

# MAINE STATE LEGISLATURE

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**REPORT TO GOVERNOR JOHN BALDACCI**

from

**THE WORKING GROUP  
TO INCREASE THE EFFICIENCY AND EFFECTIVENESS  
OF THE STATE ECONOMIC DEVELOPMENT DELIVERY SYSTEM**

*November 3, 2008*

**John Richardson, Commissioner, Dept of Economic & Community Development - Chair**  
**Dana Connors, President, Maine State Chamber of Commerce - Chair**

Steve Boulet, Wahlco-Metroflex

Lynn Bromley, State Senator

Bob Clark, Northern Maine Development Commission

Maurice Dube, U. S. Small Business Administration

Alison Hagerstrom, Greater Franklin Development Corporation

Paul Meserve, Saunders Electronics

Bruce Pulkkinen, Maine Manufacturing Extension Partnership

Chris Rhoades, Rhoades Building Products

Beth Shissler, Sea Bags

Kevin L. Shorey, Quoddy Trail Moccasin Company

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## **Executive Summary**

A group of 15 Maine business people, economic developers, and legislators met five times, reviewed many reports, and looked at other states. We submit the following recommendations to make our economic development system more efficient and effective:

### **1. Link Strategy to Budget to Program Implementation and Evaluation**

Every business links vision to strategy to budget to execution. We recommend that the Department of Economic and Community Development (DECD) integrate its budget (and those of affiliate agencies) into one strategy for Maine; and that other entities such as MaineHousing, FAME, and the State Planning Office unify the relevant portions of their budgets as well. The Comprehensive Economic Development Evaluation should be implemented on an ongoing basis.

### **2. Create a Common Business Assistance Protocol that is Easy to Understand**

The current system is confusing. We recommend that DECD work with its regional partners to create a common web site as well as a system for addressing requests for help.

### **3. Market One Brand for Maine**

Successful marketing requires the repetition of a consistent brand and message. We recommend a state marketing director to establish one brand for Maine.

### **4. Support Quality of Place Investments**

Quality of place is an important competitive advantage for Maine, and we support investments to build up our advantage, and recommend doing so in a way that does not duplicate or overlap existing efforts.

### **5. Implement a Protocol to Address Economic Crises**

DECD should be the convener for ad hoc teams to address economic crises. For the current access to capital crisis, we recommend immediate action to bring public and private capital providers together to address the problem.

### **6. Economic Development Management Structure**

Maine's businesses are allies in the effort to bring more jobs to Maine. We need better structures to engage their energy and ideas. We will study this issue further and submit a recommendation by December 1 on how to accomplish this.

### Working Group Charge

On January 8, 2008, Governor Baldacci, in his State of the State address, called for a new way of conducting economic development in Maine, saying that

*“We must redouble our efforts to spur economic development. We cannot be lulled into a posture that sees us only able to lurch from one crisis to the next. We must be prepared to stop trouble before it arrives at our doorstep. I’ve asked my economic development Commissioner John Richardson and Maine State Chamber of Commerce President Dana Connors to work with the Legislature to change the way we do business for business. We can better serve Maine’s business community with a local and regional emphasis and greater co-ordination and partnership. We need to move our economic development efforts away from Augusta and into the communities and regions where it can do the most good. The State’s top economic development priority should be to provide them with the support, resources and vision to help them accomplish their goals.”*

Seven weeks later the Governor issued Executive Order 11 establishing this working group, with the following charge:

*The Working Group to Increase the Efficiency and Effectiveness of the State Economic Development Delivery System is being created to officially bring together a diverse working group to address overlapping missions and delivery mechanisms in order to maximize federal, state and local return on investment, and to simplify business’ access to programs and services.*

*The Working Group will address the following potential issues including:*

- 1. Discuss the existing inventory of State economic development programs, and discuss how these programs are being delivered to their intended recipients.*
- 2. Identify the specific needs of Maine businesses that can be addressed by economic development field staff; specify the needs that are currently being addressed, as well as emerging needs.*
- 3. Identify other economic development programs or entities that should be considered part of the state’s economic development system and part of the coordination effort.*
- 4. Establish a framework for municipal, regional, state, and federal economic development delivery systems consolidation where efficiencies and increased effectiveness would result.*

5. *Propose a statewide economic development structure that addresses the demands of Maine businesses while utilizing the existing economic development resources within the State, and recognizes the state role in establishing broad vision and policy which direct services to businesses are as localized as possible.*

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### **Working Group Findings**

The issues surrounding the delivery of economic development services are not new, nor are they unique to Maine. Five years ago, the 2003 Economic Development Working Group recommended a number of reforms. Some were implemented, such as creating a workforce cabinet and division of innovation within DECD. Others were not, particularly the idea of one state development budget. We have revisited that report, and considered many other ideas as well, including:

- “Maine Needs a Strategy,” a memo by one of our own members, Chris Rhoades
- The Maine Development Foundation reports, “Inventory of Maine’s Economic Development Programs” (April 2008) and “Measures of Growth, 2008”
- Reports on other state economic development efforts, with particular attention to Michigan and Pennsylvania.

We also spent considerable time on the draft “Strategic Plan for Economic and Community Development in Maine”, which has been developed by the Department of Economic and Community Development (DECD).

At the first task force meeting, observations of the current economic development delivery system were made. These observations were then compiled into five common themes:

1. The state needs a comprehensive economic development strategy.
2. The state needs protocols – e.g. who does a new client go to?
3. How can existing resources be harnessed, both incentives and people
4. Marketing and sales
5. Evaluation and benchmarks

We conducted a review of Maine economic development organizations with federal, state, regional, and local funding. While DECD has some relationship with most of the organizations, it was also noted that the structures were essentially horizontal with very little vertical interaction. Maine’s economic development delivery system was compared to a CEO having twelve funding streams with little to no control and coordination.

In addition to the five themes from the first meeting, much of the discussion at the second meeting focused on the economic development delivery models of other states. We discussed private non-profit structures, the strengths and weaknesses of removing economic development organizations from the legislative process, a comprehensive budget (also noted as being recommended but not implemented from the 2003 effort), and establishing clear protocols for working with companies and individual clients.

The third meeting involved a discussion of the Quality of Place Council activities. Task force members expressed strong interest in making that effort complementary to and supportive of their own. Some concerns were raised about parallel efforts and potential redundancies being created. Members agreed about the value of quality of place and recommendations were made to be sure it is included in the DECD strategy. Members also expressed an interest in having strategies be determined from a combined bottom up (regional up to State) and top down approach (State down to regional). Only having one or the other would lose either a regional vision or a statewide vision. The matter of low performing economic development districts (EDDs) was also discussed with recommendations that performance standards be established, supported, and adhered to.

At the fourth meeting, a review was conducted of five goals agreed to during the prior meetings. These goals included:

1. Have one over-arching and focused state strategy
2. Have a unified state budget for economic development (e.g., DECD, FAME, MSHA, SPO)
3. Have one state protocol for economic development referrals
4. Have one state brand for marketing
5. Determine the management structure of DECD

It is from these goals that the task force makes the recommendations contained in this final report.



### **Goals and Recommendations**

Based on our analysis of the situation in Maine, best practices from other states and input from industry, the working group came up with the following goals for an efficient and effective economic development delivery system:

1. Link Strategy to Budget to Program Implementation and Evaluation
2. Create a Common Business Assistance Protocol that is Easy to Understand
3. Market One Brand for Maine
4. Support Quality of Place Investments
5. Establish a protocol to address economic crises
6. Economic Development Management Structure

Each is described in turn below.

#### **Goal 1: Link Strategy to Budget to Program Implementation and Evaluation.**

The 2003 Economic Development Working Group made a recommendation that is business-as-usual in the private sector, but difficult to achieve in large governmental organizations – namely, to have an economic development program that connects “vision to strategies to budgets to evaluation.”

In Maine, there is:

- A vision and system of broad evaluation at the Maine Development Foundation (“Measures of Growth”)
- A comprehensive strategy at the Department of Economic and Community Development, as well as additional strategies at other agencies
- A comprehensive economic development program evaluation effort underway at DECD
- An internal budget-setting process in the Department of Administrative and Financial Services and Legislature, and
- A final budget approval process in the Legislature.

In short, Maine has all of the pieces in place for an integrated economic development strategy and program. The problem is that the pieces are located in different places in state government, and are not well-connected.

The working group reviewed in detail the Department of Economic and Community Development’s “Strategic Plan for Economic and Community Development in Maine”.

We believe that it is an excellent document, raising all of the major issues the state faces, and proposing sound courses of action. We believe it could be even more aggressive, given the challenges the state faces, and we have made suggestions to this effect to the Department.

When this plan receives final approval from the Governor, the next issue will be how it is used. Other states have better mechanisms in place to implement their strategies. Some states, like Maryland, include all housing and economic development programs in one "Department of Community Affairs;" in these cases, the lead agency can implement the state strategy largely on its own. Other states, like Pennsylvania, develop their state strategy through a consultation process with other state agencies and regional commissions; this voluntary approach provides coordination and an integrated approach without having to create one large "big brother." A few states, like Michigan and Florida, locate their major economic development efforts in public private nonprofit corporations; these corporations have more freedom than government agencies to set priorities and move resources around to meet those priorities.

We recommend that Maine adopt the best of all the models – one strategy, developed in consultation with regional agencies, and implemented through the budget. However, rather than centralizing all programs within one "super-agency," we recommend that the strategy be implemented through the annual state budgeting process. This provides a central decision-making point for the Governor and the Legislature, and allows both to see how all state agency activities related to business assistance, innovation, housing, infrastructure, tourism, and other relevant areas of concern, mutually serve to carry out the strategy.

In implementing the model, we believe it is important that the state continue to focus its development efforts on the statewide clusters that have been identified in previous studies. Regional development commissions can assist in the implementation of state cluster strategies within their individual areas, but it remains the state's responsibility to set the broad development strategies and goals for these sectors.

***Recommendation 1: The Governor should present a global economic development budget to the Legislature that unifies the budgets of the Department of Economic and Community Development (and all the programs whose budgets flow through DECD, including the Maine Technology Institute, the Maine International Trade Center, the Maine Manufacturing Extension Partnership, Small Business Development Centers, etc.) with the relevant portions of the other budgets such as MaineHousing, the Finance Authority of Maine (FAME), and the Maine State Planning Office.***

*Working Group to Increase the Efficiency and Effectiveness of the State Economic Development Delivery System*

- *The strategy and budget should be developed in consultation with regional development organizations, related state agencies, and other economic development partners.*
- *The budget should be organized in a way that shows how it implements the state economic strategy.*
- *The budget should be presented as a whole in a coordinated presentation to the Maine Legislature's Joint Standing Committees on Business, Research, and Economic Development (BRED) and Appropriations and Financial Affairs (AFA). The Maine Small Business and Entrepreneurship Commission, the Tourism Commission and other related economic development policy bodies should also be invited.*
- *The partner organizations and programs included in the budget presentation should meet monthly thereafter with regional development organization representatives to ensure coordination in the execution of the budget.*
- *The Comprehensive Economic Development Evaluation (CEDE) project should be implemented on an ongoing basis with dedicated funding to provide feedback for the budgeting process.*

Goal 2: Create a Common Business Assistance Protocol that is Easy to Understand

Despite the best efforts of economic development agencies, all of the business members of our working group agreed that they weren't clear about what state programs existed, and they didn't know where to go to find out. The problem is compounded by the fact that even economic developers from one municipality or agency may not know what is available in another.

Maine's six regional development commissions can play an important role in the solution to this problem. They already work closely with economic developers at the federal, state, and local levels. Their role is increasingly recognized. In the federally-proposed "Northern Border Regional Commission," regional development commissions from Maine through upstate New York are the designated funnels for channeling federal development dollars. In the Quality of Place efforts, regional commissions are key partners in identifying places for effective asset-based development. Not all regional commissions are equally capable today in the economic development area, but all are well-situated to serve in the future in the role of a broker among state government, municipalities, and businesses.

Part of the answer here is for the Department of Economic and Community Development to develop a closer partnership with regional commissions. Another part of the answer is the creation of business-friendly web sites and public communication that will lead to a transparent and easily navigable business assistance network in Maine.

***Recommendation 2:** The Department of Economic and Community Development and the Regional Economic Development Districts should coordinate the provision of services to clients using a mutually agreed upon protocol. A single database would be a tool to enable coordination of assistance. It would be a place where all business and community assistance clients would be recorded and managed (with suitable privacy protections). It would cover the broad range of business and community assistance programs. The Northern Maine Development Commission has developed a system for integrating program and client information within its region that could serve as a model for the entire state. Over time, DECD should integrate other state and local economic development actors into the system.*

*The Department of Economic & Community Development and the six regional development commissions should develop a common economic development website portal that would be the entry point for businesses and families interested in moving to Maine, tourists, market researchers, and Maine communities and businesses seeking assistance. The website would be in plain language, understandable to people who are not familiar with the acronyms and initials of government programs. It would provide up-to-date information on area populations, labor force, jobs, and incomes.*

*As all regional commissions are not equally effective in economic development, it should be the responsibility of the Department of Economic and Community Development to ensure that high standards for commission performance are set, and to provide technical help.*

### **Goal 3: Market One Brand for Maine**

Maine has a "brand" of quality, hard work, natural beauty, traditional communities. It is important that Maine state government reinforce this brand in its efforts to promote tourism, investment and the purchase of Maine-made goods as well as attracting strong businesses, capital, and a skilled workforce.

We are not doing this now. Today Maine state agencies have many small advertising efforts, each with different core images, colors, and impressions. The multiple messages are not mutually reinforcing. Most individual programs are too small to justify research

spending, so little is known about their effectiveness. In a media world where repetition and reinforcement are the keys to retention and success, we send out many small messages that don't support each other. At a time of scarce budget resources, this is not cost-effective.

At the Governor's behest, Maine's natural resource agencies have been meeting this past year to find ways to consolidate services. They have approached the Department of Economic and Community Development, specifically its Office of Tourism, to ask for help in developing a common brand for all of their marketing campaigns to "external" customers (internal communications are not part of the effort). The State of Vermont is a model in this area, with one state marketing director overseeing advertising in all areas.

But even if we succeed in coordinating marketing promotions, Maine's budget remains small. We must take advantage of other low-cost marketing opportunities. One such opportunity is created by Maine business people who travel outside of the state, and who interact with peers who might have an interest in locating business activity in Maine. We recommend enlisting these business people into a volunteer "ambassador" program to bring our brand and message around the country.

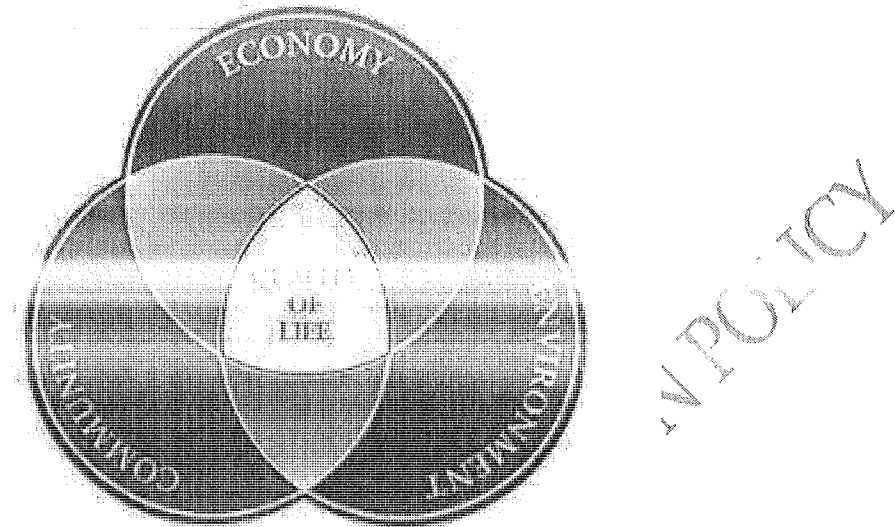
***Recommendation 3: Maine should designate a State Marketing Director. This person should align all state agencies – and their affiliates – in support of a common brand and image for use in all state promotions.***

*Maine companies, particularly those with expertise in marketing the image of Maine in its product promotion, should be asked to provide advice in creating the brand and image.*

*Maine should also create a business ambassador program, in which business people can be engaged to promote Maine among their peers both inside and outside of Maine. Appropriate materials and training in an "elevator speech," should be developed.*

#### **Goal 4: Support Quality of Place Investments**

In the same State of the State speech in which the Governor announced our formation, he also said, "we all understand that our future economic success will be built upon the foundation of our people and the special qualities that define our neighborhoods, towns and our state... Economic prosperity demands that we invest in our workforce, in our open landscapes, and in our historic downtowns."



The diagram above, from the Maine Economic Growth Council, expresses the relationship between our economy and our quality of place.

At the Department of Economic and Community Development, quality of place goals are supported by investments in tourism, Community Development Block Grants, and Riverfront bonds. In the past the Department used the Municipal Investment Trust Fund program to help accomplish these goals. The Municipal Investment Trust Fund is like the Community Development Block Grant program, but without federal restrictions with regard to use, geography, income, and the like. Most states have flexible state block grant funds of this kind. Maine's Municipal Investment Trust Fund coffers are now empty, and need replenishing.

The Quality of Place Council's efforts focus especially on how to coordinate investment in our natural and built environments in ways which leverage and strengthen our competitive advantages, while this working group has focused mainly on how to make business assistance and marketing efforts more efficient and effective. Both efforts can complement each other. Both rely on our regional partners to carry out essential planning and program implementation. Both coordinate a wide range of state agency program efforts. Both are supportive of "asset-based" development strategies (i.e., investments based on leveraging the state's strengths). The challenge going forward is to accomplish both, without duplication of effort.

***Recommendation 4: The Commissioner of the Department of Economic and Community Development, as a member of the Quality of Place Council, should work with the Council to coordinate and target capital and marketing investments, in ways which do not***

*duplicate efforts. The state should also seek new capital funds to support important quality of place investments.*

**Goal 5: Implement a Protocol to Address Economic Crises**

It is the nature of economic development to have to deal with crises as they arise, whether they involve access to capital, are weather-related such as damage from floods or hurricanes, or are other disasters which impact single businesses such as the Washburn and Doughty fire or major layoffs at a paper mill.

During the past two months, the nation has entered into a capital access crisis. Maine is not immune to this development. There are solid job-creating deals in Maine that cannot find money to go forward. FAME is overwhelmed by requests – while some resources, like the SBA and Rural Development, are underused. In response to the situation, the state has hired Gore Flynn, Principal, of Enterprise Resources Corporation to study the situation and make recommendations.

While this happens to be an immediate crisis, there is a long-term need to monitor and coordinate capital availability in Maine. Therefore, we recommend that both the Governor and the Legislature address the issue. The protocol recommended for the capital crisis is also a model for how to handle other situations.

***Recommendation 5:** The Commissioner of the Department of Economic and Community Development should be the convener of ad hoc groups of appropriate federal, state and local agencies, businesses and others to provide quick and effective responses to economic crises.*

*To respond to the current access to capital crisis, the Governor should ask the Commissioner of the Department of Economic & Community Development to convene a monthly meeting of business finance providers, including Finance Authority of Maine, USDA Rural Development, Small Business Administration, credit unions, community banks, large banks, regional revolving loan funds, and others, for the purpose of keeping projects viable and manage deal flow.*

*The Joint Standing Committee on Business, Research, and Economic Development (BRED) should hold hearings in November to hear from all of the finance providers listed above about the status of capital availability in Maine, and what (if anything) needs to be done.*

**Goal 6: Economic Development Management Structure**

Maine's businesses have a lot riding on the effectiveness of the state's economic development efforts. Maine businesses need to recruit talent, obtain capital, and open up new markets. They are willing and eager to support the state's efforts in this area, but don't know how to help.

The working group considered different approaches to involving businesses more in the state's effort – from “privatizing” the state's economic development agencies into a public-private agency, to creating business “ambassadors” to other states, to creating a kitchen cabinet for the Governor and Commissioner of Economic and Community Development. However, we were not able to come to a firm conclusion about how to proceed within the time we had available. We plan to spend an additional month studying this issue, and to have a recommendation available to you by December 1, 2008.

***Recommendation 6:** The Working Group has set up a subcommittee to recommend the best structure for a new public-private partnership for development in Maine. The subcommittee will report to our full Working Group, and we will refine and forward the recommendation to you by December 1, 2008.*



### Conclusion

Recommendation 1 coordinates the budgeting of State economic development programs, thereby integrating our economic development strategy.

Recommendation 2 establishes a framework and offers specific ideas for the successful linking and coordination of the State's economic development programs.

Recommendation 3 identifies the importance of statewide marketing with important tasks of identifying Maine's brand and utilizing the best distribution opportunities to disseminate that brand effectively for economic growth initiatives.

Recommendation 4 supports the notion that we need to leverage the findings that Maine's competitive advantage is our "Quality of Place" and explore how we can best maximize this asset.

Recommendation 5 offers a mechanism to address economic crises as they arise and immediately take action to solution to harness providers and users of capital within our state.

Recommendation 6 recognizes that more research needs to be done to offer a structural model for Maine to approach economic development initiatives, so a subcommittee will be established.

The charge asked us to recommend reforms that would maximize the "return on investment" of state economic development programs, and to simplify access for business people and the public. We believe our recommendations accomplish both.