUTO REPAIR/SERVICE	254	0	96	158	1%	3%
PUBLIC UTILITIES	185	4	109	73	0.4%	3%
FOOD PROCESSING	168	0	32	136	0.4%	2%
PRINTING	150	0	119	31	0.3%	2%
INSTRUMENTS	135	50	81	3	0.3%	0%
TRUCKING	134	0	92	42	0.3%	1%
CREDIT&FINANCE	124	0	42	82	0.3%	3%
COMMUNICATION	119	0	64	55	0.3%	2%
LUMBER	93	0	82	11	0.2%	1%
STONE,CLAY & GLASS	52	0	47	4	0.1%	2%
LOCAL/INTERURBAN TRANSP.	49	0	29	21	0.1%	2%
APPAREL	48	0	10	38	0.1%	1%
LEATHER	40	0	5	35	0.1%	3%
AIR TRANSP.	35	0	22	13	0.1%	3%
PAPER	33	0	24	9	0.1%	2%
RUBBER	32	0	27	4	0.1%	1%
FURNITURE	26	0	8	19	0.1%	2%
MOTION PICTURES	26	0	11	15	0.1%	3%
MISC. MANUF.	21	0	6	15	0.0%	1%
AGRI/FOR/FISH SERV.	20	0	11	9	0.0%	1%
OTHER TRANSP.	14	5	5	4	0.0%	5%
TEXTILES	14	0	7	7	0.0%	2%
PRIMARY METALS	14	0	14	0	0.0%	2%
RAILROAD	8	0	6	2	0.0%	1%
CHEMICALS	3	0	2	1	0.0%	1%
TOTAL CIVILIAN	42,296	21,325	7,981	12,990	100%	6%

Reading this table: *Direct* refers to workers employed by prime contractors or defense facilities. *Intrmd inputs* refers to jobs associated with providing goods or services to prime contractors or facilities. *Locl Consmp* refers to jobs supporting the local consumption of businesses and direct and intermediate workers.

Intermediate employment involves producing inputs to prime contractors who use them in providing final defense products. Comprising 17% of defense-dependent jobs, this group includes the many businesses that provide an array of goods and services, from metal products to repair services, to Bath Iron Works, Pratt & Whitney and other prime contractors in and outside the State. Among Maine employers which have provided intermediate defense goods or services are National Semiconductor, Mid-State Machine, other metal products firms, business services, construction companies, wholesalers, and other service firms. A precise count of Maine's intermediate defense-dependent employment awaits further research, but an initial estimate places this figure at about 6,500 workers, as shown in column B in Table 2.[1]

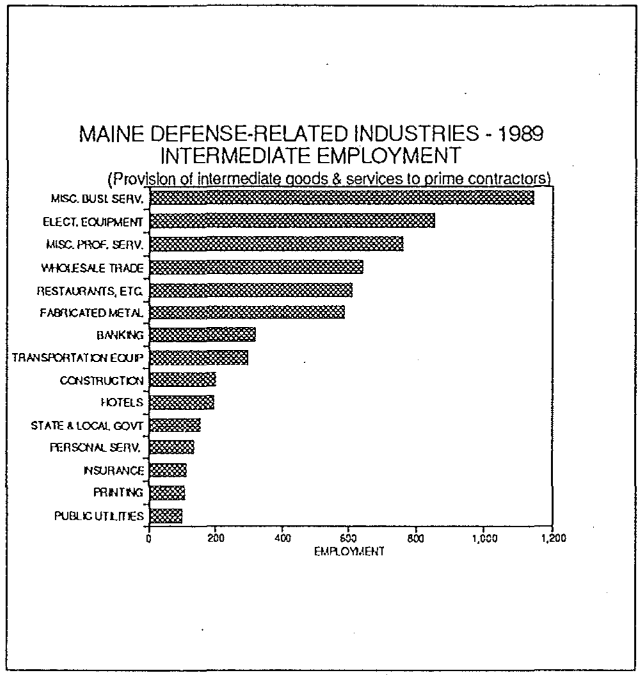

Figure 4

Finally, *induced employment*, refers to those jobs supported by the purchase of goods and services by people employed in the direct and intermediate levels. This group consists largely of wholesale and retail trade, restaurants, health services, State and local government and other consumer industries as seen in Figure 5. It is estimated to number 11,396, as seen in column C in Table 2. Representing 29% of all defense-dependent jobs, the large number of induced jobs reflects the spending of both civilian defense-dependent workers and military personnel.

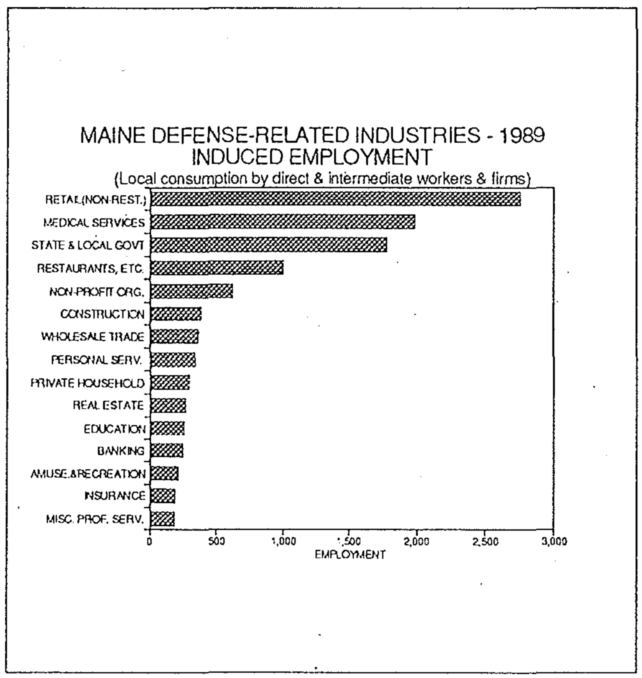

Figure 5

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[1] Efforts to determine the level of Maine employment supported by prime contractors outside of Maine are among the on-going projects of the Task Force.

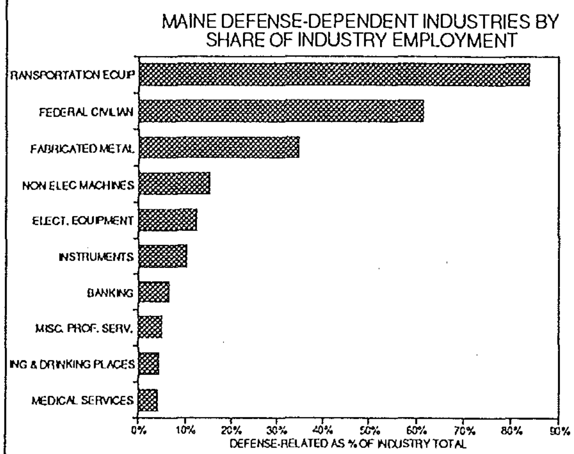


Figure 6

Defense spending touches each of Maine's industries to varying degrees. Of Maine industries with the largest **proportion** of defense-dependent jobs, transportation equipment, federal government, metal products, machinery and electronic equipment top the list, as shown in Figure 6. In addition, business service industries are also among Maine's most defense-dependent, reflecting the many intermediate and induced jobs supported by direct defense activities.

Many of these same industries employ the largest **number** of defense-dependent workers and are joined by retail trade, medical services and state and local government. This mix reflects both the relatively high level of consumption supported by the high-paying defense jobs and the labor intensity of the trade and service sectors.

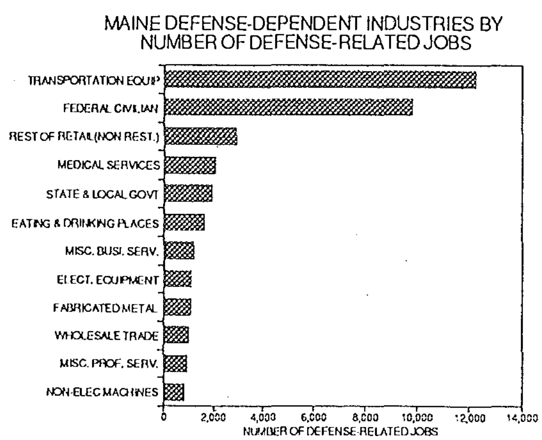


Figure 7

An assessment from an occupational standpoint reveals that machinists, pipefitters other production workers and administrative management occupations top the list of jobs with the highest proportion of defense-dependency. These are accompanied by sales, service and administrative support occupations are among the highest number of jobs supported by defense spending.

B. Maine's Principle Defense Facilities

Maine's long tradition of participating in this nation's defense has been based largely upon its coastal location and its reputation for shipbuilding. In fact, shipbuilder Bath Iron Works, Portsmouth Naval Shipyard, Brunswick Naval Air Station and Loring Air Force Base account for 26,000 defense jobs, representing over 64% of all the direct defense employment in Maine. Maine has also been home to a small but growing number of largely high-technology defense-related firms. Figure 8 displays the location of military facilities and defense contractors in Maine. Tables 3 and 4 identify selected Defense Department prime contractors in Maine and principal military facilities.

TABLE 3
SELECTED DEFENSE PRIME CONTRACTORS IN MAINE

COMPANY	LOCATION	AMOUNT(3-YEAR AVG)
Bath Iron Works	Bath	$451 million
Saco Defense	Saco	$35.0 million
Fiber Materials, Inc.	Biddeford	$9.2 million
Howell Laboratories & sub.	Bridgton	$7.9 million
E.C. Jordan	Brunswick	$5.3 million
H.E. Sargent	Old Town	$4.2 million
Frank J. O'Hara	Rockland	$2.4 million
Crowe Rope	Warren	$1.9 million
Mid-State Machine	Winslow	$0.5 million

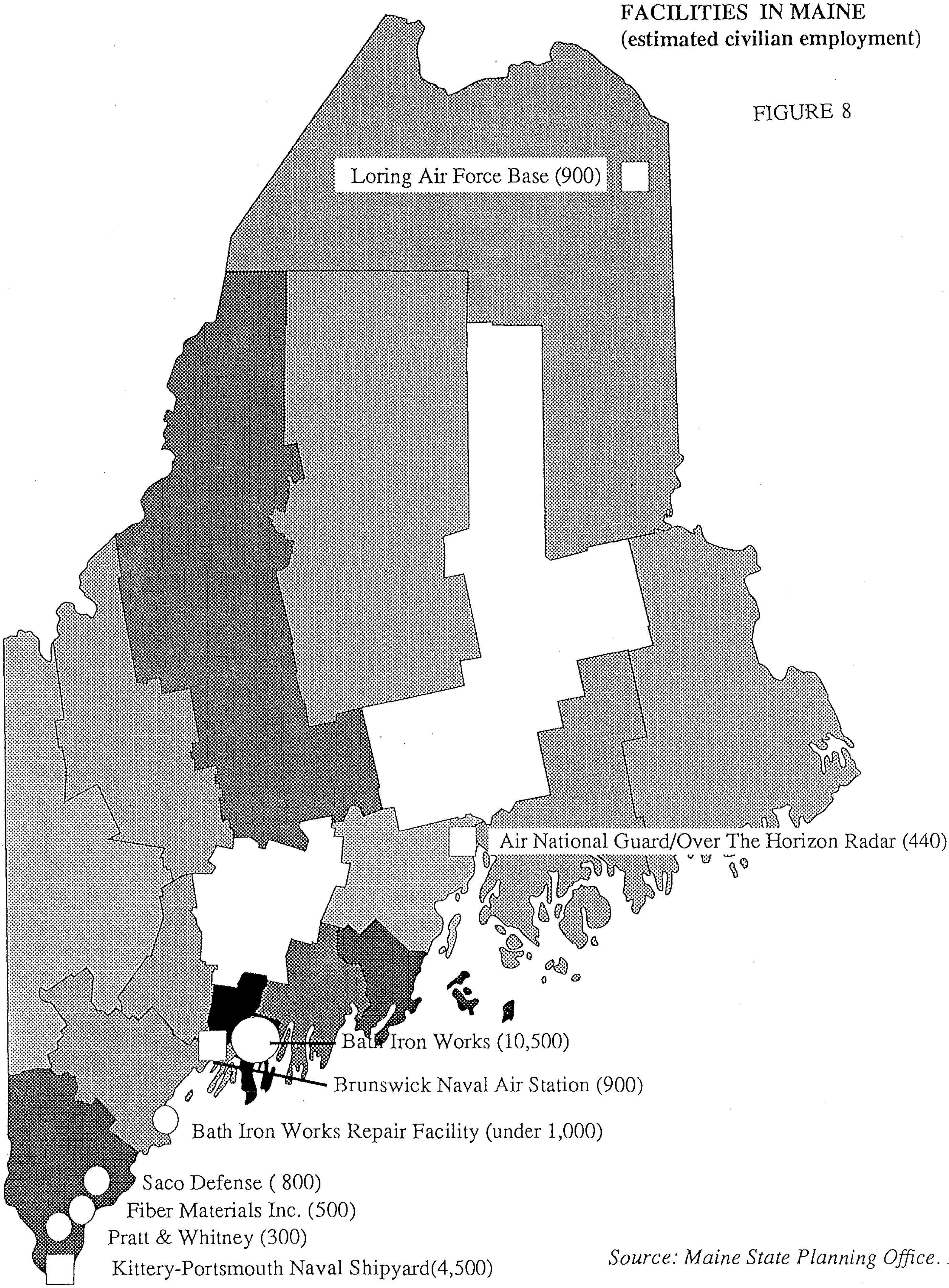
TABLE 4
PRINCIPAL MILITARY INSTALLATIONS IN MAINE

FACILITY	LOCATION	ANNUAL SPENDING
Portsmouth Naval Shipyard	Kittery	$170 Million*
Loring Air Force Base	Limestone	$130 Million
Brunswick Naval Air Station	Brunswick	$108 Million
Maine Air National Guard	Bangor	$33 Million

* Estimate of amount spent in Maine. Total spending in 1989 was S357 million.

SELECTED DEFENSE-RELATED FACILITIES IN MAINE
(estimated civilian employment)

FIGURE 8



Source: Maine State Planning Office. 1991

BATH IRON WORKS

Bath Iron Works (BIW) is Maine's single largest defense activity, and its largest private employer, whose 11,000 workers earn wages close to the national industry average but are but above the State average wage. Currently the lead shipyard in the Navy's AEGIS destroyer program, BIW has seen extraordinary growth since the late 1970's, adding over 7000 jobs in Maine during the 1980's.

A major component of the State and regional economy, BIW provides an annual payroll of over $300 million to workers largely from communities in Sagadahoc, Androscoggin, Cumberland, Lincoln and Kennebec Counties, as shown in Figure 8. In addition, BIW purchases approximately $60 million worth of goods and services annually from Maine firms. As a result, the defense work at BIW supports an additional 6,500 jobs across the State and generates $550 million in personal income.

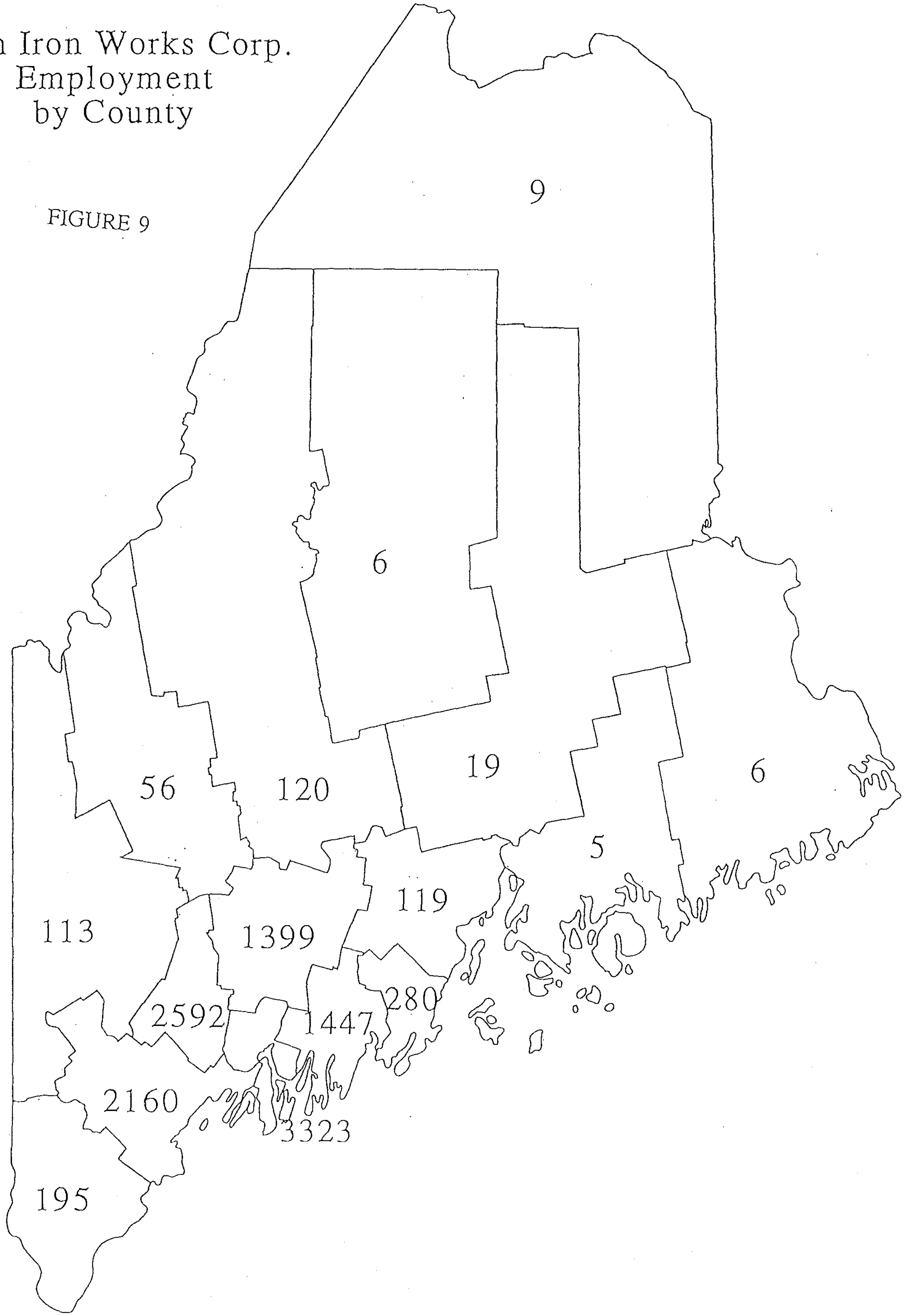
While significant, these estimates underestimate the role that BIW plays in supporting the economic and public infrastructure of mid-coast Maine. As the single largest purchaser of electricity from Central Maine Power, for example, its absence from the customer base would dramatically increase the cost of electricity to all other users. Similarly, the availability and cost of health, education and other public services to residents of the mid-coast region are directly affected, as well, by the presence of BIW in the Bath-Brunswick area.

BIW reached a peace time employment peak of 11,800 in 1989, driven by the Reagan naval build-up and a confluence of contract work during the last years of the 1980's. The outlook, however, is for a much lower level of defense work over the coming decade. Original procurement plans for five ships per year been revised downward. Consequently, BIW has announced that it will reduce its work force by up to 2,400 jobs over the next 2 years. The future of BIW as a defense contractor rests with decisions by the Department of Defense regarding the character of U.S. national security posture and the size and composition of America's naval fleet needed to accomodate it.

Officials at BIW have concluded that they must build three ships per year to remain commercially viable. At present, BIW's position as lead builder of the AEGIS cruiser and the inclusion of 5 vessels in the Bush Administration FY1992 budget bode well for the shipbuilder in the short term. However, longer-term prospects rely mightily upon either the continuation of the commitment to a class of warship built by BIW, or the success of the firm in diversifying into commercial markets. Given international overcapacity in commercial vessel production and foreign subsidies, however, the outlook for commercial shipbuilding in the U.S. is not bright.

Bath Iron Works Corp.
Employment
by County

FIGURE 9



Source: Bath Iron Works Corp.

PORTSMOUTH NAVAL SHIPYARD

Portsmouth Naval Shipyard in Kittery Maine employs approximately 8,000 civilian workers, just over half of whom are Maine residents. In addition to the $140 million Maine payroll, the shipyard purchases an approximately $ 8 million in goods and service from Maine firms. It is estimated that in addition to more than 4,000 direct jobs, Portsmouth Naval Shipyard supports an additional 2,300 jobs in Maine, producing a total of $240 million in earnings. Like any large employer, the shipyard is a crucial component of its regional economy, providing the critical mass needed to support the current level of cost-effective and quality public services to residents throughout southern York County.

Like the other seven public shipyards operated by the Navy, Portsmouth faces the pressures of declining workloads as maintenance budgets are reduced and systems are mothballed. In fact, the Portsmouth shipyard has begun the process of downsizing its workforce by approximately 1,450 jobs during the early part of 1991.

Over the longer term, however, Portsmouth Naval Shipyard seems to be on relatively solid footing. It was recently tapped by Secretary of Defense Cheney and Navy Secretary Lawrence Garrett as the lead shipyard for overhauls of Los Angeles class submarines which would appear to bolster its importance as a long-term asset. Nonetheless, defense priorities will continue to be shaped and reshaped, placing the economic activities dependent upon this facility at risk.

LORING AIR FORCE BASE

Loring Air Force Base, located in Limestone, Aroostook County is home to the 42nd Bombardment Wing of the U.S. Strategic Air Command. It is the single largest employer in Aroostook County, providing 4019 jobs (including 3496 military). Base military and civilian personnel combined represent 10% of total employment in the County. Moreover, wage levels at Loring are well above the county average. Consequently, the base payroll accounts for 19% of Aroostook County wage & salary income.

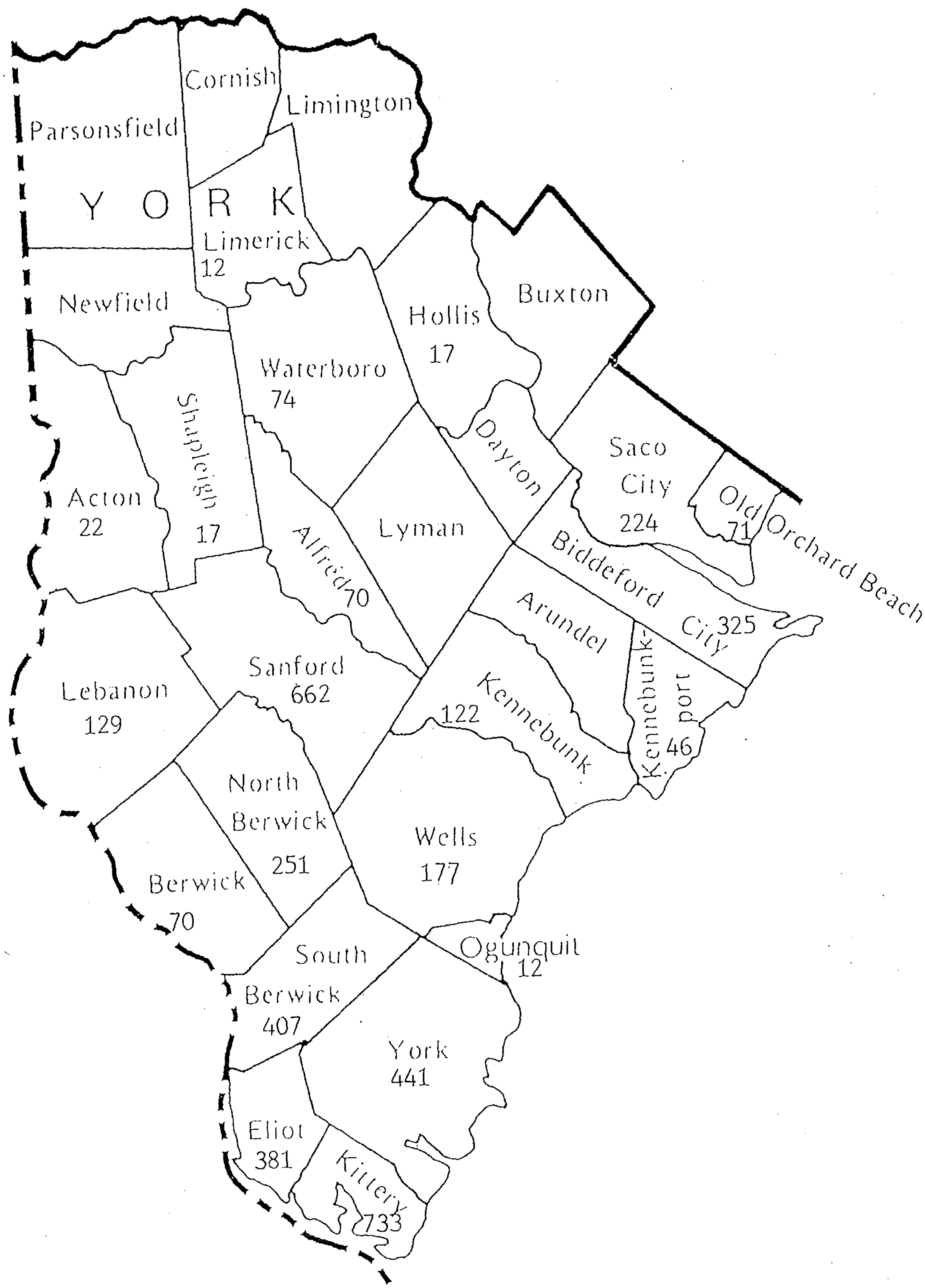
Loring plays a critical role in supporting the Northern Maine economy. Total base expenditures in fiscal year 1989 were $129 million. This included payroll, construction, services, materials, equipment and supplies. These expenditures included $89.6 million in military and civilian payroll, $16 million in construction projects, $14 million for services, and an additional $9.3 million for materials, equipment and supplies. The annual operation of Loring Air Force Base, including direct military and civilian jobs, payroll, and other base expenditures, supports a total of 7828 jobs in Maine, generates $168.3 million in personal income, and $286.3 million in business receipts. Of these, 6200 jobs, $129.5 million in personal income and $169.4 million in business sales are located in Aroostook County. In addition, the Base plays a large role in the provision of education, health care and fire fighting services to surrounding communities.

PORTSMOUTH NAVAL SHIPYARD
EMPLOYMENT BY TOWN

FIGURE 10

Cumberland County:

Portland 35
Scarborough 14
South Portland 20
Westbrook 12



The future of Loring Air Force Base remains difficult to predict. The Base faces three rounds of base realignment closure assessments pursuant to base closure procedures established in the FY 1991 National Defense Authorization Act. In determining the future of the base, the Department of Defense, the President and Congress, through the Base Closure and Realignment Commission will weigh the military value of Loring, among other criteria.

In recent years, the Base has undergone significant modernization as well as a change in mission from a nuclear to conventional one. This shift may make the facility more relevant to the nation's post cold war security needs. Moreover, the role of the 42nd Bombardment Wing from Loring in Operation Desert Storm highlights its importance in an array of defense requirements. Base assessments will take place in 1991, 1993, 1995.

BRUNSWICK NAVAL AIR STATION

Brunswick Naval Air Station (NAS Brunswick), located in Brunswick, Sagadohoc County, Maine is home of Patrol Wing FIVE, one of two Patrol Wings on the Atlantic Coast. Re-activated in 1951 in response to a growing Soviet submarine threat, Brunswick's principle task is anti-submarine warfare. They have also been called upon to perform anti-submarine surveillance, mine warfare, search and rescue and other missions.

NAS Brunswick employs 3,000 military and 900 civilian personnel. In 1989 NAS Brunswick funneled over $130 million into the local economy. This included $118 million in payroll, $11 million in construction contracts and $13.5 million in the purchase of goods and services from local businesses. Through its activities it supports an additional 1,700 jobs in the Bath-Brunswick area. In addition, the activities and personnel associated with NAS Brunswick are a integral part of the quality of life of the surrounding communities.

Like Loring, NAS Brunswick faces three rounds of base closure and realignment assessments beginning in April of this year. The pace and shape of change in superpower relationships remain nebulous, as do America's evolving national security priorities. Consequently, it is difficult to assess how BNAS Brunswick will fare in this process in the coming years.

OTHER DIRECT DEFENSE-RELATED BUSINESSES

A number of Maine businesses conduct a significant amount of business with the Department of Defense either in weapons procurement or through Maine's military installations. Saco Defense, Fiber Materials, Inc., Keyes Fiber Company, Andrew Crowe & Sons, Fibre Company, Howell Laboratories and other prime contractors produce components or complete weapons systems and other supplies and services. Combined, the defense-related employment of these firms is estimated at nearly 2,000.

Also notable are a number of Maine subcontractors working for out-of-State defense contractors. This group includes producers of metal products and machinery and electronic components. National Semiconductor in South Portland and Mid-State Machine in Winslow are among Maine businesses that have recently relied, in part, upon work with defense-related projects. Approximately 40% of the jet engine work conducted by Pratt & Whitney Aircraft Division in North Berwick is related to defense contracts of its parent, United Technologies in Connecticut. Other Maine businesses provide equipment, supplies, construction and other services to Maine's military installations. Among this category are Portland Valve, Brunswick Coal & Lumber, Cyr Construction and numerous other small and medium-sized firms around the State.

Like its composition, the outlook for this segment is mixed. As they cover the gamut of U.S. defense activity, this segment of Maine's defense-dependent economy is likely to experience some level of declining demand. The fate of individual firms depends entirely upon the continuation of the weapon systems or installations upon which they rely.

OTHER FEDERAL MILITARY ACTIVITIES

Pease Air Force Base: Pease Air Force Base in southeastern New Hampshire on the Maine/New Hampshire border, was the first to be closed pursuant to the Base Closure and Realignment Act of 1988. By the beginning of 1991, operations had essentially ceased, eliminating over 1,000 civilian jobs, 3,460 military jobs and a payroll of $109 million. Including dependents, total base-related population numbered about 10,700. In addition, the base added another $35 million in the purchase of goods, services and construction contracts.

The initial impact of this closing, coming in the midst of a regional downturn and national recession, was to further exacerbate economic difficulties on both sides of the border. The economic impact, in addition to the continuing uncertainty about the re-use of the facility, has generated concerns about the quality of future economic growth in neighboring Maine communities.

Maine National Guard: The Maine Army and Air Force National Guard maintain a considerable presence in the State. These units include 520 active duty military and more than 600 full time civilian personnel and 4,500 traditional Guard personnel (part-time). Combined these activities bring over $46 million in annual earnings to the Maine economy. The direct and indirect impact of the activities of the Maine National Guard support an additional 600 jobs across the State.

The single largest on-going operation of the Maine National Guard is the Air National Guard (ANG) 101st Air Refueling Wing headquartered at Bangor International Airport. The 101st Air Refueling Wing includes 113 full-time military and 380 federal civilian personnel in addition to 1,400 traditional Guard members (part-time), generating over $20 million in earnings each year. Of this, the traditional Guard accounts for nearly $7 million annually. The recent addition of the Over-The-Horizon Backscatter Radar facility (OTH-B) added 329 full-time military and over 200 civilian personnel to the ANG operation in Bangor.

Activities at Bangor have already begun to feel the effects of changing defense priorities. In a cost-saving measure, the Air Force has apparently decided to close or significantly down-size the newly-constructed OTH-B facility. This will cause the elimination of 200 direct civilian jobs associated with the facility and an additional 280 jobs in the local economy. While the remaining activities at Bangor are expected to continue, the Air National Guard missions in Bangor will, like all military facilities, face continuous review. However, a growing emphasis on National Guard and Reserve roles in national defense planning would seem to augur well for the activities at Bangor.

Navy Security and Communications Facilities: The U.S. Navy operates two facilities in East coastal Maine. The Naval Security Group in Winter Harbor and the Naval Communications Unit in Cutler, while small, are important components of the small economy in their region. Employing about 600 military and civilian personnel, these activities are among the area's largest and highest paying employers.

D. Conclusions

By varying degrees, Maine's economic defense dependency cuts across all Maine industries. However, the State's direct dependency is concentrated in a small number of facilities and firms, and three regions of the State. In fact, 17,700 or nearly 80% of all Maine's direct defense-related civilian jobs are with BIW, Loring AFB, NAS Brunswick and Portsmouth Naval Shipyard. However, these represent only 42% of all defense-dependent jobs. The majority of Maine's defense-dependent jobs are spread among a large number of businesses that serve both civilian and military-related markets.

Not surprisingly, the geographic concentration of Maine's defense-dependency is in the three regions of the State that host large defense establishments. Aroostook County, the home of Loring Air Force Base, relies on the base to support one of every six jobs, and 12% of total income generated in the County. It is the County's largest single employer and accounts for 19% of its wages and salaries. The Bath-Brunswick Region is host to both Bath Iron Works and Brunswick Naval Air Station. These two facilities alone support over $1 billion in earnings, fully 8% of the State total. In fact significant economic impacts of BIW extend west into Androscoggin County and south into Cumberland County. Finally, York County is the location of Portsmouth Naval Shipyard, Saco Defense, Fiber Materials Inc. and other private defense sub-contractors. Moreover, its proximity to Pease Air Force Base in New Hampshire has already led to deleterious economic impacts within its borders.

The local and regional impact of defense spending reductions will likely be significant. In a state dominated by small and medium-sized businesses, defense-related activities become the principal economic actor in each of the regions in which they are located. Moreover, the diversity of Maine's defense-dependency suggests that the State is unlikely to escape some, if not all, segments of its defense economy to feel the effects of restructuring of national spending priorities.

4. THE CAPACITY OF THE MAINE ECONOMY TO ABSORB DEFENSE REALIGNMENT

A. The New Maine Economy

An increased level of defense spending was only one factor that drove Maine's phenomenal growth during the 1980's. In fact, the rise in defense spending in Maine, principally through the procurement of naval vessels, accounts for approximately 7% of the 158% increase in Maine's Gross State Product between 1979 and 1989. Thus, taken by itself, Maine's economy may not have much difficulty absorbing the effects of shrinking defense investments.

Unfortunately, the defense slowdown comes at a time when many of the other forces that drove economic growth in Maine have largely run their course. The demographic surge that fueled rapid household formation, consumer spending and strong job growth in the last decade will moderate over the next ten years. The New England economic renaissance driven by the defense build-up and the computer and finance industries has dissolved into a quagmire of innovative confusion and over-built real estate. Consequently, the first wave of defense cuts is hitting Maine in the midst of its worse economic downturn since the early 1980's.

On the other hand, the challenge of defense cuts are faced by a Maine economy that has experienced a qualitative improvement over the last 15 years. The economy that is carrying Maine into the 1990's is the culmination of a fundamental restructuring of the State's industrial base. This transformation has been characterized by the formation of new manufacturing industries as well as the revitalization of some of Maine's traditional industries. Maine's service sector, too, has gradually moved from a supplier of basic essentials to an array of activities servicing businesses and consumers in and outside the State. Moreover, Maine has been spared the worst affects that overheated growth has inflicted on much of Southern New England. As a result, Maine is poised to participate strongly in the national economic rebound anticipated to begin in 1991.

In the short term, however, the State economy will be very hard pressed to replace defense-dependent jobs. Maine has suffered a regional economic slowdown for over two years and now finds itself in the midst of a national recession. During 1990, Maine employment declined by 28,000 jobs, or 4.5%. Most of these recent job losses have been in construction, manufacturing and retail trade. Further decline has occured during the first quarter of 1991, although a very modest turn-around is expected to begin in the second half of the year.

Over the longer term, economic growth during the 1990's is expected to be more moderate than that experienced during the 1980's. The State Planning Office (SPO) forecast indicates that over the decade, job growth is expected to slow to an average of about 1% per year, down from the 2.6% annual growth experienced during the 1980's. Real Gross State Product, the value of goods and services produced in Maine, will increase by 2.4% per year, reflecting productivity gains in both manufacturing and service sectors. The ability of such modest growth to absorb defense reductions depends upon the degree and timing of such cuts.

Even if the larger Maine economy has the capacity to absorb the losses from defense cuts, the impact of such cuts on individual workers, firms and communities will be severe. Like past industrial restructurings, the shift away from defense will be painful. The nature of job growth in Maine over the next several years will not necessarily occur in the occupations or locations held by current defense-dependent workers. Communities dependent upon defense workers, firms and facilities will be hard pressed to replace the tax base and level of service presently supported by defense spending. Firms that have long relied on the steady flow of defense dollars will find themselves seeking new customers in an increasingly competitive market place.

B. Impact of Alternative Defense Spending Scenarios for Maine

The long-term economic outlook for Maine produced by the State Planning Office offers a baseline from which to compare the effects of a range of defense cutbacks. The SPO forecast already assumes some defense-related impacts. Shipbuilding, which added 7,000 jobs during the defense build-up, is assumed to move toward pre-buildup levels. Consequently, this industry is predicted to decline by about 5,000 jobs over the decade. In addition, the forecast assumes a steady reduction in U.S. military forces, totaling 1500 federal military and civilian employees in Maine over the decade.

The Scenarios developed for this analysis range from the defense-related cutbacks already implemented or imminent, indicated in *Scenario One*, to increasingly more severe reductions, *Scenarios 2, 3 and 4.*[2] Table 5 compares the outcomes of the various scenarios.

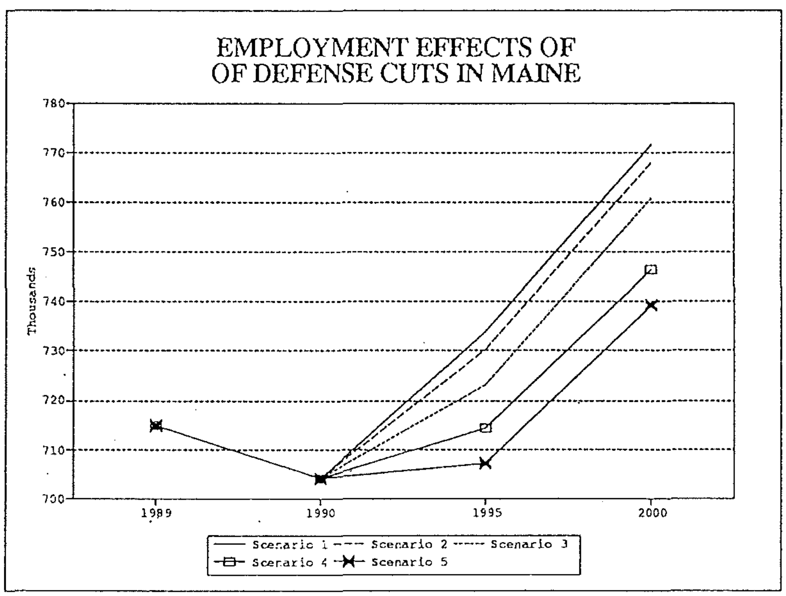


Figure 11

Scenario One reflects an economy that absorbs the relatively modest defense reductions with relative ease over the decade. These include the reduction at BIW of approximately 5,000 from its 1990 high of 11,400 and a reduction in federal Defense

[2] At this point, the impact of these scenarios have only been estimated for the economy as a whole. The on-going strategy process will seek to determine their effects on specific localities and groups of workers.

personnel of about 1500 over the decade. Despite the loss of 6,500 defense-related jobs Maine private sector employment employment in 1995 rises nearly 5% above 1990, and continues to add net new jobs through the year 2000. While manufacturing employment as a whole is expected to decline, anticipated growth in the metal products, and electronics industries will make up some of the losses in transporation equipment.

Scenarios Two through Five show the effects of increasingly severe reductions in defense activity in Maine. *Scenarios Two and Three* reflect a cut of 10% and 30% respectively in the 1989 level of defense activity, assuming that transportation equipment will decline at the same pace as in Scenario one. *Scenario Four* adds the complete closure of BIW to the 30% reduction in other defense activity. Finally, *Scenario Five* reflects both the closure of BIW and a 50% reduction in other defense activity in Maine from the 1989 level.

TABLE 5
ECONOMIC IMPACT OF POSSIBLE DEFENSE REDUCTION

	LEVEL		DIFFERENCE FROM BASELINE		% CHANGE FROM BASELINE
	1995	2000	1995	2000	2000
SCENARIO ONE (Baseline)					
Total Employment	734000	772000	--	--	--
Private Employment	583000	653000	--	--	--
Personal Income (mil)	$29,800	$42,400	--	--	--
SCENARO TWO (10% cut)					
Total Employment	730000	768000	3620	3625	-0.5%
Private Employment	609000	645000	1920	1840	-0.3%
Personal Income (mil)	$29,600	$42,200	$159	$241	-0.6%
SCENARO THREE (30% cut)					
Total Employment	723000	761000	10890	10880	-1.4%
Private Employment	604900	641000	5900	5600	-0.9%
Personal Income (mil)	$29,370	$41,700	$448	$715	-1.7
SCENARO FOUR (30% cut & loss of BIW)					
Total Employment	714360	746420	19600	25300	-3.3%
Private Employment	596380	627660	14460	18920	-2.9%
Personal Income (mil)	$29,070	$40,710	$740	$1,722	-4.1%
SCENARO FIVE (50% cut & loss of BIW)					
Total Employment	707130	739260	26830	32500	-4.2%
Private Employment	592480	624040	18370	22540	-3.5%
Personal Income (mil)	$28,780	$40,240	$1,040	$2,190	-5.2%

As seen in Figure 11, long-term employment in Maine is slowed by between 0.5% and 4.2% by these levels of defense cuts. In absolute numbers, defense cuts could cost the Maine economy between 3,600 (in addition to losses already anticipated at BIW and DoD) and 32,500 jobs over the decade. The loss in annual personal income ranges from $241 million in Scenario Two to over $2 billion in Scenario Five, a loss of over 5%, as shown in Table 5.

C.Other Economic Implications of Defense Reductions

A number of other economic dynamics of defense reductions are not taken into account in the analysis above. The analysis above offers no indication of the effect of defense cutbacks on the level, quality and cost of State and local public services. As noted earlier, BIW is among Maine's largest consumers of electricity and along with its workforce, support a high level of local public and private services, including health care, and provide an important share of State and local tax revenues.

On the other hand, Defense force reductions, will increase the number of Maine citizens returning to the State from the military with both skills and G.I Bill benefits. The Advisory Council on Education and the Military in Maine estimates that current force reduction proposals will increase the number of returning Maine service persons from the current 1300 per year, to 1800 per year, a 38% increase. This influx of trained workers with resources for further education offers to reduce the skill shortage that currently threatens Maine's long-term economic growth.

D. Conclusions

In the last 20 years, Maine has moved from a lathargic dominated by mature forest products, footwear, and textiles industries to a diversified and dynamic one. This economic restructuring, like the many throughout the State's economic history, was both painful and benefitial. Some regions of the State still bear the scars of the declining footwear and textiles industries. Paper mill towns struggle with the realization that a high school diploma no longer guarantees a high paying local job, and rural Maine, the home of much of our industrial past, contend with the locational implications of a service economy.

At the same time, Maine moved from 42nd in per capita income in 1979 to 26th by 1989 as low-wage employment was replaced by new, higher wage jobs. For each job lost in Maine's footwear, textiles and food processing industries during the 1980's, Maine added two to three higher paying jobs in health care, wholesale trade insurance and business and professional services.

The economic restructuring associated with reduced defense spending presents important differences from past restructuring. First, the capacity of Maine's economy to absorb the impacts of defense spending cuts is somewhat greater today than in the past. Higher incomes and greater industrial diversity and a more sophisticated business population offer a buffer to the impacts of modest cuts in defense spending. Second, unlike past economic upheavals we have the benefit of precognition. While specifics are unknowable, we can estimate the approximate timing and potential character of defense cuts. This offers the opportunity to develop strategies to mitigate the impacts of defense spending cuts.

Nonetheless, because of the large size of each of Maine's four principal defense operations in relation to the State's small economy, the loss of one or more of these facilities would have severe implications. Moreover, as seen above, dramatic cuts in defense spending in Maine would present a formidable challenge. In the absence of a concerted dependency mitigation and response program by Maine businesses, workers and communities defense cuts have the potential for presenting a devastating blow to the Maine economy.

Key

5. A DEFENSE REALIGNMENT RESPONSE STRATEGY FOR MAINE

The analysis presented here is a first step in understanding the role of the defense industry in the State's economy. Much more in-depth examination of the character of Maine's defense dependency is necessary. However, the insights of the Defense Task Force members and the information presented in this review the highlight the essential components of a defense realignment response strategy for Maine. To respond effectively to the impacts of shifting defense priorities Maine State government, businesses, workers and communities must 1.) develop the capacity to respond, in the short term, to imminent defense reductions; and 2.) reduce their dependence on defense spending before severe reductions occur.

A. Short-term Impact Strategy

The focus of the short-term strategy development component will be to respond to defense-related layoffs that have already occurred or are imminent. The RETI-team approach offers a valuable model and vehicle in Maine through which to implement impact response. To accomplish the short-term impact strategy this project will provide support for defense-related RETI-team programs in impacted areas to:

- examine the characteristics of the workers, businesses and communities that have or will likely soon experience significant economic dislocation;
- evaluate what State, local, federal and private sector resources exist to assist in reducing the harmful affects of identified dislocations; and
- examine how resources should be mobilized to provide effective and timely assistance to affected workers, communities and businesses.

B. Long Term Impact Mitigation Strategy

Over the longer term, a strategy to counter Maine's defense dependency should seek to mitigate that dependency before the most harmful affects of cutbacks are felt. A comprehensive approach would work to cushion the blow by addressing the needs of at-risk communities, workers and businesses. This approach consists of three basic elements:

1. **Encourage and assist multi-jurisdictional development capacity building in at-risk regions.**

The State Defense Realignment Task Force should develop programs to encourage and assist development capacity building in at-risk regions. Such programs should incorporate multi-jurisdictional community and economic development planning, take advantage of the on-going comprehensive planning process, assist in identifying economic development infrastructure needs, and avenues of assistance, and facilitate contingency Department of Defense facility re-use planning.

2. **Maximize the possibility of re-employment of at-risk workers in advance of actual cut-backs.**

Strategies to maximize the possibility of re-employment of at-risk workers in advance of actual cut-backs must recognize that most at-risk workers have relatively high level of skills and education. Thus, they will need either a new employer in similar industry, the ability to start their own business, or the ability to move into a new occupation with comparable pay.

Re-employment will depend greatly on increasing the educational level of at-risk workers. One approach to increasing the educational level of at-risk workers is to adopt a "civilian GI Bill". Modeled after the existing G.I. bill program available to the military, such a program could encourage defense-dependent workers to set money aside to finance college or other advance education/training while they are still employed. Of particular importance would be education in production management, technology and business management. Possible financing options should be explored including payroll deduction matched by employer or other assistance.

Another avenue to re-employment of at-risk workers is to encourage and assist the expansion of Maine firms utilizing either the skills of defense-dependent workers or the services of other defense-dependent firms. The focus here is on existing Maine firms that could utilize the skills of affected workers. As noted in the above analysis, many of the direct and intermediate defense-dependent jobs are with firms in metal products and electronics. Thus, programs may want to focus on Maine metal products and electronics firms.

Maine already has in place a number of programs to assist small and medium-sized firms to expand. Some additional approaches could include: a "Small Business Aspirations Program"; new technology investment and training assistance (including managers and workers); and identifing current or likely future opportunities for "import substitution" and for assisting Maine businesses to take advantage of these opportunities.

3. **Reduce the defense dependency of at-risk firms.**

Finally, the State should target business assistance programs to help Maine's defense-dependent firms reduce their reliance on defense spending. Prime contractors, secondary producers and providers of supplies and support services all face shrinking defense markets. Such an effort can assist firms to identify new markets. Of equal importance will be encourage new technology investments and provide training assistance necessary to allow these firms to succeed in an increasingly competitive non-defense market.

6. CONCLUSION

The broad characteristics of Maine's defense dependency are documented in this report. What remains unclear are the more subtle features of Maine's defense dependency. How many Maine firms provide goods and services to BIW, Pratt & Whitney and the facilities at Kittery, Brunswick and Loring? How many Maine firms provide goods and services to prime defense contractors outside of Maine? How will reductions in U.S. Defense Department support of any of these facilities affect local and regional economies, and State and local governments services? Additional assessment can more specifically identify the population of at-risk businesses, workers and communities, and determine their degree of defense-dependency.

The work to date has enabled the Task Force to determine the general shape of Maine's defense dependency and the outlines of an effective strategy. Devising the details of this approach requires more in-depth analysis and strategy development. While the specific needs of the immediate and longer-term components differ, both will follow a generally similar process that will 1.) determine the character of Maine's defense dependence; 2.) gauge the capacity of Maine's private and public sector to respond to the dislocations and opportunities presented by defense reductions; 3.) coordinate and assist local and regional response efforts; and 4.) propose a comprehensive strategy for reducing the defense dependency of Maine firms, workers and communities and strengthening their capacity to respond to defense cutbacks.

Part one will determine more specifically the dimensions of Maine's defense dependency. Defense-dependent firms include a broad array of businesses. It will seek to determine how Maine private providers of inputs and services will be affected by reduction of output by prime contractors and bases, determine how defense realignment will affect local and State government services and evaluate the adequacy and effectiveness of existing federal, state and local dislocation response capacity e.g. income support, family stress support, worker re-training, business assistance, etc.

Part two will assess the current capacity of at-risk Maine businesses and workers to reduce their defense dependency. Do Maine's at-risk businesses and workers possess the resources to enter and succeed in non-defense markets? Some firms have the technology and skilled workers to shift to non-defense products. Others cannot afford new technology, training and marketing. Many defense-related workers earn relatively high wages, allowing them to finance education and training. However, they may not have local access to or knowledge of appropriate and/or desirable courses of study/training.

Part three will assist local and regional planning efforts already underway or anticipated. Using the information developed through parts one and two of this project and other relevant data sources, the Task Force will serve as a State-level contact and clearinghouse for local/regional defense realignment planning. It will also coordinate the local/regional strategy development efforts with the Statewide Task Force process.

Part four will develop a comprehensive strategy for reducing Maine's defense capacity. While the impact of some defense cuts are already being felt, Maine is likely to face several severe defense-related dislocations over the next several years. This strategy will seek to take advantage of continuing, but shrinking, defense support to reduce defense dependency of Maine firms, workers and communities and to strengthen their capacity to respond to dislocations caused by defense cuts. It will also identify programs and resources needed to encourage, assist and strengthen local development capacity in at-risk regions, help diversify the re-employment base, enhance re-employability of workers, broaden the markets of defense-dependent firms, and anticipate and mitigate impacts on communities associated with defense spending reductions. Finally, part four will identify barriers to the effective implementation of the strategy, and recommend actions to remove these barriers.

The State of Maine has many existing programs designed to address similar issues of a changing economy. The efforts outlined here will seek to better focus these programs to meet the rapidly developing needs of Maine's defense-dependent workers, businesses and communities in addition to developing new approaches to reducing Maine's defense dependency.

TABLE 5
SLELCTED PUBLIC RESOURCES

WORKER ASSISTANCE, RE-TRAINING & EDUCATION:

RETI-TEAM PROGRAM

MAINE JOB SERVICE

STATE ADVANCE NOTICE AND SEVERANCE PAY LAWS

MAINE TECHNICAL COLLEGE SYSTEM

UNIVERSITY OF MAINE SYSTEM

BUSINESS TECHNICAL ASSISTANCE

DECD PROGRAMS

MAINE TECHNICAL COLLEGE SYSTEM

UNIVERSITY OF MAINE SYSTEM

COOPERATIVE EXTENSION SERVICE

SMALL BUSINESS ADMINISTRATION

MAINE SCIENCE & TECHNOLOGY COMMISSION

BUSINESS FINANCING

DECD PROGRAMS

FINANCE AUTHORITY OF MAINE

SMALL BUSINESS ADMINISTRATION

COMMUNITY ASSISTANCE

DECD, OFFICE OF COMPREHENSIVE PLANNING

DECD, COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

COOPERATIVE EXTENSION SERVICE

ECONOMIC DEVELOPMENT ADMINISTRATION

DoD, ECONOMIC ADJUSTMENT PROGRAM