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DECD 2004 Highlights

Maine Department of Economic and Community Development

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A Message from Governor Baldacci

I am pleased to present the 2004 Highlights Report for the Department of Economic and Community Development (DECD).

Job creation and economic development are my top priorities, and continued investment in our people, our core industries, and our infrastructure is the key to restoring economic vitality in Maine. In 2004, my administration worked closely with Commissioner Cashman and his staff to build a foundation for sustainable growth.

We established a cohesive economic development strategy that charts the course for facilitating expansion of our existing businesses and attracting new investment to the state. This includes the creation of a fair and stable business environment.

To make Maine a more competitive location for doing business, my administration introduced the Pine Tree Zone program. The significant tax credits, reimbursements and utility discounts offered through the program helped Maine win a national site search for T-Mobile’s new customer service center. This success will create 700 new jobs beginning in the summer of 2005.

Rising health care costs are an issue for small businesses across the nation. In 2004, we introduced DirigoChoice, which enables small businesses to provide better coverage for their employees at an affordable cost. This high-quality insurance product gives Maine a competitive advantage. To date, approximately 400 businesses and 1,200 self-employed workers are insured through DirigoChoice.
Our initiative to leverage Maine’s creative economy for overall economic growth has also achieved a significant measure of success. The Blaine House Conference on the Creative Economy attracted nearly 700 participants, and the information gathered there was used to create a platform for the Creative Economy Council. The Council, which operates under the leadership of the DECD, is now working to grow the creative economy with a strong focus on economic development issues.

To build upon what we accomplished over the last year, I have introduced an aggressive bond package critical to growing Maine’s economy that will enable us to move forward with our goals of supporting our traditional industries, attracting quality jobs, advancing research and development and establishing educational and training programs to build a more competitive work force. The package will also enable us to establish the infrastructure necessary to sustain and attract new business growth.

DECD made a significant contribution to moving Maine’s economy ahead in 2004. We look forward to continued advancement in 2005 and furthering prosperity for the citizens of Maine.

Best wishes,

Governor John E. Baldacci
A Message from the Commissioner

On behalf of everyone at the Department of Economic and Community Development, I am proud to share our 2004 accomplishments. This report is also an opportunity to present the breadth of services our office and its affiliates provide to the businesses, community organizations and residents of Maine.

2004 was a very promising year for the Maine economy. Our economy continues to outperform the rest of the region, and Maine’s per capita income growth is also on the rise, jumping from 35th in the nation to 30th over the last year.

The aggressive tax incentives offered through the Governor’s Pine Tree Zone program are helping us create approximately 2,700 jobs. We also saw a marked increase in Maine exports, which have risen 20 percent over the last two years. Thanks, in part, to the work of our International Trade division and its partners, we are now ranked eighth in the nation for export growth.

Our quest to attract high-wage technology jobs is also paying off. An evaluation of the Maine Technology Institute’s grant programs revealed that 45 percent of funded projects are seeking patents, and 84 percent will seek other intellectual property protection.

Growing our biotechnology industry is one of the core initiatives of Governor Baldacci’s economic development strategy. According to a report released by Maine BioTech, biotechnology in Maine has tripled in employment and quadrupled in revenues in the last 10 years. We are continuing our efforts to expand this promising sector of the economy.
There are also a number of exciting new initiatives on the horizon. Our office recently implemented a strategic plan that has enabled us to optimize delivery of service to our stakeholders. We look forward to working with our partners on new alliances that will further our mutual goal of strengthening Maine’s economy.

Our office has also contracted with an internationally recognized tourism development firm to further nature-based tourism opportunities in rural communities and assist these communities in diversifying their economies. We will be sharing some of the results of this endeavor with you over the next year.

From business and community development to tourism, our team is dedicated to enhancing the quality of life for all Maine people. We look forward to working with you on furthering the Governor’s economic development strategy and meeting the needs of all regions of our state.

Sincerely,

Jack Cashman
Office of the Commissioner

The Office of the Commissioner has numerous functions and is responsible for the day-to-day operations of the entire department. The office coordinates the administration’s economic development legislative activities, oversees the state’s economic development strategy and develops policy in conjunction with the Governor’s Office and the Maine Legislature. The office also represents the administration on various boards, commissions and task forces.

Major programmatic functions of the office include the administration of the state’s Tax Increment Financing (TIF) Program, Employment Tax Increment Financing (ETIF), Pine Tree Development Zone Program and other tax-based economic development programs. The office also plays a pivotal role in assisting a variety of industry groups.

Major Accomplishments

- The Governor’s Council on the Sustainability of the Forest Products Industry, which is comprised of a cross section of industry representatives, state legislators, commissioners and labor representatives, met over the past year to develop recommendations on maintaining the sustainability of the forest products industry. Released in March 2005, a report includes recommendations for tax policy changes, the need for research and development, work force training and financing of logging businesses, environmental regulation, and energy policy to ensure the continued strength of this heritage industry as part of Maine’s economic backbone.
The office convened a group of 23 marine research institutions to create the Marine Research Coalition. This group has worked together to develop strategies to leverage Maine’s traditional maritime strength to become a global leader in a vibrant ocean-based economy.

The office approved nine new TIF districts in eight communities, with total planned investment exceeding $136 million.

ETIF development programs were approved for 13 companies in 12 communities, with plans for the creation of over 550 new jobs, generating almost $23 million in new payroll, with planned investment approaching $47 million.

Since the 2004 inception of the Governor’s Pine Tree Development Zone Program initiative, which offers a combination of tax incentives to spur economic development, the office has completed the designation process of the eight zones. In 2004 the office certified 37 companies in the sectors of financial services, information technology, manufacturing, and precision manufacturing. The certified companies intend to create more than 1,300 jobs. Over the summer and fall the office developed a detailed program Web site including an online application for certification. We continue to work with our regional economic development partners to coordinate and market this program, and as a result, over 120 companies, both in Maine and out of state have inquired about this program. The office expects the interest to continue.
As a result of the successful May 2004 Blaine House Conference on the Creative Economy, Governor Baldacci created the Creative Economy Council to help build and grow creative business sectors.

The new Council operates under the auspices of DECD and is working toward fostering creative entrepreneurship, strengthening Maine’s existing creative assets, supporting education and training needs and encouraging regional approaches to developing the creative economy.

Also, the Council will encourage communities to welcome diversity and explore ways in which Maine’s tourism industry and the creative economy can contribute to one another’s development.
The Office of Community Development (OCD) provides financial and technical assistance to Maine communities to enhance community development, planning and economic development activities. Typical activities include: funding and technical support to construct public facilities, public infrastructure, finance economic development initiatives and to improve substandard living conditions for low- to moderate-income residents. The Community Development Block Grant (CDBG) program, funded through the U.S. Department of Housing and Urban Development, allows communities to initiate projects that would not be feasible otherwise.

During 2004, 106 projects were awarded CDBG funding totaling more than $16 million. Monetary awards ranged from a $400,000 Downtown Revitalization Grant to a $7,000 Community Planning Grant, spanning each of Maine’s 16 counties.

The second major initiative of the OCD is the state-funded Municipal Investment Trust Fund Program, which is currently funding over $10,000,000 in projects located in Maine Service Center Communities.

Major Accomplishments

Funding

The OCD renewed and strengthened its partnership with the Maine State Housing Authority (MSHA) and Kennebec Valley Community Action Program to use over $900,000 in CDBG and Rural Housing and Economic Development funding to establish the Kennebec Valley Replacement Housing Program. This project is well under way replacing severely substandard homes owned by low-income families in rural areas of Kennebec and Somerset Counties.
The OCD granted $126,750 in CDBG Public Facilities funds to the town of Beaver Cove to match approximately $290,000 in local monies for the construction of a new Community Center/Town Office that replaced a severely inadequate building with no running water or sanitary facilities. This project was the first CDBG grant ever received by this Piscataquis County community of 91 year-round residents. The building was officially dedicated at a ceremony on September 29, 2004.

During 2004, the OCD was very active with CDBG initiatives in the Oxford County community of Canton. A flood devastated the town in December 2003 and OCD was one of the first state agencies on the scene, providing a $100,000 Urgent Need Grant to assist in flood remediation efforts. This was followed by a $250,000 Public Facilities Grant to assist in the construction of a new fire station located out of the floodplain. An additional $400,000 Innovative Housing Grant is currently matching Federal Emergency Management Agency (FEMA) and MSHA funds in the development of a relocation program for income-eligible residents. In addition, a $10,000 Community Planning Grant is helping develop a long-range strategy for relocation of the downtown area.

**Customer Service**

Late in 2004, the OCD announced a major change in program responsibilities for the five Development Program Managers (DPMs). In the past, each DPM worked with communities implementing any current CDBG program activity. In the revamped system, each DPM will manage specific programs on a statewide basis. This will enable the OCD to improve customer service by customizing technical assistance, project development and oversight to communities planning for and implementing CDBG projects.
Office of Business Development

The Office of Business Development’s (OBD) mission is to foster business startup, growth, expansion and retention within Maine to increase quality employment opportunities for Maine citizens. OBD works in partnership with the business community and a system of regional and local development agencies to provide resources, technical assistance and financial tools necessary to attract and encourage new investment, as well as to create and retain quality jobs.

Major Accomplishments

- In partnership with the Department of Labor’s Bureau of Employment Services, the office awarded nearly $1.8 million in training funds via the Governor’s Training Initiative Program to 58 Maine companies for 476 new hires and 1,533 incumbent workers.

- Sixteen customized business assistance proposals were prepared and presented to companies seeking to expand their operations in Maine.

- Business Answers, Maine’s toll-free business information hotline, fielded over 12,600 inquiries for licensing, tax and other business-related information. On average, staff responded to 1,051 inquiries per month.

- From the Business Answers Web site, www.maine.gov/businessanswers, the online Business Licensing Assistant is able to assist users in identifying state licensing requirements for proposed business activity. This feature was utilized 570 times, which resulted in the distribution of 1,415 state business license applications.
Contracted by DECD to provide comprehensive business management assistance, training, resource and information services to new and emerging businesses, Maine Small Business Development Centers provided one-on-one counseling to 2,847 clients and conducted 177 group training events for 2,934 entrepreneurs.

In 2004, DECD awarded Maine Microenterprise Initiative (MMI) grants totaling $651,346 to five community-based organizations. Microenterprise development programs funded under the MMI will target microentrepreneurs in eastern and northern Maine, Native Americans and value-added food producers statewide.

The Maine Products Marketing Program (MPMP) assisted with the 20th Annual New England Products Trade Show held in Portland, in which more than 300 businesses exhibited their products to 2,000 wholesale buyers from around the country. This three-day wholesale giftware and specialty food trade show resulted in approximately $3.5 million in wholesale product sales.

The MPMP welcomed 181 new members to the program in 2004, bringing the total program membership to over 1,700. This popular marketing program continues to strive to build recognition for hundreds of exceptional Maine-made products, their producers and Maine’s industries in general.
A new “Personal Favorites” feature was added to the Maine Made Web site (www.mainemade.com) in 2004, where visitors can create and maintain a list of their favorite Maine Made members. Through this feature, the state is able to connect consumers with producers and act as a lead generator with positive bottom line results for Maine businesses.

Maine Boatbuilding Initiative: OBD staff have been supporting the Maine boatbuilding industry in establishing an organization that will build a “Maine Built Boats” brand and develop new markets for Maine-built boats. OBD staff have drafted a business plan for a proposed Maine Built Boats Organization and are assisting Maine boatbuilders with the execution of this plan by supporting the industry’s organizational, funding and marketing efforts.

In 2004, Fortune magazine featured an 11-page section on Maine’s economy. The section, entitled “Maine Charting A New Course,” summarized the state’s businesses and opportunities for growth and was a joint effort between the state and the private sector.

“The State of Maine Economic Development section, Charting A New Course, informed Fortune’s 3.5 million readers of the new ‘open for business’ attitude driving Maine’s economic growth. Fortune’s readership is an important group to reach as it includes those leaders of businesses who are making site-selection decisions for their companies, big and small.”

— Michael Federle, Group Publisher, Fortune Magazine
The Office of Tourism (OOT) is responsible for implementing an overall marketing program domestically, in Canada and overseas for the State of Maine, which includes advertising, public relations and research and analysis. There are three key objectives for the program:

- Make Maine one of the true “must-see” vacation travel destinations in North America.
- Bring the economic benefits of tourism to all regions of Maine, in all seasons of the year.
- Return at least two dollars in tax revenues for every dollar invested in tourism development by the Maine Office of Tourism.

Tourism continues to be a strong component of Maine’s economic growth, and 2004 saw the greatest increase in tourism-related businesses in the past four years.

**Major Accomplishments**

**Advertising**

In 2004, the advertising campaign centered on all of the surprising things you can do and see in Maine. This campaign ran in a variety of publications in New England and New York markets. In addition to broadcast television advertising, national cable spots were added to the mix.
Public Relations

The office’s public relations efforts helped provide an increase in ad equivalency of 64 percent over the previous year. This relates to reaching over 30 million additional readers.

The OOT assisted 60 journalists during press visits to Maine, which helped result in over $19 million in newspaper and magazine coverage throughout the United States.

Fall foliage season 2004 was the third year the OOT and Department of Conservation worked in collaboration to report on and promote Maine’s foliage season. New for 2004, the OOT arranged for video footage to be shot in several areas of the state for four consecutive weeks. A satellite uplink was then provided to TV stations across the country. Approximately 30 TV stations aired the Maine footage, including national coverage on the Weather Channel and CNN Headline News.

Regional Programs

The Regional Grant Program continues to be a successful collaborative effort between the OOT and the eight tourism regions. A public service television advertising campaign aired throughout the state in January and February highlighting the impact of tourism on the state. This was followed by an in-state campaign encouraging Maine residents to vacation within the state.
Internet and Web Site Marketing
In 2004, the OOT’s Web site — www.visitmaine.com — had 1.6 million unique visitors compared to 1.45 million in 2003, an increase of approximately 10 percent. The Web site is continually being updated and improved to make it more interesting and user-friendly for consumers.

Group and Travel Trade Marketing
The OOT has also increased Maine’s visibility in the growing group travel market and developed enhanced products for the travel trade.

International Marketing
The office continued to expand its international marketing efforts by adding sales missions to Canada and the United Kingdom to its annual participation in major trade shows in the U.S. and London. The marketing effort in France, started in 2003, was continued and enhanced by a successful familiarization tour to Maine by French journalists, resulting in feature stories in several publications. Significant marketing support was given to publicize the St. Croix 2004 anniversary in the French market.

A total of 35 international tour operators visited Maine in 2004: Germany (26), France (6) and United Kingdom (3).

Maine Invites You Vacation Travel Guide
The OOT distributed 265,000 Maine Invites You guidebooks to prospective visitors in 2004. This was an increase of 20,000 pieces compared to 2003.
The Film Office is responsible for attracting and assisting film, television, video and other projects.

The Film Office responds to requests from producers for information on locations, film personnel, laws and regulations and support services. The Film Office publishes Internet and printed materials that market Maine as a film location; plans and creates advertising and public relations programs; and provides resource information.

Major Accomplishments

Production
Maine hosted five feature films during 2004, all from independent production companies. The Film Office has put a strong emphasis on independent production in its marketing and public relations efforts in recent years. Such independent features often work well in Maine because their impact and infrastructure requirements are less.

Feature films shot in Maine include *The 12 Dogs of Christmas*, *Straight Out of Compton II*, *Vacationland*, *Sundowning* and a biographical film about Maine painter Marsden Hartley. Three of the five films were produced and largely staffed by Maine residents, demonstrating the growing role of Maine-based companies in the state’s production business.

The Film Office continues to market and attract national commercials, films, photographic projects and catalogs. Commercial projects include works for Eddie Bauer, Fleet Bank and Marsh’s Supermarket.
In the spring, after completing principal photography, the HBO film *Empire Falls* returned to Maine with a substantial production for additional footage.

**Blaine House Conference on the Creative Economy**
The Maine Film Office, in collaboration with the Maine Arts Commission, organized and created a major installation at the Blaine House Conference on the Creative Economy. With help from Maine production professionals, the Film Office transformed space at the Bates Mill Complex into a 50-seat cinema and a media gallery featuring video and audio works from Maine-based production and broadcast companies. The Film Office also organized conference workshops highlighting the importance of media production to the state’s creative economy.

**Celebration of Maine Filmmakers’ Program**
The Celebration of Maine Filmmakers’ Program grew in 2004 to become the Film Office’s most visible and popular form of outreach in Maine. A featured event at the Maine International Film Festival in Waterville, the program included the Maine Screenwriting Awards and Screenwriting Seminar; the Maine Student Film and Video Festival; screenings of award-winning Maine films; and a workshop for potential actors and extras.

**Marketing/Public Relations**
The Film Office continued to use a multipart marketing program designed to bring more productions to Maine and to educate Mainers on the value of these productions to the state’s creative economy.
Again this year, the Film Office planned and participated in a multistate marketing program in New York City. Several states participated in the Independent Feature Project Market in SoHo.

The Film Office used limited advertising funds to create, in house, a series of ads for national distribution. The ad series was featured in issues of *The Hollywood Reporter*.

In late 2004, the Film Office began planning an expansion of its public relations efforts designed to showcase Maine’s growing in-state production industry.

**Digital Resources**

Currently, the Film Office has approximately 6,000 digital photographs in its collection. All of them can be sent to producers and location scouts within minutes.

The Film Office Web site continues to draw thousands of hits from production professionals each month.
The Maine International Trade Center (MITC) is a unique public-private partnership 501(C)3 whose mission is to expand Maine’s economy through increased international trade in goods and services and related activities. Through its offices in Bangor, Lewiston and Portland, MITC strives to meet the international needs of businesses across Maine.

Major Accomplishments

Maine is making great strides in exports to international markets. Export figures have increased by 20 percent over the past two years ($1.8 billion in 2001 and $2.19 billion in 2003), and Maine has been ranked eighth in the nation for export growth.

Programming

MITC held 16 trade education programs in its three offices, with over 874 attendees participating statewide and an average of 55 attendees per program for FY04. Company participation was up 11.6 percent during the past fiscal year.

Outreach and Technical Assistance

A record 787 companies were contacted and/or visited by MITC in FY04, which resulted in an increase of 31 percent in technical trade inquiries. Twenty college interns were hired for international trade research assistance from universities/colleges throughout the state and abroad. MITC’s internship programs have been growing in popularity (75 applicants for four summer positions) and provide invaluable career experience and opportunities for Maine’s youth and future exporters.
Trade Missions/Shows

In May 2004, MITC hosted three booths at the National Restaurant Association and Hotel Show in Chicago – one of the largest food service shows in the world. MITC also coordinated matchmaking meetings with international buyers (via Foodexportusa) for the Maine participants. Five Maine companies attended, with projected sales of $1.9 million in the next 12 months as a result of their participation in the MITC booths.

The November 2004 Trade Mission to Germany and Italy with Governor Baldacci was extremely successful. A delegation of 30 participated in over 55 matchmaking meetings throughout Germany and Italy, resulting in over $1.2 million of export sales projected. Major destinations for the participants included Düsseldorf, Bonn, Hamburg and Milan. In addition to coordinating the export business meetings, MITC coordinated major events and matchmaking in the foreign direct investment and tourism areas.

Canada Desk

MITC’s Canada Desk, which entered its sixth year of operation in 2004, continued to promote Maine’s interests in Canada. More than 100 technical assistance requests involving Canada were reported in 2004.

In February, Governor Baldacci and business, government and economic development leaders visited Quebec City for an economic mission. Firms from Maine availed themselves of matchmaking services offered by economic development partners in Quebec City and Saint-Georges. Tours of research facilities and businesses were also conducted.
Office of Innovation

The Office of Innovation was established by legislation to encourage and coordinate the state’s research and development activities to foster collaboration among the state’s higher education and nonprofit research institutions and the business community. The office promotes, evaluates and supports research and development relevant to the state, including assessing the impact of the Maine Technology Institute (MTI) and the technology centers.

Major Accomplishments

Maine Technology Institute

The Maine Technology Institute supports Maine companies’ early-stage research and development efforts leading to commercialization of new products and services in the following seven targeted technology sectors:

- Aquaculture and marine technology
- Advanced technologies for forestry and agriculture
- Biotechnology
- Composite materials technology
- Environmental technology
- Information technology
- Precision manufacturing technology

MTI’s goals are to:

- contribute to the long-term development of a statewide research, development and product deployment infrastructure,
- enhance the competitive position of Maine’s technology-intensive industries,
- support clusters of industrial activity and create jobs for Maine people.
In fiscal year 2004:

- MTI approved funding for 115 Seed Grant proposals. Seed Grant Awards are competitive grants of $1,000 to $10,000 per project and support very early activities for product development, commercialization or business planning and development.

- MTI approved funding for 15 Development Award proposals. These are competitive awards of $10,000 to $500,000 per project that are invested in technology-related companies to support research and development leading to commercialization of new products and services.

- MTI approved funding for six Cluster Enhancement Awards. These grants of $10,000 to $200,000 per project are made on a competitive basis to seed efforts that will stimulate and support the formation and growth of technology businesses.

- An evaluation of MTI’s award programs concludes that the organization has been successful in supporting innovative activity and is poised to have substantial economic impact on Maine. Among the most notable findings are:
  - MTI recipients saw employment grow by 11 percent.
  - For every dollar of MTI assistance, over $26 is leveraged in external financing.
  - Forty-six percent of MTI-funded research projects have led to new products, and 24 percent of projects have resulted in products that are already offered for sale.

MariCal Inc., an aquaculture company in Portland, has developed a breakthrough technology that allows fish to adapt to saltwater environments while in freshwater environments.
Applied Technology Development Centers (ATDC)

The Applied Technology Development Centers (ATDC) system is an integral component of the state’s efforts to further develop a technology-based economy. Together, the centers comprise a system of business incubators aimed at accelerating the early-stage development of technology-based companies.

The Centers were the recipients of a $2 million bond in 2003, which allowed for building construction and renovation for several of the Centers in 2004:

- Thomas M. Teague Biotechnology Center - $650,000 which will allow the Teague Center to offer lower rent and support services to start-up biotech businesses. The Center operates with one anchor tenant and is in discussions with BioMed Development of Sherbrooke, Quebec, Canada, to assist companies wishing to relocate.

- Composite Technology Centers - $450,000 constructed the wood composite incubator, operated in conjunction with the University of Maine’s Advanced Engineering Wood Composite Center students and researchers. The facility opened in March 2005.

- Seventy-three percent of MTI grant recipients have fewer than 10 employees.
- Forty-five percent of MTI-funded projects have or will seek patent protection for the results of their research; 84 percent will seek other IP protection such as trade secrets, trademarks and copyrights.
River Valley Precision Manufacturing Incubator - $500,000 to convert the former MeadWestvaco mill into a small business center/incubator for precision engineering. The center, which opened in August 2004, has four affiliates utilizing the support services and has begun other seminars and training programs.

Center for Environmental Enterprise - $400,000 to assist the center in developing new and expanded space. The center continues to lease out 84 percent of its space and in 2004, received over $50,000 in revenues from clients.

The Loring Applied Technology Center houses four tenants, leasing about 50 percent of its space and receiving $55,000 in revenues from tenants.

The Target Technology Center is 80 percent leased to four startup companies. Additionally, cubicle space is provided to six student startup companies, and nine companies utilize services as affiliates. One company graduated in 2004, with several more expected for 2005/06.

Three tenants at facilities in Walpole and Franklin occupy the Maine Aquaculture Incubators, and the two locations employ up to 15 people. A new building in Franklin, completed in May 2005, offers an additional 6000 square feet of available space to tenants.