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**Task Force on Defense Realignment
and the
Maine Economy**

First Annual Report

**to
Governor John R. McKernan, Jr.
and
The Maine Legislature
Committee on Housing and Economic Development**

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October 1, 1993



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STATE OF MAINE
EXECUTIVE DEPARTMENT
STATE PLANNING OFFICE

JOHN R. McKERNAN, JR.
GOVERNOR

STEPHEN J. ADAMS
DIRECTOR

October 1, 1993

Hon. John R. McKernan, Governor
State of Maine
State House Station #1
Augusta, Maine 04333

Maine State Legislature
Joint Standing Committee on Housing and Economic Development
State House Station #3
Augusta, Maine 04333

Governor McKernan,
Members of the Joint Standing Committee on Housing and Economic Development,

The Task Force on Defense Realignment and the Maine Economy hereby submits the first annual report of the task force. The report briefly reviews the Task Force's activities and the status of other related initiatives underway throughout the State.

The Task Force finds that the role of defense in the Maine economy is substantial. In an effort to be brief, the role of defense spending has been merely highlighted in this annual report and a copy of the report recently submitted to the EDA is included for a more detailed analysis.

The Task Force has identified many of the key components and has established several priorities that lead toward a strategy for realignment. The Task Force has also identified many federal issues and concerns that it believes must be resolved in order to make federal services and funding sources more responsive to the needs of this State and its most defense dependent regions and businesses. I am confident that Maine's new Office of Conversion will increase the State's capacity to assist defense-dependent workers, communities and businesses to adjust to the new economic environment.

Sincerely,

Stephen J. Adams
Immediate Past Chair

APR 12 2000

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and the
Maine Economy

First Annual Report

to
Governor John R. McKernan, Jr.
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Committee on Housing and Economic Development

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I. Introduction

The Task Force on Defense Realignment and the Maine Economy was established a year ago by the 115th Legislature and assigned the responsibility for preparing a statewide strategy and implementation plan to reduce defense dependency in the Maine economy, to suggest state legislation and actions, coordinate state efforts to gain federal support, and to coordinate regional efforts to achieve economic conversion and diversification.

The Task Force held its first meeting on October 8, 1992 and has met several times since. Although the issues related to defense realignment and economic diversification are by nature interconnected and require a comprehensive approach, the impact of a lessening of the role of defense in the economy impacts most the state's workers, its businesses, and its communities. Therefore, three working subcommittees were formed to focus on key issues facing workers, businesses, and communities and regions. The subcommittees have met several times and have identified key issues, needs and actions.

While not formally adopted by the full task force, a Defense Adjustment Action Plan for Maine has been developed by the State Planning Office under a grant from the Economic Development Administration. The Joint Legislative Committee on Housing and Economic Development have received copies of the report. While the Task Force has not yet adopted a full scale strategy for reducing the state's defense dependency it has begun to address many of the issues and concerns identified by the Planning Office and has identified most of the key components and priorities. The task force has identified an operating framework which includes (1) attention to urgent needs and developments as the base closure process continues and firms face the prospects of fewer and fewer defense contracts, (2) emphasis on the role of local input and initiatives in forging a state level approach, (3) priority to assisting existing businesses to re-tool, develop new markets and remain competitive (vs a business attraction approach), (4) making public-private partnerships a central part of the realignment process, and (5) pinpointing needs with great specificity in order to direct the State's limited resources most effectively and assure results.

The role of the Task Force has been made doubly urgent because the effects of reductions in defense spending are already seen in the Maine economy. A number of Maine firms have reduced their work force due to declining defense contracts, including Bath Iron Works, the State's largest defense contractor. Two rounds of base closures have already been decided, both of which have resulted in significant impact on Maine. The 1989 Commission selected Pease AFB in New Hampshire for closure. The base was closed in 1991, resulting in the loss of several thousand jobs in southern Maine and in New Hampshire. The 1991 Commission selected Loring AFB in Limestone for closure. The base is scheduled to be closed by mid 1994, resulting in devastating effects to the Aroostook County economy. Concern that additional installations in Maine, especially the Kittery-Portsmouth Naval Shipyard might be targeted by the 1993

Commission diverted the attention of the Task Force and the State as time and energy was invested in making the pitch for preserving Maine bases, especially PNSY. The Task Force recognizes that economic conversion is a gradual process which is all the more difficult to achieve during a period of slow economic growth. Base closings create sudden and severe economic impact which direct attention away from the process of diversifying Maine's economy and into a reactive mode.

The Task Force's efforts have been divided between attempts to forge a long term strategy for building an economy that is less dependent on defense spending and the need and desire to act in order to seize opportunities that arise today. The need to act now led to the involvement of the task force, and especially of some of its members in developing proposals, market studies, and related activities to address the problems already at hand. To reduce job losses the Task Force has placed its focus on strengthening existing industries and helping them convert to private sector markets/products rather than on attracting replacement businesses.

The Task Force also placed a high degree of emphasis on regional efforts, regarding the needs they identify as the most important basis of a state strategy. The task force is committed to making sure that the outcome is a bottom up vs top down approach. Regional efforts are in varying stages that range from those just beginning to assess the local situation to others engaged in actual implementation of a base closure and re-use effort.

The need for a stronger public-private partnership is critical to Maine's defense conversion plan. The public role can be little more than that of a facilitator. The capacity of the business sector to convert from defense-related products and markets or to develop a new customer base when a nearby military installation closes is indeed Maine's first defense against economic hardship from a downsized military.

A defense realignment strategy must necessarily be complex and comprehensive. Initial background research by the State Planning Office found that defense spending plays a major role in the State's economy, accounting (conservatively) for 9% of the state's jobs and 11% of earnings. The impact is widespread throughout the economy and in every region of the State. Once the magnitude of defense spending in the Maine economy was clear, the Task Force moved the investigation into the effects of defense cutbacks to a new level. Studies are now underway to pinpoint with greater specificity the capacity of Maine communities, businesses and workers to adjust, the exact services they will need, and the capacity of public and private sectors to redirect their resources to respond.

Part II of this report reviews the status of Task Force activities during its first year and summarizes its initial findings.

In June, 1993 the Legislature created an Office of Economic Conversion within the Department of Economic and Community Development and transferred task force responsibility to that agency.

II. Status report

This first annual report reviews four facets of Task Force activities. First, it briefly highlights the findings of investigations into the extent of defense dependency of the Maine economy and how defense cutbacks will affect employment and income in Maine in the next couple years.

Second, some of the initial findings of the Task Force on how Maine might proceed to achieve a less defense-dependent economy are presented for discussion and response. The Task Force also identified a number of federal impediments to defense realignment that exist with present programs and regulations and has identified ways in which the federal government can be of more assistance.

The final two components review initiatives and activities that are now underway at the State level and at the local and regional levels as well as some of the public-private partnerships that have been developed.

A. Extent of Defense Impact on the Maine Economy

Analysis by the State Planning Office revealed that defense spending plays a major role in the State's economy, accounting for 9% of the state's jobs and 11% of earnings. Defense expenditures account for 9% of Maine's gross state product and only 5% nationally. (For a more in-depth study, see the report of the State Planning Office to the Economic Development Administration, "A Defense Adjustment Action Plan for Maine, March 1993.)

Defense spending permeates every component of the Maine economy and every region of the State. Though the common image of defense spending is one of the jobs provided by military bases and of defense contracts for the manufacture of military hardware (guns, ships, etc.), the impact on the Maine economy is much more widespread. In addition to the millions in payroll dollars, military installations purchase goods and services from literally thousands of Maine firms, ranging in value from \$10 to \$10 million. The biggest beneficiaries are the service and construction/repair sectors of the Maine economy. Of the top ten Maine firms receiving procurement contracts, only half were firms that produce "hardware". Others produce rope, flight jackets, etc., or are hired to construct major new facilities.

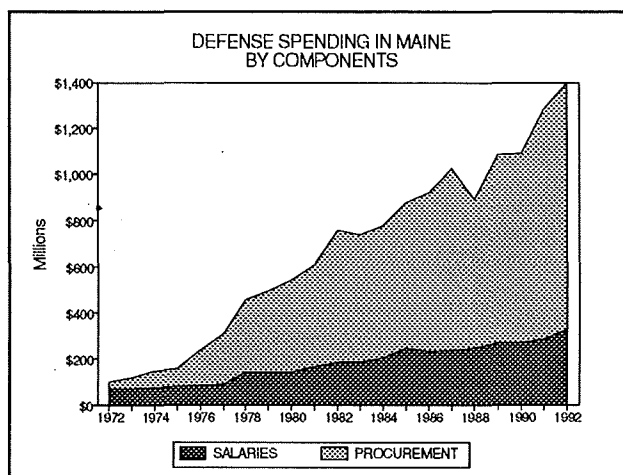
TABLE 1

TOP TEN DEFENSE PRIME CONTRACTORS IN MAINE, FY 89-MAY 1992

<u>COMPANY</u>	<u>LOCATION</u>	<u>CONTRACT AWARDS, (FY89-MAY92)</u>
Bath Iron Works	Bath	\$2,193 million
Saco Defense	Saco	\$105.8 million
H.E. Sargent	Old Town	\$12.1 million
ABB Environmental Svcs	Portland	\$11.9 million
Fiber Materials Inc	Biddeford	\$8.5 million
Dielectric Communications	Raymond	\$7.0 million
Andrew Crowe & Sons	Warren	\$5.3 million
Creative Apparel Assoc.	Belfast	\$3.1 million
A.E. Flewelling & Sons	Washburn	\$2.3 million
Mid Maine Contractors	Litchfield	\$2.2 million
Industrial Welding & Mach.	Portland	\$2.1 million

Over the past two decades Maine firms have been the beneficiaries of increased defense spending. Defense procurement contracts awarded to Maine firms grew steadily from less than \$50 million in 1972 to over \$1.3 billion in 1992.

Between 1989 and 1992 Maine lost a total of 7,400 defense related jobs. This represents more than 1% of the State's total full and part time employment during those years. In spite of this, Maine's economy remains extremely dependent on defense spending. At the outset of 1993, 8.2% of the work force are in defense-dependent jobs, representing a payroll of \$1.4 billion.



Even more significant defense cutbacks lie ahead. Maine will lose more defense jobs over the next two years (1993-1994) than occurred during the past three years. Job losses at Loring AFB will total nearly 6500. Additional losses at PNSY, the Maine National Guard, and from reduction in force at other facilities are expected to exceed 1000 jobs. In the private sector, losses at BIW and other defense contractors are expected to be double this figure. Consequently over the next two years defense job losses will again exceed 1% of Maine's resident employment base.

B. Initial Findings

The development of a realignment strategy is an ongoing process. The Task Force is considering numerous ideas and suggestions. The following is a summary of ideas under consideration by the task force.

1. State Roles

The process of realigning the Maine economy into one with less dependence on defense spending must involve all sectors and all levels. In general, the task force envisions a process that is based in local control and is responsive to local needs, that emphasizes public-private partnerships, involves the State as a coordinator and as a facilitator, and seeks to strengthen and re-design State services to meet emerging needs.

a. Emphasis on Local control and flexibility and on Public-Private partnerships.

Any plan must recognize that needs and circumstances vary greatly across the State. No single statewide prescription will be appropriate. Central to realigning the Maine economy is the need for the State's businesses to move away from defense as a major source of their business. No amount of investment by public sector, either at the State or local level will be successful in re-directing the Maine economy if business itself is not the key player.

b. State Clearinghouse/Coordination and Facilitator Role.

In assisting local and regional efforts, workers, and businesses, the State should function primarily as a facilitator. The Task Force has identified three potential state level roles:

1. The State of Maine should create an Office of Defense Conversion in order to provide over a period of time a consistent state role and staff to coordinate readjustment efforts to benefit communities, businesses and workers, to link services with needs, coordinate with the federal level to bring federal resources to bear on conversion efforts, and to implement a defense realignment strategy for Maine. Such an office should be federally funded but will require state matching. (Note: LD283 began this process.)

2. The state needs a "readiness" process to prepare for closures and to have in place the structures and resources to move quickly to minimize impacts on the local economy.

3. The State needs to maintain an ongoing planning and oversight function in conjunction with the Task Force to analyze and monitor the defense situation and the implementation of planning and local initiatives.

c. Re-designing State Services

A number of state services need to be re-designed to address the needs that will emerge as economic conversion occurs. One pressing need is for a new job service design. The current system is no longer adequate because needs have changed and because it is not large enough to meet the growing demand. Formerly laid off workers were from textile mills, shoe shops or wood working mills with relatively homogeneous circumstances and needs for assistance. Their UI claims and retraining programs could be offered in a group setting. Today workers being laid off in defense-related industries have much more diverse needs, come from a wide variety of educational and occupational backgrounds, and need individualized programs.

Therefore the task force proposed the development of a new career center concept which will provide one stop shopping for both readjustment and retraining services, including a wide range of individual and family support services in addition to academic, occupational & entrepreneurial training. Because the population of workers now at risk is much more heterogeneous than a decade earlier and because of the added pressure from international competition, Career Centers will need to provide for a much wider range of retraining materials. For example, there needs to be more focus upon portable and team skills, generic skills for starting and working in small businesses, and a package of services for dislocated defense worker making the transition from the defense culture to the competitive civilian marketplace. Finally much more attention needs to be given to the strengths workers themselves bring to the retraining process.

The State of Maine (MDOL) submitted a grant application for the development of career centers to the USDOL for funding under the Title IV program. The project, intended as a demonstration, was not funded. Alternatives are now being examined.

A number of other possible actions to re-structure or re-prioritize services were also considered. The task force suggested examining the potential of various programs located throughout state government to integrate conversion assistance needs into their priorities, scoring systems, and program design. For example, the CDBG program could be adjusted to give priority to proposals from defense dependent communities that focus on job preservation through assistance to businesses who have plans for converting their product lines, markets, etc.

2. Priorities for Local and Regional Assistance

Communities and regional organizations are important in both the planning and implementation phases of economic conversion. Communities need assistance in deciding what investments in infrastructure are needed to facilitate economic conversion in their regions. The tax base of highly impacted communities is jeopardized by lost income, lost jobs, and excess capacity. There are a number of ways in which the State can assist:

- a. Coordinate and advocate for the funding of local studies and implementation programs.
- b. Better utilized existing regional development capacity and create additional development districts in defense-dependent regions. Make use of development corporations and other appropriate entities at the local level to accept funds for studies, provide services, and implement programs locally.
- c. Provide resources to local entities to assist businesses within their regions, inventory state and federal resources and assist groups to obtain.
- d. Assist regions to analyze their competitive advantages/growth opportunities and growth industries, development action plans to reduce liabilities, and develop promotional resources to market the region's advantages.
- e. Facilitate coordination and cooperation among regions and local entities. Provide a forum for sharing experiences, successes and ideas.
- f. Support local analysis of infrastructure needs. In a realigned economy new services will be needed while others will be left with excess capacity. The reuse of excess capacity and assistance with the cost of maintaining under-utilized facilities in the interim needs to be addressed. Integrate transportation planning into the infrastructure plans to address changing economic needs. Assist local areas to focus on facility-specific readjustment needs.
- g. Assure coordination between community diversification efforts and those of businesses and workers.
- h. State and regional groups should begin to develop re-use plans for bases that face future closure. Lack of advance funds for planning in the past has left regions reacting after closure is announced or appears imminent.
- i. Support legislation for a challenge grant program (state seed, federal funds) for local planning and implementation.
- j. Assist communities to provide services and resources to businesses in order to preserve and stabilize local economies. Fund coordinated local/regional initiatives to promote regions, market products, develop marketing services, etc.

3. Priorities for Worker Assistance

- a. Develop an Enterprise Development Center to provide entrepreneurial training for at-risk workers interested in starting their own business.

- b. Develop early intervention services. A major problem has been our inability to respond to a particular facility closing until layoffs are announced. Trying to provide services to workers after they've been laid off is too late. We need to intervene at a much earlier date.
- c. Expand career development and re-training programs.
- d. Promote business attraction efforts that market the area's surplus of highly skilled workers as a reason for relocating.
- e. Identify retraining requirements to enable laid off workers to take advantage of emerging industries and economic growth.
- f. Develop re-training centers at installations that make maximum use of base personnel responsible for staff training programs on the base.

4. Business Assistance Strategies

Maine businesses are affected in different ways by defense reduction activities and therefore the business assistance subcommittee believes that a singular approach is not satisfactory. The needs of a firm totally dependent on military purchases which makes a specialized product of little demand to other segments of society has a far different need than one that depends on purchases by the military or by others who derive their income from defense-related activity.

1. Maine needs to help businesses to be ready to seize the new opportunities that will be derived from conversion. For example, most of the materials now purchased by BIW come from out of state firms because of the DOD specifications. Therefore if BIW shifts to commercial production, they would be able to purchase more of their parts and materials from local firms. Some options for readying local businesses to tap new markets include:

- a. Product-Consumer linkage to facilitate marketing to private sector.
- b. Assist entry into and competitiveness in international markets.
- c. Promote technology transfer - need inducements, including state resources, federal matches, etc., especially interim financing for businesses.
- d. Business development/counseling and technical assistance. The SBDC system could play a larger role in helping defense related businesses identify private sector opportunities.
- e. Expand the Extension Delivery system established by the Maine Science and

Technology Foundation to help businesses re-tool to and become more competitive.

2. Maine needs also to seize opportunities to create new industries and new products.

For example, flax production is a pilot project in Aroostook County. Processing facilities do not exist in the region and the equipment they need is now made overseas. Assistance is needed to help manufacturers in the region to convert to making the needed equipment and to help start up a flax processing facility.

New opportunities are emerging in fields such as environmental cleanup, creation and production of environmentally friendly products and related services.

3. Financial support is essential to firms as they diversify and require financing to adjust their production processes to products not dependent upon defense.

- a. Interim financing for businesses that have developed a strategy to re-tool and re-focus to a new customer base
- b. Assistance for micro-businesses needs to be expanded. There is a critical need for venture capital and micro-business loan programs
- c. Increase funding for civilian R&D and encourage technology transfer.
- d. Increase funding sources, such as RLFs (revolving loan funds).
- e. Assistance to development corporations to use business assistance programs more effectively to leverage funding for conversion.

5. Federal Issues

The Task Force considered the barriers to economic conversion associated with federal regulations and the rules regarding the use of various federal resources. It also identified services which the federal government could provide that would be beneficial to states in addressing conversion needs.

In brief, Maine needs fully funded, flexible and fast assistance from federal economic development and labor programs. As Maine's economy struggles to regain momentum resources are expected to remain extremely limited over the next couple years. The federal government is a key source of assistance to Maine as it seeks to realign its economy for a future in which government defense procurement will play a smaller role. However those who seek to use federal programs find that many of the resources offered at the federal level are riddled with

requirements and preconditions and time lags that serve as major barriers to accessing them in a timely fashion and to their effective use. The Task Force has identified several issues it believes are central to the problems Maine faces in using federal programs to their fullest.

Funding Assistance:

The federal government should, at a minimum, fully fund an ongoing planning process for defense realignment at the state level. It should also fund one-stop business assistance centers and worker assistance centers.

Federal vs State Priorities:

- a. Maine's needs are not the same as those addressed by most of the available programs. Programs need to offer greater flexibility.
- b. The issue for most defense dependent firms in Maine is modernization, not development. Federal Assistance has been focused mostly toward those that develop new products.

Base re-use issues:

- a. Re-use and joint use leases are unworkable. Great ideas and opportunities to get firms to come who are ready to bring immediate operation are lost due to the delay and complexity of the process.
- b. Federal laws requiring joint use of facilities during downsizing need to be clarified (amended if needed) to enable a more smooth and gradual transition of base property to non-military use and with least economic disruption.
- c. Liability issues surrounding base re-use need to be clarified .
- d. There is too much red tape at the federal level - too many barriers that discourage firms interested in re-use.
- e. Many felt that the FAA was very uncooperative in the Pease case. Air space issues surrounding bases need greater attention in re-use planning.

Level Playing Field for States of All Sizes:

- a. ARPA process needs major revision to create more equal opportunity for all firms in need.

- b. ARPA/ other readjustment programs should be the responsibility of a federal agency that understands the fundamentals of economic development, rather than under the control of the DOD.

Timeliness:

- a. Time lags due to the number of steps one must go through results in delays in providing services to displaced workers. Workers' UI is exhausted before assistance becomes available. MDOL's \$2.5m for next year is already exhausted, leaving that agency with no flexibility to address unforeseen situations in a timely manner.
- b. Funding for readjustment needs to be advanced before bases are closed.
- c. The base transfer process needs to be accelerated. Many opportunities are lost because of the time delay and the paperwork that is required.

Flexibility:

- a. Most federal programs focus too heavily on processes rather than on outcomes, leaving states and localities with little flexibility to design programs to their specific needs. For example, U.S. Labor Department rules make it impossible for state and local job service programs to respond to changing demands and circumstances. Federal rules require MDOL to write a new grant application for every new group to be served rather than allowing flexibility move funds to each new need as plant closure/reduction occurs. Micro-management from the federal level in DOL programs and in many others is excessive and leaves states with no flexibility to respond quickly.
- b. In order to address the impacts of defense reductions, a wider range of economic tools are needed that can be adapted to today's needs. Most economic development programs are still oriented toward industrial park development and business attraction/relocation financing. Today's needs are for market and product development and investments in new technology and its application.

Inter-departmental coordination at the federal level:

In addition to programs and services at the federal level designed to address economic readjustment, there are numerous programs throughout the federal government, many of which Maine currently participates in, which with minor rule changes could become very powerful tools to reduce the impacts of defense adjustment.

1. Housing assistance programs. The HUD Mortgage Revenue Bond Program, which is up for re-authorization, should be revised to expand the eligible pool of clients to include those now employed in defense industries that need re-financing if they suffer substantial pay cuts or job loss due to defense cutbacks. Presently the program is limited to first time home-buyers.

2. Trade Policy. The federal govt should integrate trade, foreign, defense and domestic policies.

3. Tax policy. Tax policy could be employed to increase investment in conversion-related activities. For example, tax credits to firms that hire defense-related displaced workers or for research and development and for capital investment to invest in new technology and equipment to produce products and services for new markets.

C. Initiatives in Progress

The concern about the impact of a downsized military budget on Maine is widespread. Businesses who depend on defense contracts or on providing services to military bases know they must diversify. Many other small businesses who do no direct business of a defense-related nature know their businesses will also be impacted if major employers downsize or if installations close. Communities are concerned about business retention, maintaining a stable tax base, and assuring that an adequate infrastructure exists to support the new opportunities that lie ahead. Workers are demanding re-training and seeking out new occupations they hope will provide for a secure future. There are a growing number of public and private interests at all levels becoming involved in realignment efforts. This section partially lists and highlights a few of these initiatives.

1. State Level Initiatives

1. Improving Coordination and Communication. As the Task Force moved along in its deliberations it became apparent that a growing amount of activity around economic realignment efforts. Concerns arose that there is growing opportunity for duplication of efforts in some areas while other needs remain unaddressed. In an effort to open communications between players at all levels the Task Force initiated a bi-monthly newsletter. The first edition was published in early June.

2. Pinpointing business needs and state resources that can address them. Research is underway to assess specific needs of businesses and the capacity of the services now available to meet them. The findings should help identify gaps in services and guide the development of an extension delivery system capable of helping both manufacturing and service firms modernize and diversify their markets. The project is funded by a \$70,000 grant through the Maine Science & Technology Commission.

The study will involve a pilot test of a representative sample of defense-dependent businesses. A qualitative and quantitative assessment of the firms would be made. Extension providers would also be similarly assessed with regard to their capacity to deliver services. A development management team has been established to review existing studies and local/regional profiles and conduct the surveys. The team consists of the MDOL, CTT, CEI, OCD(DECED), SPO, and the Peace Conversion Project.

The extension delivery system is part of a broader Economic Development Plan for Maine to focus on the industrial modernization process. MSTC has a list of 40-50 technical service extension providers currently in the system. The study will identify what services and products would/would not be needed in the future and demonstrate what re-tooling and retraining would be needed. If there is no extension provider presently available to address the specific needs, one can be created.

3. Technology Reinvestment Assistance. The Maine Science and Technology Commission and DECD have been assisting Maine firms take advantage of a \$500m federal program (ARPA) intended to assist technology manufacturers to become less defense-dependent. However, the rules of the program were such that few Maine firms were likely to be accepted. The program is competitive and is biased against states that lack the resources to match the federal dollars. Few Maine firms can compete.

The MSTC along with DECD and the PCP have held regional workshops to help firms to apply. In some cases they have tried to combine small firms for a stronger application, such as a combined application from the Center for Technology Transfer (CTT) and a group of small metal products firms.

4. Federal-State-Local Coordinated efforts to expand financial resources. The SBA is actively working with regional agencies in Maine to expand their micro-lending program. Applications from two agencies are under consideration - NMRPC (Aroostook Co.) and Community Concepts (Andro. Co. and Western Me.) When in operation they will add \$1 million each to the state for assisting very small businesses. CEI currently has a micro-loan lending program. An additional \$500,000 is expected to be added to it. CEI's original program was funded at \$750,000. They have loaned \$582,000 to 47 firms.

Members of Maine's congressional delegation have met with the SBA in Washington to re-establish the SBA Base Closure assistance program that operated in the early 1970's.

Other sources of expanded revolving loan funds are also being examined in order to develop resources targeted for diversification of defense-dependent firms.

5. Housing Workshop. The MSHA and the Maine Alliance co-hosted an affordable housing workshop that focused on how housing will be impacted by base closures and major defense contract cutbacks. The purpose of the conference was to build local awareness of the housing stock impact of closures and to begin to address concerns.

6. Defense Conversion Marketing Project. Funds have been sought from the EDA for a marketing assistance program operated by EMDC and DECD.

7. Industry-specific planning. The DECD is working with the EDA and DOD to develop a challenge grant program to encourage highly defense-dependent sectors of the Maine economy to develop industry specific plans for conversion.

8. EPSCOR. The Maine Science and Technology Commission is seeking DOD funding to support academic research capacity that will assist Maine's defense dependent technology firms to broaden their production into non-defense related products.

2. Local/Regional and Public/Private Initiatives

Regional groups have been established in each of the regions of the state that will be most affected by base closings or major employer layoffs that may result from defense industry cutbacks. The needs identified from this local analysis are a vital component to a responsive statewide strategy.

Most regions have received funding from the EDA and/or OEA to survey businesses and communities in order to determine the full extent of the local impact and the needs of businesses to survive. These planning functions need continued support and must be followed with resources to respond if they are to be meaningful.

1. Bath-Brunswick-Topsham Group formed. A coalition has organized between Bath, Brunswick and Topsham, the newest local group. The three communities have received preliminary approval from OEA to develop a strategy for the region to become less dependent on defense-related industries and on BNAS. Initially the Capital-Coastal COG (no longer in existence) conducted a study of defense impacts in the region that has served as background for their

2. Loring Readjustment Committee. The Loring Readjustment Committee has been organized and active for some time now. The target date for closing LAFB is Sept. 1994. The LRC has completed a community profile of the 6 towns surrounding the base. A re-use strategy for the physical assets of the base is in progress. A re-development strategy for all of Aroostook County is underway as well. Completion of both are planned for later this year. Legislation has been drafted to create a state Loring Redevelopment Authority to deal with the assets of the base. The Authority will have bonding power, etc. The LRC will either phase out or will continue as a citizen advisory group once the Authority is in place. They plan to retain the consultant that has been involved in the studies to assist with implementation.

Several major concerns cloud the re-use potential for the base. The difficulties with interim leases, presence of hazardous materials on the site, and complexity of joint use are the largest hurdles. The time involved in gaining permits for reuse often mean opportunities lost.

3. KEYS (Kittery-Eliot-York-So. Berwick). The first phase study conducted by SMRPC is completed. It examined the impacts of both full closure and reduction in force at PNSY. They have received a \$50,000 grant from EDA to develop a conversion plan for the region. Mt. Auburn Associates are now doing Phase II, which is an assessment of the infrastructure of the region and what will be needed in order to attract new investment. Residents of the area are deliberating over the extent to which they want to invest in infrastructure and draw businesses and jobs to their communities. Some argue it is necessary for economic security while others would rather let development occur in N.H. and stay as the bedroom communities they now are. Others predict that the region will grow whether or not there is any initiative. The Surface Transportation Committee has predicted that by the year 2011 there will be 12,000

workers at Pease due to redevelopment.

4. AVCOG. The Androscoggin Valley COG study found a very high level of dependency on defense - 1/5 of the BIW work force lives in Androscoggin County and a large share of the BNAS employees. AVCOG is now working with local communities to define a scope of work to address dependency. It includes 3 components: expanding existing business-based work-force skill development programs for retraining workers within the firms where they work, funding for loan programs to help dislocated workers establish small businesses of their own, and establishing a work force development regional center that will link businesses and the public sector resources in order to coordinate training needs and promote business development opportunities. AVCOG provided critical assistance in the formation of the BBT group. By working together the communities most affected by developments at BIW and BNAS will be represented.

5. Public-Private Initiatives. The State and BIW have developed a project to examine alternatives for BIW. EDA has awarded a grant which will be used to study the feasibility/market opportunities for ferry ships. In addition, EDA has asked DECD and EMDC (see item 6 on page 22) to submit application for a \$1.2 million grant to do market development with defense related industries using the Maine Access supplier network system. A local match of \$200,000 would be needed. Once operational, this program will enable the public sector to respond to the marketing needs of private businesses as they seek to convert to domestic markets for their goods.

Appendices

State of Maine
Task Force on Defense Realignment and the Maine Economy
Members

Stephen J. Adams, Director
State Planning Office
Station #38
Augusta, Maine 04333
Tel. 287-3261

Michael Aube, Commissioner
Dept. of Economic & Community Development
Station #59
Augusta, Maine 04333
Tel. 287-2656

Charles Morrison, Commissioner
Dept. of Labor
Station # 54
Augusta, Maine 04333
Tel. 287-3788

John Fitzsimmons, Exec. Director
MVTC System
323 State Street
Augusta, Maine 04330
Tel. 287-1070

Gen. Nelson Durgin
Dept. of Defense & Veterans Svcs
Station # 33
Augusta, Maine 04333
Tel. 626-4302

Jane Titcomb, Commissioner
Dept. of Professional & Financial Regulation
Station # 35
Augusta, Maine 04333
Tel. 582-8770

J. Michael Huston
P.O. Box 416
Freeport, Maine 04032
Tel. 865-6122

Peter Danton
7 Beach Street
Saco, Maine 04072
Tel. 282-0637

Wanda Plumer
Bath/Brunswick C of C
59 Pleasant Street
Brunswick, Maine 04011
Tel. 725-8797

Mark Glaze
RR # 1, Box 195A
Valley Road
North Berwick, Maine 03906
Tel. 676-2217

Nicholas Karvonides
P.O. Box 1907
Biddeford, Maine 04005
Tel. 282-5911, ext 432

Senator Mark Lawrence
7A Pleasant Street
Kittery, Maine 03906
Tel 439-0440

Robert Clark
NKRPC
Box 779
Caribou, Maine 04734
Tel. 498-8736

James Mackie
Local 6 AFL-CIO
722 Washington St.
Bath, Maine 04530
Tel. 776-6445

Rep. Hilda C. Martin
20 Poplar Street
Van Buren, Maine 04785
Tel. 868-2802

Winn Price
Bath Iron Works
700 Washington St.
Bath, Maine 04530
Tel. 442-4200 (Fax 442-1719)

Cathy Goodwin
11 Garrison Drive
Eliot, Maine 03903
Tel. 439-4746

David Gleason
Coldwell Banker/Gleason Real Estate
82 Pleasant Street
Brunswick, Maine
Tel. 729-3301

Michael Kiernan
870 Washington Street
Bath, Maine 04530
Tel. 442-7168

Roland Martin
County Administrator
Box 846
Caribou, Maine 04736
Tel. 493-3318

Charles J. O'Leary, President
Maine AFL-CIO
P.O. Box 2669
Bangor, Maine 04401
Tel. 947-0006

Rep. Michael J. Fitzpatrick
831 Royalsborough Road
Durham, Maine 04222
Tel. 353-5255(H) 622-5767(B)

Sandford Blitz, EDR
Economic Development Administration
40 Western Avenue
Augusta, Maine 04330
Tel. 622-8271

Bruce Makas
291 North Street
Saco, Maine 04072
Tel.

Gregory Mitchell
Androscoggin Valley Council of Governments
125 Manley Road
Auburn, Maine 04210
Tel. 783-9186

Susan Pines
22 Long Road
Limestone, Maine 04750
Tel. 325-4821

Staff : Joyce Benson, State Planning Office
Harold Payson, State Planning Office
Joan Anderson Cook, Dept. of Economic & Community Development

Excerpt from LD 283 (P.L. Chapter 410)

Pertaining to the Task Force on Defense Realignment (Part PPP)
and the
Economic Conversion Division, DECD Office of Economic Conversion (Part NNN)

LD 283 (Part PPP) transfers the responsibility for the Task Force from the State Planning Office to the Department of Economic and Community Development:

PART PPP

Sec. PPP-1. 5 MRSA §3307-E, sub-§§2 and 3, as enacted by PL 1991, c. 854, Pt. B, §1, are amended to read:

2. **Terms; compensation.** Public and legislative members serve 2-year terms and may be reappointed. Legislative members are entitled to receive per diem compensation; all members are entitled to reimbursement for expenses incurred in carrying out their duties. The compensation and reimbursement costs of the task force must be paid by the ~~State-Planning-Office~~ Department of Economic and Community Development, Economic Conversion Division.

3. **Administration.** The ~~director~~ Commissioner of Economic and Community Development is the chair of the task force. The ~~office~~ Economic Conversion Division shall provide staff support to the task force. State agencies shall provide technical assistance to the task force as needed.

LD 283 (Part NNN) creates within the Department of Economic and Community Development a Division of Economic Conversion. It is assigned responsibility for assisting regional efforts dealing with conversion and the Task Force on Defense Realignment and the Economy:

PART NNN

Sec. NNN-1. 5 MRSA §13062-A is enacted to read:

§13062-A. Economic Conversion Division

1. Economic Conversion Division: establishment. The Economic Conversion Division, referred to in this section as the "division," is established within the Office of Business Development to implement the recommendations of the Task Force on Defense Realignment and the Economy.

2. Administration. The Economic Conversion Division is located in the Department of Economic and Community Development with staff provided at the discretion of the commissioner. The division may seek and accept funds from outside sources for carrying out the purposes of this section.

578-2081(80)

3. Responsibilities. The Economic Conversion Division, in conjunction with the Office of Business Development and the Task Force on Defense Realignment and the Economy, shall perform the following functions:

A. Serve as a clearinghouse for any firm, community or worker concerning economic conversion or defense dislocation assistance:

B. Coordinate all interagency state economic conversion and diversification resources, activities and programs:

C. Provide necessary support and coordination of established and future regional conversion task force efforts in the State:

D. Pursue federal economic conversion assistance programs:
and

E. Assist the Task Force on Defense Realignment and the Economy in monitoring shifts in federal defense spending trends and related impacts on the State's major defense-dependent firms and military installations, in serving as a liaison and legislative advocate to the Governor, Legislature and congressional delegation on conversion activities and related matters, and in developing a public awareness program on the State's defense dependency, conversion efforts and related assistance programs.

4. Annual report. The Economic Conversion Division and the Task Force on Defense Realignment and the Economy shall jointly prepare and submit an annual report to the Governor and the Legislature and shall present a report of their activities to the joint standing committee of the Legislature having jurisdiction over economic development matters no later than April 1, 1994.

5. Sunset. Authorization for the Economic Conversion Division expires on July 1, 1995. The Office of Business Development shall provide its recommendations to the Governor and the joint standing committee of the Legislature having jurisdiction over economic development matters concerning the need for extending authorization of the division.

-Sec. NNN-2. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Part.

1993-94

1994-95

**ECONOMIC AND COMMUNITY
DEVELOPMENT, DEPARTMENT OF**

Economic Conversion Division

Positions - Legislative Count	(1.0)	(1.0)
Personal Services	\$38,620	\$40,500
All Other	61,380	59,500

Provides for the appropriation of funds for a Development Project Officer position and related general operating expenses required to support the Economic Conversion Division.

**DEPARTMENT OF ECONOMIC AND
COMMUNITY DEVELOPMENT
TOTAL**

\$100,000

\$100,000

Maine Defense Task Force NEWS

Volume I, No. 1

May/June 1993

Washington Update

What's in Store for '94?

The outlines of the FY 1994 Defense Budget include \$1.7 billion for conversion.

Senator Mitchell has re-established the special Senate Task Force on conversion which will make its recommendations to the Senate Armed Services Committee in late May.

To input '94 conversion legislation, State Task Force members presented their concerns and policy and program recommendations to Maine Congressional Delegation staff at a May 12 STF meeting in Augusta.

Proposals made by affected Maine businesses, communities and workers will be presented to the Senate Task Force along with a request to give testimony to the Senate Armed Services Committee.

"Economic diversification is not a short-term, quick fix approach to solving the problems which affect the local and area economy. This is a long-term process which will evolve as successes and failures are experienced. The long-term success of the effort will depend on the amount of commitment public officials and private individuals and companies are willing to devote."

Wayne Marshall, KEYS Chair

Report from the Chair

Welcome to the first edition of the Maine Defense Task Force Newsletter. This offers one way to keep up with the rapid pace of events and the growing number of initiatives and partnerships related to defense adjustment activities in Maine.

Much has occurred since our last meeting. Maine facilities have escaped the preliminary 1993 Base Closure list (so far), the KEYS Coalition has begun the strategic planning phase of its diversification initiative.

Bath, Brunswick and Topsham have formed an interim economic development council and are close to receiving OEA assistance to support their efforts.

The Maine Science and Technology Commission has begun spearheading Maine's efforts to capitalize on defense-related federal technology assistance, and the Loring Readjustment Committee has moved to create an Au-

thority to oversee reuse of Loring.

At the same time, state and local resources to support defense adjustment continue to be pressed by severe budgetary constraints. The press of events and resource constraints have prevented the Task Force from meeting more frequently.

Nonetheless, the creative use of existing resources and leveraging the energy and assistance of private, state and federal organizations provides opportunities to make progress in our efforts to ease the transition from a defense economy to a commercial one.

I hope this newsletter can provide a forum for exchanging ideas, coordinating activities around the state and keeping up with events and numerous initiatives around Maine related to Maine's defense economy.

—Steve Adams, Chair

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Regional Initiatives

Maine's statewide structure to deal with defense downsizing includes the State Task Force on Defense Realignment and four community-based regional task forces.

Regional groups have been hard at work documenting defense dependencies, impacts, and developing strategies responsive to the unique situation,

Bath-Brunswick-Topsham Form New Adjustment Group

As a result of their preliminary defense-dependency assessment, the mid-coast communities of Bath, Brunswick and Topsham have entered into a formal arrangement to address economic conversion and diversification issues in the region.

The BBT (Bath-Brunswick-Topsham Economic Development Council) was created early last winter to guide the towns' conversion planning and implementation strategies.

Since then, an "economic develop-

ment road map" has been completed; a funding grant request has been submitted to the OEA (Department of Defense Office of Economic Adjustment); and discussions have been initiated on the broader questions of forming an economic development region and creating a regional revolving loan fund.

For detailed information, published state and regional reports are available from the State Planning Office.

The BBT is comprised of public officials from each community, representatives from Bath Iron Works and the Brunswick Naval Air Station, and other business leaders.

made to establish a revolving loan fund for new business start-ups. Strategies will be final soon and application for federal assistance will be made within the next three months.

AVCOG Region Discovers Dependency & Gets to Work

The findings of AVCOG (Androscoggin Council of Governments) Defense Dependency Analysis for Androscoggin, Franklin and Oxford Counties provided startling information about the reliance of area workers, businesses and communities on two facilities located outside the AVCOG region — the Brunswick Naval Air Station and Bath Iron Works.

They found the region is home to more than 2,000 BIW and 300 BNAS employees, and more than 250 businesses involved in defense work ranging from the service sector to wholesale distributors and manufacturing businesses.

AVCOG is educating affected communities about their findings and discussing the need to design programs to address identified impacts of defense downsizing.

Taking a two-pronged approach, AVCOG is looking at: (1) its existing "business-based" worker skill development program to assist businesses to retain and expand workforces; and (2) ways to provide assistance to communities to prepare plans to diversify local economies. Application for funding has been

KEYS Coalition: Phase II

Started as a subcommittee of the Southern Maine Regional Development Commission, the KEYS Coalition represents Kittery, Eliot, York and South Berwick.

With Mt. Auburn Associates, KEYS conducted a Phase I impact assessment and moved into Phase II work—designing an economic strategy. Phase II will inventory existing economic development infrastructure; analyze labor force characteristics; identify and assess business development opportunities, and develop a strategic action plan to strengthen and diversify the area's economy.

KEYS/Mt. Auburn are now meeting with community focus groups to discuss workable types of development. Federal EDA and other funds enabled the KEYS strategic planners to develop an action plan to offer communities for review and adoption this fall.

Aroostook County Counts Down to Closure

Loring Air Force Base will close September 30, 1994, taking with it the \$150 million it adds to the state economy each year, unless a base reuse and economic diversification plan succeeds in mitigating the socio-economic impacts. Ten percent of Aroostook County's population is dependent on the base for its livelihood.

The most immediate effect of closure will be the instant loss of 5,000 jobs at Loring. Almost that many more will be lost soon after in communities throughout Maine as the ripple effect reaches related businesses and industries.

In response to the impending closure, the Loring Readjustment Committee (LRC) was formed between Caswell, Fort Fairfield, Limestone, Van Buren, Caribou and Presque Isle. Together with the county and state, LRC will plan for the reuse of Loring and will help impacted communities adjust.

Through a series of studies and surveys, the LRC has determined the value of Loring in terms of civilian use and begun plans to "civilianize" the base.

Two noteworthy conclusions and actions taken to date: (1) the legislatively created Loring Development Authority will be in place by October 1, 1993, fully empowered to take ownership of the base from its present federal owners, maintain and operate the property, transfer facilities to private enterprise, and provide for the infrastructure needs of businesses attracted to Loring and surrounding communities; and, (2) there are no quick fixes to economic recovery—therefore, time is of the essence, first for those who will lose their jobs, and then for the communities who will be severely and immediately impacted:

To assist LRC's continued efforts, an RFP process is underway to recruit the assistance of specialists with experience in military base closures and industry downsizing. Specialists will be selected by June 1, completion of a base reuse plan by September 30, and readjustment strategy by December 1, 1993, followed quickly by implementation.

Task Force Initiatives

The Defense Task Force is divided into three subcommittees to help Maine's defense-dependent businesses, workers and communities adjust to defense cut-backs.

The Task Force will present its strategic plan to the Governor July 1, 1993.

Workforce Development Project

The Labor Subcommittee has developed a single initiative, the Maine Workforce Development Project, designed to serve all Maine workers in transition.

Developed through a collaborative effort of the Maine Department of Labor (MDOL), local government, community-based agencies, education, and workers, the project seeks to meet the diverse needs of all Mainers who have lost their jobs due to changing economic conditions, like defense reductions.

The project is a human resource development endeavor that combines two strategies: (1) more effective use of information and communication technologies; and (2) use of teamwork, organizational networks and service delivery partnerships.

Administered by the MDOL, the project proposes to fund, through a competitive RFP process, four grants of up to \$120,000 each to local areas to assist with the planning and development of comprehensive workforce development systems.

Proposed systems must be accessible to all workers, customer driven, less costly to serve each additional customer, and, broadly planned, designed and supported by the community.

The project signals a clear departure from "business as usual" in its aims to redesign the ways in which services are delivered, programs and agencies interact, and state and local governments operate in support of local initiatives.

One goal is to create a model for worker adjustment services that can be replicated throughout Maine and the rest of the country.

Business Diversification Project

The Business Subcommittee has adopted an initiative to develop a coordinated industrial modernization extension delivery system for Maine businesses.

The Task Force is working in partnership with the MSTC, the Maine Alliance and the Economic Conversion Project. The system will be pilot-tested on defense-dependent firms. The target populations for the delivery system are defense-dependent manufacturing and service firms and their workforces with a

focus on responding to the special needs of small business.

Objectives of the initiative are to assess the capacities and needs of businesses and their workforces; to assess the capacities and needs of service providers; to assess opportunities in existing and emerging industries; and to design a system that links businesses and workers with resources, service providers, each other, and with new industrial opportunities.

Community Hotspots & Long-term Issues

The Community Subcommittee has prioritized immediate, short and long-term issues to be addressed by the full Task Force.

"Hot Spots" for immediate attention include the need for improving the base closure process including clarification of federal laws regarding joint usage and change in current Community Block Grant requirements to give priority to defense conversion planning.

Short-range priorities include creation of a state fund to match federal grant requirements; a clearinghouse; development districts/corporations at the local level to accept funds, provide services and implement programs; and identification of resources for business assistance.

A primary concern over the long term is the need for cooperation and

coordination among regions, state agencies and local communities to enable local groups to plan for impending change more effectively.

Report to EDA

The final report to the Economic Development Administration (EDA) in fulfillment of Task Force grant requirements has been submitted to the EDA. The report includes the findings and recommendations developed so far and an action plan to guide future Task Force efforts.

The final report and action plan paves the way for implementation of defense adjustment initiatives. As a follow-up to this report, SPO and DECD will prepare applications for implementation assistance from EDA.

What's in a Name?

Help us find an interesting name for the newsletter!

Submit your entry to the State Planning Office by June 30.

The author of the winning title will receive the satisfaction of a job well done.

The Defense Task Force NEWS

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State Planning Office
Station #38

Augusta, Maine 04333

(207) 287-3261

FAX (207) 287-6489

Editor: Susie Schweppe
Associate Editor: Nancy Griffin
SPO Director & Chairperson,
State Task Force on Defense
Realignment: Steve Adams

HELP HOTLINES

For Economic Adjustment, Conversion/Diversification Information

Federal

Department of Defense (ARPA)
ME Office of the U.S. EDA - Sandy Blitz

1-800-DUAL-USE
(207) 622-8271

State

State Task Force on Defense Realignment - Steve Adams, Chair (207) 287-3261
ME Science & Tech Commission - Terry Shehata (ARPA & NIST) (207) 624-6350
ME Dept. of Economic & Community Development - Joan Cook (207) 287-2656

Local

KEYS Coalition - Wayne Marshall (York County) (207) 363-1007
BBT - Don Gerrish (Midcoast area) (207) 725-6659
AVCOG - Greg Mitchell (Androscoggin/Franklin/Oxford Counties) (207) 983-9186
LRC - Charles Connell (Aroostook County) (207) 498-8736

In The Next Issues: We Need Your Help

The purpose of the Defense Task Force newsletter is to keep you informed of defense adjustment-related activities around Maine.

Future issues will highlight specific initiatives, and provide updates of activity in Maine and in Washington, D.C. If you have any information to circulate, let us know.

"The significant progress to arrive where the LRC is today is the direct result of over 150 individuals working against the closure schedule to reduce the enormity of the loss. The continuing support of many local, regional, state and federal offices and officials, has made the task at hand manageable. But it is the members of the LRC, its committees and working groups, and other individuals from the communities who have made it happen."

—Charles Connell, LRC Director

State Planning Office
State Task Force on Defense Realignment
State House Station #38
Augusta, ME 04333

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