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Rural Development in Maine: 1985 Annual Report of the Governor's Rural Development Committee

1985 ANNUAL REPORT
OF THE
GOVERNOR'S RURAL DEVELOPMENT COMMITTEE

The Rural Development Committee expresses its appreciation to Stewart N. Smith, former Commissioner of Agriculture for his foresight and his deep understanding of the needs and challenges that face rural Maine, his dedication to improving conditions in rural Maine, and for his energy and leadership with which he challenged this Committee to reach new heights and to take an active role in shaping Maine's future.

GOVERNOR'S RURAL DEVELOPMENT COMMITTEE

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Stewart Smith, Commissioner, Department of
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Staff: Joyce Benson, Senior Planner, State Planning Office

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Office of Energy Resources, Tim Zorach
Education and Cultural Services, M. Dunbar Seamans
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Cooperative Extension Service, Harold McNeil, Director
Agricultural Experiment Station, Dr. Wallace Dunham, Director
U. S. Forest Service, Bart Blum, Director

Elected Representatives

Representative Donald Hall
Representative Weston Sherburne

Area and Local Representatives

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John Jaworski, Androscoggin Valley Regional Planning Commission
Kelly Lombardi, Washington County Development
Kristine Bull, Aroostook County
Paul Frederic, Community Official
Christopher Lockwood, Maine Municipal Association
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Seth Bradstreet, Maine Agriculture
Peter Creighton, Aroostook Family Farm Core

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PREFACE:

Committee Background

The Rural Development Committee was created in 1979 by a Cooperative Agreement between the State of Maine and the Farmer's Home Administration (FmHA). At that time FmHA was responsible for Rural Development Planning at the federal level.

In 1982, the Agreement was expanded to include four agencies of the USDA, (The Farmer's Home Administration, Forest Service, Soil Conservation Service, and the Agricultural Stabilization and Conservation Service), two agencies of the University of Maine at Orono (the Cooperative Extension Service and the Agricultural Experiment Station), and the Small Business Administration. In addition, the Department of Housing and Urban Development, the Army Corps of Engineers, and the Economic Development Administration have been involved in the work of the Committee.

All State agencies which have significant involvement in rural areas were instructed by Executive Order to participate in the agreement and to coordinate their activities with the Cooperating Federal agencies.

The Rural Development Committee serves a two-fold purpose: to advise the Governor on issues of special concern to rural Maine, and to coordinate state and federal programs to achieve the goals and objectives established for rural development in Maine. Rural development priorities and objectives were spelled out in 1982 in Executive Order No. 5 and by a cooperative agreement signed by the State of Maine and participating Federal agencies. The Order further requires the Committee to report annually to the Governor on its activities, on general progress toward its goals, and on conditions in rural Maine.

Introduction

During the past year, the Rural Development Committee has actively addressed a multitude of rural issues and special needs. The agencies and departments participating in the cooperative agreement have worked individually and collectively to improve rural conditions. Their efforts have had a positive impact in rural Maine. Though rural areas continue to lag behind the State as a whole, the effects of this targeted effort are reflected in reduced or stabilized poverty rates, more stable employment and improved income, better health care, and in improved housing conditions.

This report has three purposes. First, the report recommends priorities for attention in the coming year. It also reviews the activities of the Rural Development Committee and its members. Third, it examines the progress made in achieving the goals of the Cooperative Agreement.

SUMMARY OF RECOMMENDATIONS AND PRIORITIES FOR 1986

The Rural Development Committee has identified several priorities for intensive focus in 1986. These activities are selected because of their special potential for achieving the goals established in the Rural Development Cooperation Agreement. The Agreement is comprehensive and far reaching. Therefore, the Committee has chosen to focus its energy on a smaller number of specific issues each year in order that real results be achieved.

1. Strengthening Maine's Rural Economy and Natural Resources
Based Enterprises

With few exceptions, small businesses provide most of the employment in rural areas. A larger share of the rural population is self-employed (i.e., one-employee or family businesses) than in Maine as a whole. And, many rural enterprises are based on the natural resources of the state. Therefore, in 1984, the Rural Development Committee emphasized expanded opportunities for small business development and strengthened capacity of small rural businesses.

Training Network. In 1986, the Committee plans to complete the planning phase and start up a network project to provide a statewide referral service for training materials, resources, and individuals who can assist in improving the management skills of small business. At present it is expected that the SBDC in Portland will perform the coordination and dissemination tasks. The project is expected to prevent duplication among current training providers, to increase distribution of existing resources, and to identify and fill gaps in current services.

Market Development for Maine's Natural Resource Enterprises.

Second, the Committee plans to enter into a lengthy examination of marketing and market development needs as a method of expanding rural economic opportunities. The Committee expects this to lead to specific proposals and recommendations that will open up new opportunities for Maine's small rural enterprises, especially those based on natural resource products. Special attention will be given to the issue of Canadian-U.S. trade and its effect on the market for Maine commodities. The Committee will seek new and creative ways to market Maine products and new ways to use Maine products so that new markets are opened. The Committee will lend support to other activities in the state resulting in improved U.S.-Canadian trade relations.

2. Rural Housing Needs

The poor in rural areas live in the State's worst housing. The 1980 Census showed that rural poor are more likely to live in homes that are overcrowded or that lack plumbing or central heating. Very low income homeowners have severe needs which often cannot be met by existing programs under current funding levels and under current rules. In order to address this continuing need, the Rural Development Committee has identified five areas for emphasis in the coming year:

- A. Continue efforts to identify new and creative ways to meet the special needs of very low income rural homeowners living in severely substandard housing.
- B. Assist with and sponsor a Blaine House Conference on Affordable Housing in 1986.
- C. Support efforts of FmHA, DEP, EDA, SPO, and others to address septic problems in rural areas and to reduce health hazards associated with unsanitary conditions.
- D. Continue the network and resource coordination role of the Subcommittee on Rural Housing and continue efforts to increase the availability of information at the local level regarding services offered by Committee participants.
- E. Monitor and support efforts to address special housing needs such as homelessness and migrant housing conditions and ensure that the unique nature of such needs in rural areas is represented in policies and programs developed at the state and national levels to address those needs.

3. Agricultural Lands Protection Policy.

The Rural Development Committee recommends continued work to protect Maine's valuable agricultural land resources. The Cooperative Agreement and Executive Order specify that the goals for Rural Development be achieved in a manner that will protect agricultural lands from undue pressures from development and conversion. The Committee recognizes a clear policy is needed to guide development activities so improvements enhance the State's resource base and are balanced with, rather than in competition with, existing industries dependent upon these resources. The Committee further recognizes the future of the rural economy will depend upon halting erosion and abandonment of productive lands and supports actions targeted to this end.

In this light, the Committee will continue to expand its understanding and awareness of the problems affecting farmland and of the options available to protect farmland, and to monitor and review legislative and agency activities affecting agricultural land.

4. Farmers in Transition

As the farm crisis in America grows in size and intensity Maine farmers are beginning to feel its affects. The dairy and potato industries are under substantial pressure due to changes in national policies. The shift away from FmHA lending will make it difficult for farmers who are deep in debt due to low market prices to obtain crop loans in 1986 and 1987. Farming, unlike a job in an office or a factory, offers no clear boundaries between job and family. Thus, while joblessness is extremely stressful to the individual and family, the problems associated with loss of the farm are unique and more stressful for the affected families.

Because of these special problems and the imminent threat of significant numbers of farmers in crisis in the State, a subcommittee was set up in 1985 to study the problem and determine how best to assist farmers facing the loss of their farms.

During 1986 this subcommittee will continue working with local agencies and organizations in Aroostook County to develop a model program and to establish crisis assistance services.

II

1985 IN REVIEW: COMMITTEE ACTIVITIES

This chapter highlights activities of the committee and provides a review of past special initiatives. In addition, participating agencies work both individually and collectively to achieve the overall goals and priorities established for Rural Development in Maine. A review of agency activities and accomplishments is included in the following chapter.

1. Initiatives to Develop and Promote Natural Resource Based Industries in Rural Maine

The Committee defines natural resource based industries to include the production, processing and distribution of products derived from the State's natural resource base. Natural resource based industries include agriculture, food processing, forest products, fisheries, minerals and mining, and recreation and tourism.

The key strategies developed by the Committee to promote natural resource based development are improved resource coordination and education of the consumer and the entrepreneur.

Consumer Education. In 1983 a challenge grant program was proposed by the Rural Development Committee and funded by the Legislature to provide mini-grants to teachers to develop curriculum and materials for classroom use to increase knowledge and awareness of how food is produced, processed and arrives at their table.

The program was carried out in 1984 under the direction of the Department of Education and Cultural Services. Over sixty projects were submitted and twenty-two mini grant awards were made. The Foundation for Permanent Agriculture assisted with funding for six of the awards. In 1985, a curriculum resource guide was prepared for publication and distribution to all Maine schools.

The importance of educating the public about agriculture gained additional recognition in 1985 with the signing of Executive Order #8 creating a task force on agriculture in the classroom. The task force is responsible for evaluating the extent to which agricultural concepts are currently applied in the classroom and for recommending changes and alternatives. The task force is comprised of several RD committee participants, teachers who received mini-grants under the challenge grant program, and other educators.

Business Education. In 1984 and 1985 the subcommittee on Natural Resources became concerned about how to make educational services available to natural resource enterprises who typically do not seek such services. It was found that most small businesses are highly skilled in the service they provide but often are only marginally successful because they lack knowledge of how to manage their business properly. This basic problem has become widely recognized by the agencies participating in the Rural Development Cooperative Agreement. Most have adopted a two-part approach including both market development and management and product development in their client assistance services. Several agencies have created courses and technical assistance programs to address special needs.

Overall, the subcommittee has found that a multitude of educational programs exist to help small enterprises. Many, however, have missing elements of content and often delivery mechanisms are inadequate to reach those in greatest need. Because of the abundance of resources, the committee concluded that a centralized network is needed so that existing resources are used more wisely and so those responsible for designing or offering training programs can draw from existing resources and thereby reduce duplication and cost. Once a network is established, gaps in training and resource materials can be clearly and specifically identified and work can begin to fill them.

Rural Resource Guide. The Rural Resource Guide, published by the SPO in 1979 and 1980 and updated in 1984, has been duplicated by USDA ORDP and is now published annually by the ORDP. Their version contains federal programs only. Therefore, further editions of Maine's Rural Resource Guide will include only Maine resources and private and/or nongovernmental resources available to Maine groups and communities. The Guide is expected to be published and maintained as part of the management assistance network project.

Development of FAME. The Committee continues to monitor and assist in the development of the Natural Resources Finance and Marketing Division of the Finance Authority of Maine. The creation of the Division was the single most significant initiative of the Committee and its success is viewed as critical by the Committee. An assessment of the natural resource sector of the Maine economy is being prepared by FAME and SPO and an Investment Strategy is under development.

Future directions in 1986 include development of the Pool Insurance Program to leverage FAME resources, development of the Secondary Market Program to provide access to national capital markets for small and medium sized businesses, creation of the Natural Resources Capital Company to provide equity investments in natural resource based industries, implementation of the Pine Tree Partnership Fund to make available grants to small

businesses for research and development, establishment of the Occupational Safety Loan Program to provide low interest loans to improve the working environment in small businesses, and management of the Potato Marketing Improvement Fund which provides loans to potato growers and packers for modern storage facilities and packing lines. Other development areas at FAME will include technical assistance for small business managers, market development assistance, and greater involvement in working capital and export financing.

Bed and Breakfast Program. The Rural Development Committee has encouraged the development of a Bed and Breakfast program in rural Maine because of its value to small communities which lack facilities for tourists. SDO, the Department of Conservation and Department of Education and Cultural Services worked together to produce a training film which was released in the Fall, 1984. The film is the only one of its kind in the U.S. and has received national use and acclaim. In Maine the number of "B&B's" has expanded substantially from only a handful in 1984 to over 200 establishments today.

A cooperative initiative was begun between SDO and DAFRR this year to expand the Bed and Breakfast concept to promote a farm vacation program as a technique for increasing income to farm families and maintaining family farms during the present period of low market prices and declining farm income. Tourism

promotion was expanded in 1985 by an Executive Order instructing state agencies to coordinate activities relating to tourism planning and development.

2. Support for Rural Economic Development

The Rural Development Committee feels rural Maine has typically lagged behind the rest of the State in economic growth and has suffered chronic conditions of poverty that merit greater focus and priority by the committee. Several committee members have expressed concern over absence of a broad, long range strategy giving clear direction to agencies participating in the Rural Development Cooperation Agreement. The committee concludes that individual efforts of participating agencies to address program priorities designed to improve the economy of rural areas set forth in the cooperation agreement are not sufficient. In 1986 the committee plans to give special priority to development of a specific proposal and strategy for economic development.

3. Poverty Research Initiative

In 1984 the State Planning Office and Division of Community Services entered a cooperative arrangement to conduct a thorough study of poverty in the 1980's. The final report, a four-volume series, was completed and released last Spring. It found higher poverty rates in rural communities. Rural areas have fewer jobs

available, lower wages, higher unemployment, and workers tend to suffer longer periods of unemployment. The findings of the study have helped direct the actions of the Committee and the State of Maine to improve conditions in rural Maine, to formulate a strategy for addressing the needs of the homeless, and to reassess and target resources to needy groups and communities. The two agencies are continuing to work to increase public awareness and understanding of the causes of poverty and the human costs of poverty so that more effective action can result.

4. Rural Housing Initiatives

Very Low Income Householders. In 1985 the Subcommittee on Rural Housing worked to expand housing assistance to very low income rural home owners. The subcommittee found existing programs had spending limitations which reduced their capacity to help households living in severe conditions. Cost estimates for repairs revealed that in many cases, conditions are so severe that a replacement unit could be provided at less cost if such a unit were available.

As a result of this finding, three options have been identified for pursuit: 1) determine the extent to which program rules and funding levels can be altered to enable existing programs to provide greater service and promote action to make such changes, 2) develop an entirely new program(s) to supplement

existing programs by filling gaps and advocate for its adoption and funding, and 3) determine the extent to which new construction materials and techniques are available or can be developed to reduce costs while maintaining quality and energy efficiency so that existing program funds are stretched, and promote their adoption and use.

Over the past several years, federal housing programs have suffered severe budget cuts. Further cuts are anticipated and outright elimination of some programs has been proposed for 1987 by the Reagan Administration. This bleak picture means that existing resources will fall far short of meeting the present needs and that Maine will have to be extremely creative in order to maintain its present levels of assistance. The Committee will work to identify ways to reduce the impact of impending fiscal reductions.

Coordination of Services. The Committee itself is an effective vehicle for inter-agency coordination. In addition, greater effort was made by the participating agencies to establish a local level network involving nearly all of the State and federal programs (including MSHA, DCS, SPO and OER) that provide housing services in Maine. Several sessions were held to cross-train local agency staff so that an effective referral system is created which will provide a basis for ongoing sharing of skills and information. The network initially focused on the

technical training of housing rehabilitation specialists on funding coordination, mobile homes, septic systems, historic preservation and home repair, coordinated service delivery, etc.

Public Facilities. In 1984 DEP's program to assist small communities with septic problems received perpetual authorization by the Legislature as was recommended by the Committee. DEP's program cannot assist homeowner's with that portion of the septic system which is inside the home. The State Planning Office coordinated several CDBG projects with DEP to overcome this problem.

In 1985 Maine citizens approved a referendum Bond issue which will enable DEP to complete all of the projects on the priority list before EPA matching funds dry up. This will allow for major improvements in many of the states' smaller communities.

5. Initiatives in Agriculture

Agricultural Land Protection. In 1984 the Committee drafted an agricultural land protection bill which proposed creation of agricultural districts and set broad criteria for reviewing the impact of major developments on farmland within the districts. The bill also created a Board to provide oversight, to create districts, and to review development impact. Despite legislative

consensus on the problem of farmland loss, the bill met stiff opposition because of the absence of any direct focus on the long run viability of Maine's agriculture and the lack of provisions for compensation to farmers who might lose substantial development rights. The proposal, however, demonstrated unanimous public agreement that a protection program was needed.

In 1985 the Committee turned its attention to increasing the State's knowledge of its agricultural potential and of the constraints to realizing that potential. Efforts to obtain protection for farmland continued. The Committee examined the impact of taxation and valuation practices and eminent domain and studied the cost and feasibility of establishing a PDR (Purchase Development Rights) program for Maine.

The Maine Department of Agriculture, Food and Rural Resources was successful in receiving funds to begin an Agricultural Viability Project, a long term process of defining the needs and potentials for future agricultural activity on a regional basis in Maine.

6. National Rural Development Policy

Each year the Rural Development Committee has participated in the development of a National Rural Development Policy. Because the policy reflects both national rural problems and the priorities of the present administration, problems specific to Maine have not been adequately addressed.

Each year the Committee has submitted concerns about problems affecting Maine (such as the effects of imports, fishing boundaries, and acid rain) which are of such magnitude that Maine cannot address them alone. Attempts have been made to increase Federal responsiveness to regional variations in the nature of farming, and in transportation costs and market structures, and to encourage federal policies to reflect such differences.

The 1985 National Policy Statement recognized the declining income of farmers. Rather than strengthening the agricultural economy, the Administration advocated for development of off-farm income opportunities and encouraged the use of incubators to increase local business activity. To date, this approach has met with little success in rural America because rural economies have been severely damaged by loss of the farms.

Businesses are closing, not opening, in regions of the U.S. where agriculture is the backbone of the rural economy. This approach is of little value to Maine because much of the State's agriculture is already located in proximity to development. Commuting to nonfarm jobs is already feasible except for some extreme locations.

While land values fall in other regions, the problem for Maine agriculture is rising land values as competition for agricultural land by development interests increases. The problems of Maine agriculture and the regional needs are not addressed in national policy.

III

COOPERATIVE ACTIVITIES AND PARTICIPATING AGENCY HIGHLIGHTS

I. NATURAL RESOURCES: AGRICULTURE, FORESTRY AND ENERGY

1. Dairy Crisis Management Program. This joint program offers crisis assistance to dairy farmers facing declining income as a result of shifts in National Farm Policy. Begun in the Fall of 1984, work continues with several of the participating farms by crop, livestock and management specialists from the Cooperative Extension Service.
2. Alternative Crop Development. Several agencies have worked hard to develop alternative crops to broaden the agricultural economy in Aroostook County.

Broccoli production was introduced to Aroostook County farmers in 1982. The 300 acres planted that year increased to 2,300 in 1985. Experiments in production of cabbage, spinach and asparagus are ongoing in Aroostook County. In Washington County brussel sprouts are being tested as a possible second crop by the CES and Agricultural Experiment Station.

In 1984 EDA funded a feasibility study to determine the technical and economic viability of establishing a rape seed industry in Aroostook County. Positive study results led to funding a second study in 1985 to determine the necessary equipment and investment level for actual development of a rape seed oil processing plant. The oil would be used in potato processing (primarily french fries) in place of currently imported more expensive oils.

3. Market Research. DAFRR, CES and AES cooperated in a market research project which tested the effects of sizing and packaging techniques for potatoes. The results are currently being distributed to growers. Joint cooperation is continuing on test marketing of a new russet variety informally named the "Maverick".
4. Soil Fertility Improvement and Erosion Control. An annual soil testing program for potato cropland is being conducted by the CES in conjunction with 5 other organizations to promote regular soil sampling and testing to monitor soil changes and link management practices more closely to changes in potato varieties and crop rotation.

5. Forestry Research and Development. In 1985 the N.E. Forest Experiment Station conducted several important research activities:
- a. Study of Budworm monitoring and management strategies
 - b. Study of effects of acid rain on Maine forests
 - c. Prediction techniques to forecast forest growth and supply
 - d. Search for natural enemies of the spruce budworm
 - e. Assessment of techniques for harvesting biomass from damaged areas.
 - f. Assessment of whole tree chipping techniques
6. Biomass Project Development. The Department of Conservation has led the way in development of biomass energy projects. Eight projects are planned for 1986. The projects utilize waste wood to generate electricity, thus reducing dependency on more expensive oil and nuclear energy. Thirty year contracts for the sale of electricity ensure long term employment in rural areas where good full time jobs are scarce.
7. Technology Matching Grants. FAME is offering matching grants of up to \$5,000 to small businesses to develop new technology that will result in a new product, process, or service idea which can be applied commercially thus creating jobs and new economic opportunities for small business.

8. Agricultural Experiment Station. AES celebrated its 100th Birthday in 1985. During its history the station has played a major role in the development of Maine's rural economy. Today it views its major challenge for the future to be that of directing its research toward sustaining the advanced production system which it has created while reducing the strains that these systems place upon the natural environment.

II. RURAL COMMUNITY DEVELOPMENT AND HOUSING SERVICES

1. Municipal Water and Sewer Programs. The joint efforts between FmHA, DEP and SPO continued in 1985. Many communities were able to qualify for additional grants and reduced interest rates or loans from FmHA due to assistance from SPO to develop more accurate sub-community income data. The three agencies also worked closely together to provide communities with a total waste treatment package. FmHA funded sewer lines while DEP financed treatment facilities and CDBG funds were used by SPO to hook up individual homes. The bond issue for sewage treatment facilities was successfully passed last November and will provide adequate funding to complete all major projects currently scheduled.

In addition, EDA has also funded sewage projects through the public works program. In 1985 a \$680,000 grant was made to the Town of Lisbon. EDA funds are targeted to communities whose present systems are major limiting factors to further economic development as determined by DEP.

2. Community Facility Development. FmHA once again succeeded in bringing to Maine large amounts of surplus funds for community facility projects.

FmHA's allocation for FY85 was \$5.25M. The amount actually received and invested in community facilities by Maine's FmHA office was over \$17M, 230% of the original allocation. Many of the loans made for general community facilities were for the development of health facilities, ranging from mental health and alcoholism treatment centers to rural medical centers.

3. CDBG Program. During the last three program years an average of 60% of CDBG funds (\$19M) have been awarded to projects in very small rural towns and in larger towns that serve vast rural areas. These funds have leveraged great amounts of funds from the private sector and from other public agencies. In addition to the joint efforts with MSHA and DCS and with FmHA/DEP,

already referenced, DOC's Parks and Recreation program has assisted with waterfront projects and DOT has assisted several projects with major street reconstruction. These efforts have contributed to improved housing conditions and to public facilities and infrastructure improvements.

4. Housing Rehab Efforts. Coordinated efforts to rehabilitate and repair housing and to make homes of low income families more energy efficient have been ongoing for some time. In 1985 these activities continued with coordination between MSHA, DCS weatherization and repair programs, CDBG (SPO) and Solar Bank (OER). Maine has received \$1.35M in Solar Bank funds.

In addition MSHA has received almost \$1M in rental rehab funds which have been coordinated with major revitalization projects funded by CDBG. MSHA was cited by HUD in 1985 for having the best program in the U.S. and for having the largest number of units completed or in progress. MSHA also received a national award for its booklet advising first time home buyers.

The Division of Community Services received \$7.3 million for weatherization services from three sources; Health and Human Services, the Department of Energy, and the State Legislature. During the period October 1, 1984 through September 30, 1985, 5,331 homes were weatherized. In the same period, the Division also received \$2.2 million to provide assistance to 1,584 households through the Central Heating Improvement Program.

This program combines funds appropriated by the Legislature with resources from Health and Human Services and HUD to maintain, upgrade, or replace the primary heat source in homes of Maine's low income residents.

FmHA's 504 Repair Loans and Grants program assisted 186 very low income families in 1985. Maine's original allotment was \$165,000 for 504 loans and \$118,000 for 504 Grants. Maine's FmHA office was able to increase its total allotment to \$351,000 in loans and \$327,000 in grants.

5. Homeownership and Rural Rental Assistance. MSHA provided \$115M in low interest loans to first time homebuyers in 1985. Two-thirds of the money was targeted to borrowers with income below the state median. Plans to reduce the use of tax exempt bonds for housing and economic development projects in the new federal tax bill could reduce MSHA's capacity substantially in the future.

FmHA funded 1,020 single family homes in FY85 at a total cost of \$44.8M. Originally Maine had been allocated only \$14.5M for single family lending. An additional \$32M was loaned for multi family rental housing, 386% above the initial allocation of only \$8,279,000. The multi family program provided 711 new units of rental housing.

6. Cooperative Extension Service. Public Education initiatives in 1985 included:

1. New England Rural Leadership program, which serves 17 rural Maine citizens per session,
2. Marine Education and Management Assistance in coastal communities, and
3. Public programs including woodstove safety, health and fitness, and youth programs.

III. RURAL ECONOMIC DEVELOPMENT AND FINANCE INITIATIVES

1. SBA: Lending by the SBA was up in 1985 to \$31.8M, an increase of \$2.5M over last year in the Guarantee Program. This program guarantees 90% of the loan. The program assisted 219 small businesses in Maine, providing employment for 3,340 people. The average size of SBA borrowers was 15.3 employees.

The SBA 503 program was active during 1985 with seven projects being funded for \$2.1 million. This funding leveraged over \$3.5 million from private and nonfederal sources. These projects created 149 new jobs and improved working conditions for another 80 jobs for Maine people. One Sec. 503 project created 45 new jobs in Greenville Junction, an extremely rural area in need of new jobs.

2. FmHA: FmHA farm lending totalled \$25M in FY85. FmHA was able to meet operating loan requests but did not have sufficient funds to meet real estate financing demands. Only one Business and Industry loan was made in 1985, going to a meat processing firm. Two loans were made to blueberry processing facilities the previous year.

3. SDO Business Assistance Program. The Maine Bank Participation program began in the Spring of 1985. During the first seven months it was successful in achieving bank participation in \$167M of long term loans to small businesses in Maine. Twenty-nine Maine banks have committed a total of \$318M to the project.

SDO also offers technical assistance to small businesses seeking to expand or relocate, assists them with regulatory requirements, and offers other forms of assistance as requested.

4. CDBG/Development Fund. The CDBG program has been used in several communities to provide low interest loans to small businesses and to establish revolving funds to assist entrepreneurs, and to provide a major share of larger industrial development projects. An Eastport salmon project, for example, involved FmHA, UDAG, CDBG, and others.

CDBG funds have been used for numerous downtown revitalization and business development projects around the State as well. These projects are designed to upgrade the business district and to create an atmosphere for growth.

A development fund was created by the State of Maine to supplement the CDBG program and to target the State share to economic development. Over 55% of the loans made were to rural enterprises in 1984 and 1985.

5. Finance Authority of Maine. The Finance Authority of Maine approved and assisted business financings totalling almost \$260 million in its fiscal year ending June 30, 1985. These projects were directly responsible for the creation and retention of more than 10,000 jobs and contributed more than \$4,000,000 in property tax increases to communities across Maine.

Small Business projects include blueberry production, processing and marketing in Aurora, fishing vessels in South Bristol and Wiscasset, and wood processing in Princeton and Westfield. Larger industrial firms receiving FAME guarantees this year include Interstate Food Processing Company of Fort Fairfield, Seabank Industries Limited, a long line fishing fleet, of Rockland, and Lauri, Inc., a manufacturer of educational teaching aids which created 68 new jobs in Phillips-Avon.

FAME programs include guarantees for small businesses, veterans small businesses, natural resource enterprises, and larger manufacturing/industrial firms. FAME approves and coordinates all tax exempt financing for Maine businesses. FAME also manages the Job Start Program to make capital available at below market rates to businesses owned by low income persons who cannot obtain financing from conventional sources.

This pilot program is operating in Androscoggin, Aroostook, Hancock, Oxford and Washington Counties. As of June 30, 1985, 10 loans totalling \$92,500 were outstanding or committed under the Job Start Program.

6. Potato Marketing Improvement Fund. Administered by the Maine Development Foundation in 1985, FAME assumed management responsibility in January, 1986. The program provides direct loans to potato growers and packers to construct modern storages, packing lines, and sprout inhibitor facilities as part of the industry's plan to improve the quality and marketing of the Maine potato. The PMIF can provide long term, fixed rate loans at an attractive, low interest rate to help finance construction, or improvements to storage and packing facilities.

The PMIF is a participating loan program, restricted to financing no more than 45% of the costs of eligible construction and improvements. Funds cannot be used for working capital or nonproject related equipment. Through PMIF's attractive interest rate and terms, participating lenders see reduced exposure and overall decreased project risk.

In 1985, the PMIF assisted with financing of 10 projects including both new storage facilities and modernization of existing storages in Aroostook County. Since the program began in 1983, 25 projects have been financed, adding 1,000,000 cwt of modern storage capacity, two new centralized packing lines, and one refrigerated storage. Many of these projects involved the relatively inexpensive retrofitting of existing storages. To date approximately \$1.25 million has been spent.

7. Rural Transportation. The State adopted a Railroad Transportation Policy and Plan to provide an early State response to potential changes in the State's rail system. As a direct result of this Plan, Maine voters approved an \$850,000 bond referendum in November to allow State acquisition of 206 miles of abandoned railroad in the State serving many rural areas.

In addition, DOT initiated railroad rehabilitation projects on the entire Aroostook Valley Railroad which serves the City of Presque Isle and the BAR's Limestone Branch serving Caribou, Limestone and Loring Air Force Base.

The DOT continued fish pier construction in Rockland, Stonington and Portland. It completed a \$4M cargo pier expansion at Eastport and continued to provide for the development and maintenance of a surface transportation system in rural areas with particular emphasis placed on the needs of the State's low income, elderly and handicapped residents. In addition, DOT continued its highway and bridge program, its program of improvements to Maine's publicly owned airports including runway improvements, purchase of maintenance equipment and landing aids.

The Department has reconstructed the road system from U.S. Route 1, except for the causeway, to Sears Island. It has been determined that a complete environmental assessment study would be necessary before the appropriate permits could be granted to proceed with construction of the causeway. The Department has retained the services of a consultant and the environmental study should be completed in the Spring and hope that construction can proceed once all necessary permits are received.

APPENDIX I

REVISED GOALS AND PRIORITIES FOR RURAL DEVELOPMENT

In a dynamic and rapidly changing world, planning and development strategies must be flexible enough to allow for the incorporation of new, previously unforeseen needs and to allow for previously recognized needs to be refocused as progress is made in meeting those needs or as new developments alter the mechanisms needed to achieve the committee's ultimate goals of improvement, progress, and sustainability of resources and economy.

Events of the last couple years have made it appropriate to recommend several minor revisions in the goals and priorities for Rural Development in Maine. These changes are presented in the following pages.

RURAL DEVELOPMENT GOALS AND PROGRAM PRIORITIES

In order to achieve the basic goals of improving rural life and expanding opportunities for rural people, the State of Maine and the University of Maine at Orono Cooperative Extension Service, the Maine Agricultural Experiment Station, and the cooperating federal agencies have adopted the following specific goals and program priorities for action.

Goal 1

- STIMULATE NEW JOBS AND HIGHER INCOME IN RURAL AREAS AND ESPECIALLY IN THOSE SMALL TOWNS WHICH HAVE LARGE CONCENTRATIONS OF UNEMPLOYED, UNDEREMPLOYED, AND LOW INCOME FAMILIES.

Program Priorities

- Improve the State's rural economy by promoting the value added concept as we develop community and resource-based employment opportunities in such areas as agricultural, fishing, forest products and tourism and recreation and in the development of renewable energy resources.
- Develop and improve transportation programs in order to increase rural employment, reduce commuting costs, expand the processing and marketing of farm products, and to conserve energy.
- Provide financial, technical and managerial assistance to farms and other rural businesses and support rural downtown and village revitalization efforts.
- Assist the formulation and implementation of locally generated community and economic development programs and priorities through coordination of resources at all levels.
- Provide increased levels of assistance to small communities which are outside of the State's major I-95 development corridor and communities which are isolated from major economic activity and public service centers.

Goal 2

- PROMOTE THE STABILIZATION, PRESERVATION, AND EXPANSION OF THE STATE'S FARMING, FISHING, AND WOOD PRODUCTS INDUSTRY.

Program Priorities

- Work jointly to protect the State's natural resource base, including erosion control, proper utilization of animal manure, and preservation of prime and important agricultural land from soil erosion, conversion, and abandonment.
- Work jointly to protect the State's important agricultural lands from urban and suburban encroachment, through such tools as federal program administration consistent with agricultural land protection, and A-95 review.
- Enhance and stimulate family farms, limited resource farms, and small farm enterprises through such means as financial, management and technical assistance to farmers and to production and marketing cooperatives.
- Develop methods to increase commercial and private financing of established agricultural enterprises in order to increase the availability of limited public funding sources to establish new farming enterprises.
- Assist in expanding both the domestic and foreign market for Maine's agricultural and resource-based products by supporting changes in and creation of additional market structures as may be necessary.
- Develop improved methods of transportation to increase the competitive position of Maine agricultural products.
- Support and promote alternative energy usage in agriculture and assist in developing energy resources utilizing forestry and agricultural byproducts.
- Support programs and new farm enterprises leading to increased consumption of locally produced food.
- Increase through promotion and technical assistance the marketing of high value wood products made from both high and low value wood to ensure proper management, imaginative use, and maximum enhancement of the forest resources.

- Encourage and participate in the financing and construction of modern piers, ports, and fish freezing facilities at strategic points along the Maine coast.
- Support the ~~development~~ implementation of resource inventories (such as flood hazard studies, soil surveys, etc.) from which to make sound resource management decisions.
- Work jointly to develop and promote new crops for conservation and income diversification.
- Support the implementation of a Maine food policy which will provide better nutrition to Maine consumers and increased opportunities for Maine agricultural producers.
- Support the expansion of value added activities for Maine agricultural producers.
- Support efforts which will promote services to agricultural producers with emphasis on increasing services, such as veterinary resources, in underserved areas.
- Encourage an effective and efficient system of pest management that reduces chemical dependency through integrated approaches.

Goal 3

- PROVIDE ADEQUATE AND AFFORDABLE HOUSING TO RURAL RESIDENTS OF ALL INCOMES, PARTICULARLY THE LOW INCOME, AND ASSIST IN IMPROVING THE QUALITY OF THE EXISTING HOUSING STOCK.

Program Priorities

- Support the repair and weatherization of the State's existing housing stock emphasizing such assistance to low income elderly and family units.
- Gain the approval and use of alternative energy and conservation techniques in existing and new homes with an emphasis on wood, solar, insulation, and the development of new energy efficient home designs.
- Work cooperatively to determine areas of greatest housing need among low income families and develop a delivery strategy to meet identified needs.

- Locate new housing near existing or proposed employment and public service centers consistent with local plans, agricultural land protection, soil and water conservation measures, and sound development and energy conservation practices in a manner that will preserve the character of the community.

Goal 4

- PROVIDE GREATER ACCESS TO ESSENTIAL PUBLIC FACILITIES AND SERVICES FOR RURAL RESIDENTS.

Program Priorities

- Assist communities which have problems with municipal water and sewer systems or which have difficulty in meeting the standards of the National Safe Drinking Water Act.
- Support programs aimed at addressing rural health care needs with an emphasis on targeting assistance to state-identified, medically-underserved areas.
- Assure that all citizens have an adequate diet.
- Ensure that there is adequate access to educational and informational resources that will enable citizens to improve their lives.
- Provide public facilities and services to meet the needs of existing residents and businesses prior to planning for new capacity to accommodate new growth.
- Promote the development of local initiatives that address the social and economic needs of Maine farm families in transition and support local efforts to respond to family crisis conditions resulting from farm loss.
- Encourage officials of those rural towns located in rapidly suburbanizing areas near the state's major centers to anticipate and plan for future population growth.
- Assist communities in developing solid and hazardous waste management programs and sites in rural areas which will address safe disposal of domestic and hazardous waste including pesticides and agricultural byproducts and commodities.

- In doing the above, consider the impact on agricultural and forest lands and seek to protect prime and important agricultural lands.

Goal 5

- PROMOTE PARTICIPATION OF OTHER FEDERAL AGENCIES, UNIVERSITY OF MAINE COOPERATIVE EXTENSION SERVICE, AND THE MAINE AGRICULTURAL EXPERIMENT STATION, LOCAL GOVERNMENTS, AND REGIONAL ORGANIZATIONS IN THE STATE BALANCED WITH THE NEEDS OF URBAN COMMUNITIES.

Program Priorities

- Provide joint funding and assistance to package interagency agricultural and community development efforts.
- Involve communities in the planning for and allocation of federal and state development and assistance programs and work with local and regional organizations to assist communities in packaging joint funding efforts.
- Seek out and encourage those rural towns having large proportions of economically distressed residents to participate in rural development programs.

Goal 6

- ELIMINATE AND PREVENT FUTURE DUPLICATION, COMPETITION, AND CONFLICTING ACTIONS AMONG AND BETWEEN THE UNIVERSITY OF MAINE COOPERATIVE EXTENSION SERVICE, THE MAINE AGRICULTURAL EXPERIMENT STATION, AND ALL LEVELS OF GOVERNMENT TO PROMOTE EFFICIENCY IN RURAL DEVELOPMENT PROGRAM DELIVERY.

Program Priorities

- Freely exchange information concerning state and federal programs, funding levels, social and economic information, resource allocation plans and other pertinent data.
- Through the Governor's Rural Development Committee, assure that participating federal agencies are notified of and asked to participate in the State's agricultural, business, and community assistance efforts and programs.

jb/4/37