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DOWN EAST BUSINESS ALLIANCE

Down East Business Alliance

A division of
Washington Hancock Community Agency

Information Prepared for:

Honorable Lynn Bromley, Senate Chair
Honorable Nancy E. Smith, House Chair
Joint Standing Committee on Business,
Research and Economic Development

Regarding:

DBA's Small Business Training and
Technical Assistance Programs,
in reference to LD 656 – "An Act to Focus State
Agency Efforts in Economic Development on
Entrepreneurial Sustainability and Growth",
Sponsored by Representative Anne Perry

Thursday, March 15, 2007

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Employment, Poverty, and Access to Business Training in Down East Maine

Hancock County - Due to the region's high levels of seasonal employment, the unemployment rate in Hancock County fluctuates, ranging from 2.2% in the summer months, and climbing as high as 7% in the middle of the end of the winter season¹. These figures may indicate a relatively strong level of economic prosperity in Hancock County, it should be noted that a disproportionate percentage of Hancock County's income base is localized in two municipalities, Bar Harbor and Blue Hill. In 2003, Hancock County's median household income was slightly lower than the state median at \$37,924. 10% of Hancock County lives below the poverty line, and self-employment accounts for 16.5% of total employment. Hancock County's income and poverty rates consistently compare at or lower on average than the other counties in Maine.

Washington County - Due to an economy based largely on natural resources and seasonal employment, Washington County reports the highest rates of poverty in the state of Maine, rates that rank among the highest in the nation. In 2003, the median household income in Washington County was the lowest of Maine's 16 counties, at \$28,311 (state average = \$39,212)². This low median income level directly correlates with 16% of the total population in Washington County living below the poverty line (Maine = 11%). Self-employment accounts for 17.6% of the employment in Washington County.

From *2005 Report Card on Poverty in Maine*: "The unemployment rate for 2004 in Washington County was over 8%, compared to 2.8% in Cumberland County and 4.0% in York County, even though all counties except Sagadahoc have gained jobs since 2000. Almost a third of household income in Washington County is derived from transfer payments, compared to 13% in Cumberland County. Earnings per job are \$7,000 lower than the state average in Washington County and per capita income there is \$6,000 less than the state average."³

Access to Business Training - Business owners want workshops within range of their locations for three reasons. First, business owners are busy, thus they need training and technical assistance programs to be nearby so they regularly participate in them. To access other business development resources, Down East microentrepreneurs often must travel 100 miles to Bangor, or even further to Augusta or Portland. DBA schedules its workshops at night to accommodate microentrepreneurs who are busy operating their businesses during the day. Second, local business trainers such as DBA understand the training/technical assistance needs of fledgling and expanding businesses, and are in the best position to connect local microentrepreneurs with the most effective information and resources. Third, training participants report tremendous benefits from networking with other local business owners at local workshops. Often, microentrepreneurs report that the information and guidance shared among them makes the greatest positive impact. These reasons demonstrate that local business training and technical assistance programs such as DBA's make the best use of available resources to achieve the greatest positive outcomes of business growth and job creation.



¹ <http://www.state.me.us/labor/mis/reports/edrg/mecty01.html>

² Ibid.

³ 2005 Report Card on Poverty in Maine, Maine State Planning Office, April 2005, p. 3.

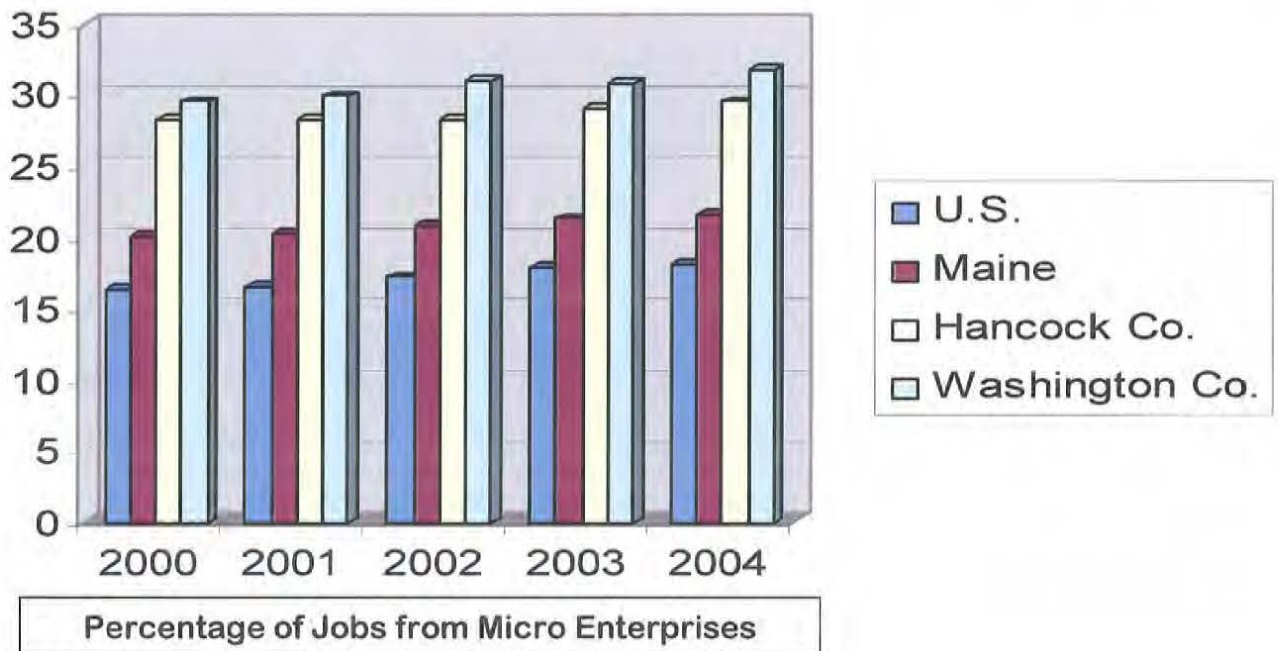
Documented Need for DBA's Services

The following summaries of numerous reports, studies, and surveys are provided to independently document the need for Down East Business Alliance's services in eastern Maine.

University of Maine Cooperative Extension Studies

According to a 2004 study conducted by University of Maine Cooperative Extension, microenterprises employ 173,490 people, representing 21% of all employment in Maine⁴. The 10,877 microenterprises in Hancock County and 5,453 in Washington County employ 13,020 people, representing 31 % of all employment in the region. Washington County is second highest in this category of all the other counties and 10 points higher than Maine's rate, 21.6%. Because they offer a wide diversity of products and services with relatively low overhead expenses and start-up costs, these businesses show enormous potential for improving the economic and employment climates in eastern Maine.

Micro-enterprises are a key, perhaps a crucial entrepreneurial component of long-term economic vitality for Washington County. According to information recently compiled and released by James McConnon, Jr., Business and Economics Specialist, University of Maine Cooperative Extension, in 2000, Maine's microenterprises directly contributed 4.7 billion dollars to Maine's gross state product. As Maine's total GSP in 2000 was 35.5 billion, microenterprises accounted for 13.2% of this total. New England's average is 9.8%. Maine is second only to Vermont in this category. McConnon calculates that each dollar earned by a microenterprise generates an additional 69 cents to the Maine economy.



⁴ "Maine Micro-Businesses and Employment Levels By County," Dr. James McConnon, Business and Economics Specialist, University of Maine Cooperative Extension, 2004.

Brookings Foundation 2006 Report⁵

“... Down East Maine’s current situation owes in large part to three statewide weaknesses. An inconsistent economic development stance over many years has weakened the state’s efforts to improve its economy. Maine has had no shortage of thoughtful leaders and bold ideas on economic development over the years. However, the state has frequently failed to stick to and sustain its ideas. The result: Numerous state or quasi-public institutions intended to promote economic development remain small or underfunded, **while other promising programs and funds have been under-capitalized. This short-funding has limited the impact of otherwise valid efforts to grow the state’s small economy and enlarge “thin” export and innovation clusters.** Maine’s often-high costs of government and the unbalanced revenue system that supports them hinder the state’s ability to promote sustainable prosperity.”

Office of Program Evaluation and Government Accountability (OPEGA)

Down East Business Alliance fully participated in a recent review of economic development programs conducted by the Office of Program Evaluation and Government Accountability (OPEGA). In 2006, OPEGA reviewed 46 economic development programs across the state, and in their December report, they detailed methods by which the effectiveness and efficiency of such programs are evaluated. They concluded the state must do more to set up systems to independently evaluate such programs. In their recommendations for legislative action, OPEGA suggested that 13 of these programs be subjected to more in-depth evaluations of effectiveness, efficiency and economical use of resources. We take it as a statement of confidence in DBA's programs that none were recommended for such in-depth evaluation.

Fermata, Inc. Report

Cognizant of Maine’s tourism industry economic horsepower, in 2004 the Maine Department of Economic and Community Development and Maine’s Governor John Baldacci commissioned Fermata Inc., a nature-based tourism consulting organization based in Austin, Texas, to develop a strategic plan for economic development through nature tourism in three pilot regions including Down East Maine. From Fermata Inc.’s website:

“Fermata believes that the many natural, cultural, and historical resources of the state of Maine are diverse and unique and that the state's nature-based products can serve as a unique resource for local economic development through job creation and sales tax revenue generation....We see experiential tourism as having an enabling impact that will allow the communities of the state of Maine to utilize these existing resources to attract additional travelers. These travelers will invest in a variety of amenities that will be valued by residents as well. And as the amenity base and quality of life improves, the state of Maine will be better positioned to attract and retain high-end industries that are currently locating elsewhere. Combined with specific efforts to develop a diversity of local products and services for this travel market, we believe that Maine residents have much to gain from the business of nature.”⁶

⁵ Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places - A Profile of Down East Maine: Hancock and Washington Counties. Brookings Institution Metropolitan Policy Program, 2006

⁶ <http://www.fermatainc.com/maine/index.html>

Among Fermata, Inc.'s recommendations, DBA's Experiential Tourism Incubator Without Walls program specifically addresses three:⁷

- Recommendation 5: Develop partnerships and include with lodging and attractions packages.
- Recommendation 7: Local products exist, are generally well-branded as 'Made in Maine,' but are not always well marketed, especially in conjunction with tourism. Provide tourism linkages, marketing support and technical assistance to producer organizations and entrepreneurs are needed.
- Recommendation 8: Help with messaging and communicating values of region to guests. Provide business planning and management technical assistance.

Penobscot Bay Commercial Kitchen Surveys

In 2002, Dr. Russell A. Hazen of the University of Maine conducted a formal Food Industry Needs Assessment of over 800 food producers/processors in eastern/central Maine, receiving 109 responses. Among respondents, 20% produced condiments/sauces/syrups, 17% produced baked goods, 12% produced baked goods, and 11% produced jams/jellies. Perhaps their most significant responses involved factors hindering their growth. When asked if they are producing as much product as they want, 51 (46%) responded no. Among the top factors limiting production cited were: lack of capital (21%); under-equipped (20%); lack of time (16%); market demand (7%); marketing (6%); and distribution problems (8%). When asked if they include new products in their companies' goals, 62 (56%) said yes. 10% said they currently have their products produced by others. When asked if they would be interested in utilizing a shared-use kitchen facility 24 (26%) said yes. 21 (19%) said they would be willing to travel an average of 50 miles to use such facilities.

WHCA, in coordination with the University of Maine, completed a needs survey in 2004-05 to 415 food producers/processors within a 40-mile radius of Bucksport to determine who would want to use such a facility if located in Bucksport, what equipment they have and/or need, how much they value kitchen time, and what auxiliary incubator services they want. With 64 responses, 17 respondents (26% of all respondents) said they were interested or very interested in utilizing such a facility. Most respondents are using their home kitchen, others are using commercial kitchens, and two are renting kitchens. Of the facilities they would most like to use, most said the shared-use commercial kitchen and freezer storage, others said cool storage and dry storage. The results of this survey are greatly helping us to determine our project budget and operating budget.

Considering this region's high level of poverty and unemployment, extreme fluctuations in seasonal employment, downturn in traditional industries, and high percentage of microenterprises, it is easy to support the assertion that this region needs investment in their business assistance programs. The response to our recent survey of local food producers indicates a strong level of interest and desire for this facility. The number and diversity of small businesses that will prosper as a result of their participation in the Penobscot Bay Commercial Kitchen will greatly improve this region's ability to weather the negative business trends and cycles that are currently undermining its economy.

⁷ <http://www.fermatainc.com/maine/ppt/recommendations/index.html>

Down East Business Alliance (DBA) – Background and Impact

Down East Business Alliance (DBA), a division of Washington Hancock Community Agency (WHCA), provides small business training, technical assistance, and loans. With a mission to create jobs in eastern Maine by helping people start and grow microenterprises, DBA has operated the business Incubator Without Walls (IWW) project in various regions of Washington and Hancock County since 1996. Led by Keith Small for eight years, and who offers 22 years of total experience with WHCA, DBA has helped over 250 local entrepreneurs who have in turn created over 325 jobs. Washington Hancock Community Agency, DBA's parent organization, is a 501(c)3 non-profit community action agency which brings community resources together to help people in Washington and Hancock counties achieve self-sufficiency and a better quality of life. As one of ten Community Action Agencies in Maine, WHCA developed Down East Business Alliance to address the high rates of poverty and unemployment in our region.



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DBA's Small Business Coordinators provide the NxLevel Business Planning curriculum to local business owners and assist businesses. Maintaining a wide network of business and economic development contacts, DBA staff can provide the potential and existing business owners with significant support as they take their first steps towards a viable income-

producing activity. Rather than determining then insisting that certain business decisions must be made, we help participants think through many issues and access all sorts of additional knowledge and financial resources to help these tentative steps to be successful.

DBA's Incubator Without Walls Program - DBA's Incubator Without Walls (IWW) program is designed to bring fledgling entrepreneurs together to receive training in forming business plans, financial plans, market research and promotions, cash flow management, and time management. Because Washington and Hancock counties are very rural, our IWW approach brings our services to different isolated communities and concentrates an array of structured training, private and public technical assistance, financing, and one-on-one counseling to a local group of fledgling entrepreneurs. To connect the people we serve with resources and each other, we updated our Micro Entrepreneurs Resource Guide, a local small business resource and cross-referenced directory of DBA small business clients.

Networking - IWW peer networking is a core goal of the program, and numerous business-to-business networks now spark information sharing among IWW members. This networking helps them surmount the many obstacles common to small businesses here in eastern Maine. These networks have far-reaching and long-term impact, as once-isolated business owners continue to learn from, assist, and encourage each other to succeed. IWW encourages business-to-business networking at every opportunity as it provides for longer-term technical assistance to these populations as members build strong relationships with each other. They become a growing resource to each other as their very small enterprise grows and becomes a more established part of the community. They develop solid relationships with the many private and public sector professionals that come to speak to them on different business topics. With growing confidence, they often pick up the phone or get online to solve business dilemmas. Once together and accessing a wide variety of business technical assistance and training, entrepreneurs recognize how much they have in common and learn a great deal from each other, hence, networking becomes the greatest benefit of IWW.

NxLevel™ Guide for Micro-Entrepreneurs - DBA uses the NxLevel entrepreneurial training programs because they are practical, hands-on business development courses designed to help entrepreneurs advance their skills in starting growing and managing their business. To date, over 80,000 people have enrolled and participated in NxLevel's entrepreneurial training programs. Independent economic impact studies across the U.S. show that existing businesses that complete an NxLevel curriculum see a 28 percent increase in sales, and on average, create 1.3 additional jobs within one year of graduation. The impact on smaller businesses is enormous. Firms with less than \$200,000 in sales experienced a 200 percent increase in gross sales within the first year of graduating. Further, of those graduates not in business, 40 percent go on to start a new venture.⁸ The NxLevel Business Plan Basics small business curriculum explores the ability to achieve self-sufficiency through self-employment. This course can be taught in a variety of configurations to achieve the objectives of the training organization. We recommend combining the 15 chapters and a business showcase/problem-solving workshop into twelve 3-hour sessions we usually offer weekly.

WHCA has discovered that the IWW model is very effective for rural, isolated populations to develop sustainable income producing activities. By providing training and



technical assistance to business owners within reach of where they live, we bring the traditional business development resources to them. This saves them many hours they would spend traveling to and from business service centers such as Bangor or Augusta.

Most of the enterprises that participate in the IWW become stable and grow. Most remain self-employed and generate more and more income for their family. Some take the next step and expand their market to a point that they need to create jobs. Many that have gone to this next level of business sophistication remember their humble beginnings and are very willing to work with WHCA, the Department of Human Resources, and CareerCenters to find low-income job seekers to fill their newly created jobs. Thus, the circle becomes complete.

It is our experience that microenterprises are more tied to the region than larger corporations. When economic times get tough, micro enterprises seem to be much less likely to fold their tents and head for greener pastures. It is our goal to help them weather the tough times and really flourish in the good times.

DBA Impact - DBA originated the *Incubator Without Walls* program in 1996, offering this program to several small groups of business owners across the vast rural expanse of Washington and Hancock counties, an area in square miles equal to the state of Connecticut but with a population of 80,000 people. We modified the *Incubator Without Walls* program to create the *Hire and Higher* program that targeted established microenterprises seeking to grow and create jobs for low-income job seekers. Of the microenterprises participating in Incubator Without Walls and Hire and Higher programs since the program began in 1996, 77% are still operating. These and other DBA programs have provided business training, technical assistance, and counseling to approximately 360 microbusinesses, and business loan programs that have provided \$900,000 in working capital to 110 microbusinesses. The average loan size is \$8,265. In our experience, lenders look favorably upon business owners who participate in such training and technical assistance programs as Incubator Without Walls.

⁸ <http://www.nxlevel.org/> (click on "Economic Impact")

DBA Adaptability - Washington and Hancock counties present an ideal region to benefit from business training programs because so many of the jobs come from micro businesses. Not every business has identical training and technical assistance needs, so DBA makes efforts to learn the particular types of training and resources local business owners most desire. We then tailor our curriculum to best meet these needs. As DBA has demonstrated, the Incubator Without Walls training model is highly adaptable to target such sectors as the tourism industry and the farming and food production industry. We find that most businesses need help with devising business plans, marketing plans, and financial plans, but others want to learn more than the basics of successfully running a business. For them, we can bring in experts from the private and public sector to lead compelling and informative workshops, and follow upon this topic-specific training with one-on-one counseling that enables microentrepreneurs to confidently stride into the future with kind of business growth that leads to solid bottom lines and strong job creation.

DBA Sustainability - With years of experience in job placement and small business support, WHCA applies its available funds to create the greatest possible number of quality jobs for low-income people in Washington and Hancock counties. Funding for DBA, however, is finite. Although WHCA has been very successful in securing federal grants, and grants from private and corporate foundations, the sustainability of DBA is currently in doubt. Our opportunities to apply for federal funding have decreased over time, as federal agencies such as the Dept. of Health and Human Services will not fund ongoing training and technical assistance programs, but rather, opt to fund new projects in regions that have been previously unfunded. We seek assistance from the state to maintain the success of our training and loan programs.

DBA's Current Projects

Experiential Tourism Incubator Without Walls (ET-IWW)

Down East Business Alliance is working to put the exact recommendations of Fermata Inc. into action. In September 2005, WHCA was awarded a \$195,000 grant by the U.S. Dept. of Health and Human Services for DBA to launch their *Experiential Tourism Incubator Without Walls* program. DBA received an additional \$30,000 from the Maine Community Foundation's Birch Cove Fund to advance the objectives of this program, and a \$2,000 grant from Union Trust.



DBA helps people start, manage, and expand their businesses, create jobs, access resources, secure financing, and connect with fellow business owners.

ET-IWW is training and assisting dozens of businesses in eastern Washington County and western Hancock County, increasing knowledge and skills of local business owners through a series of workshops, business. It focuses on increasing the ability and capacity of local tourism-oriented businesses to effectively collaborate in forming attractive packages of products and services for the tourism sector. Businesses receive assistance in forming binding agreements, and help with marketing the tourism packages that result from these agreements. The result will be much greater visibility of offerings in the two respective regions as business partnerships create and market collaborative destination packages.

Get ME Market Ready

Get ME Market Ready is a program designed to improve and expand the marketing skills and capacity of multiple food-based entrepreneurs located within forty miles of Bucksport, Maine. The program is helping food-based entrepreneurs plan for developing and expanding their local and regional markets. A primary focus of the program is to ready these entrepreneurs to work with distributors and prepare for regional trade shows. *Get ME Market Ready* is achieving its goals by collaborating with a variety of private and public business and marketing experts. To accomplish the goals of *Get ME Market Ready*, DBA is:

- providing 18 market-planning workshops to 24 participants, with one-on-one counseling available, to help them prepare their products for market and access new markets.
- stimulating the formation of and interaction within business-to-business networks to encourage information and resource sharing;
- providing access to marketing specialist staff and marketing consultants as needed to help participants build the image of their products/services and prepare for new markets; and
- combining commitments from non-federal grantmakers and local financial institutions, with WHCA in-kind contributions to maximize the impact of this program.

Get ME Market Ready is effectively addressing the specific barriers and challenges of identified business owners, because we have been in contact with local food growers and producers and understand their most pressing needs. Providing participants with greater exposure to food-specific marketing expertise, increased awareness of the available distributors and how they operate, and better preparation for trade show and like opportunities will achieve the program's objectives and better prepare potential users of the planned *Penobscot Bay Commercial Kitchen*.



Penobscot Bay Commercial Kitchen

Washington Hancock Community Agency (WHCA) and the Town of Bucksport propose to build and operate a shared-use commercial kitchen facility on two acres of land at the town-owned business development park. The approximately 12,000 sq. ft. facility will include one or more fully equipped commercial kitchens, dry storage and freezer storage. This facility will serve people within in a 40-mile radius of Bucksport. Businesses that become members will have access to a wide variety of commercial kitchen equipment such as cookers, mixers, ovens, prep tables, cold storage and dry storage. Once fully operational, the kitchen and storage facilities will be accessible to members 24/7.

WHCA will assume responsibility for operating this facility upon opening, and will be responsible for all costs associated with operations, including marketing, utilities, general maintenance, permits and insurances. WHCA will assertively market the shared-use commercial kitchen facility opportunity to potential users within a 40-mile radius of the Town. WHCA will properly manage the operation and will assure that all users comply with pertinent regulations.



WHCA will provide members business development and marketing training / technical assistance and business counseling to maximize the potential for their success. WHCA will formalize a lease with the Town to be signed immediately prior to the opening of the facility. The Town will maintain ownership of the land, the building, and the equipment it provides.

Considering this region's high level of poverty and unemployment, extreme fluctuations in seasonal employment, downturn in traditional industries, and high percentage of microenterprises, it is easy to support the assertion that this region needs investment in their business assistance programs. The response to our recent survey of local food producers indicates a strong level of interest and desire for this facility. The number and diversity of small businesses that will prosper as a result of their participation in the Penobscot Bay Commercial Kitchen will greatly improve this region's ability to weather the negative business trends and cycles that are currently undermining its economy.

Conclusion

Washington and Hancock counties offer great promise to people who seek to start their own businesses, and to those who work hard to make their existing businesses to thrive. The rural geography and seasonal nature of the Down East economy creates unique challenges to organizations that work to help local businesses prosper and create jobs. Down East Business Alliance demonstrates a strong track record in addressing these challenges. Rather than expect microentrepreneurs to flock to our offices for services they may or may not desire, DBA listens to the needs of local microentrepreneurs, then we go into the community to provide the training and technical assistance that meets these needs. Through programs such as Incubator Without Walls and Get ME Market Ready, DBA has helped hundreds of fledgling businesses take flight. The Fermata study, the Brookings Report, and the OPEGA review all indicate that DBA is on the right track. We want the Joint Standing Committee on Business, Research and Economic Development to know that with your help and guidance, organizations such as Down East Business Alliance can help microentrepreneurs in Down East Maine stride confidently into the 21st century economy.