

first person

# Laurie LaChance

## Demographic Shifts Impact Maine's Communities



*Born and raised in Dover-Foxcroft, Maine, economist Laurie LaChance has been monitoring the state's economy for more than 20 years. This past fall, the former chief economist for the state took over the leadership of the Maine Development Foundation (MDF), a nonprofit organization promoting economic development in the state. Communities & Banking sat down with LaChance to learn more about MDF and the issues that are affecting the economic health of Maine's communities.*

*C&B: What is the Maine Development Foundation?*

**LL:** MDF was established by state statute to pursue long term economic development in Maine in partnership with state government and the business community. It is a nonpartisan, apolitical organization that is trusted to provide objective information for policy making, and it also often acts as a catalyst for change in the state. Its most important role, however, is as a convenor. MDF has the ability to bring together the private, public, and nonprofit sectors to work through major public policy issues and find common ground.

*C&B: Why has MDF been successful in this role?*

**LL:** Two reasons. One, as a creature of statute, MDF has standing to play this role. Two, under years of strong leadership, MDF has stuck to it. The organization has not been allowed to get political, one way or another. This is really central to me, and I hope to continue MDF's nonpartisan tradition, keeping our place as a trusted source of objective information.

*C&B: As someone who has studied Maine for two decades, what do you see as the major issues affecting the long term health of Maine's communities?*

**LL:** Many of the issues are demographic. Several significant, long term population changes are shaping the economy and putting stress on virtually every institution, level of government, and system in the state. For one, our population is growing slowly. While many Mainers would just as soon it stay that way, we are growing much more slowly than the U.S. average.

*C&B: Why is slow population growth a problem for the state?*

**LL:** Maine's per capita income is currently 8 percent below the U.S. average, and we want to improve this measure of economic well-being. Slow population growth makes it difficult to close this gap, because our workforce isn't growing. The workforce we have today is the same one we will have for the next decade. So, to close the gap, we have to help every Maine worker reach his or her greatest potential and focus on raising the level of post-secondary education in the state.

*C&B: What work is MDF doing in this area?*

**LL:** Education is more important than ever, not just because of the slow population growth, but because the state is shifting from a manufacturing to a knowledge-based economy, one which demands higher levels of educational attainment. We are working with the Maine Community Foundation on the Compact for Higher Education in an effort to increase degree attainment in the state. Maine has one of the highest high school graduation rates in the nation, but below average college attainment. Many parents never went to college, and it

is a big step for students to get over the "first generation" hurdle. The Compact helps them to realize that they can do it, giving them access to college experiences, such as lectures and campus visits, and helping them with applications and financial aid. We are also focusing on training the workforce that is currently in place. MDF is working with employers to help them encourage their employees to invest in education—by giving them time off to take courses, paying them upfront for classes, and allowing them to seek a degree in a field that is not necessarily central to their job.

*C&B: What are the other demographic trends besides slow population growth?*

**LL:** A second important trend is that we are growing older. Maine is the oldest state in the nation as measured by median age of the population. The issues associated with the country's aging population are affecting Maine sooner and a bit harder than the rest of the nation. They are putting pressure on our health care system, and we are just beginning to see the pressure that is going to be put on our school systems. Right now, K-12 education is the biggest budget item at the state and local levels, but as the population ages, budget priorities must become more focused on the needs of the older population. Communities are starting to feel the pressure of this shift.

*C&B: What is driving the aging of the population?*

**LL:** There are a couple of things. Our natural rate of increase has slowed. There have been fewer babies born in Maine in recent years than ever before in our history. Additionally, we had a net out-migration of young working-age adults in the 1980s and 1990s, and we had a net in-migration of retirees.

*C&B: How are these incoming retirees viewed by Maine's communities? Are they seen as boosting population growth or compounding the problem of an aging population?*

**LL:** Both. Studies show that the people who choose to move to Maine include a lot of pre-retirees. They tend to be wealthy and healthy, and they are also active. They get engaged in the arts community, they volunteer or teach, and they frequently start another business or work a second career. In fact, retirees have been quite an economic force, particularly around the mid-coast area, but because their impact is dispersed, people tend not to see it. On the other hand, a lot of people say, "These retirees are driving up our property values." And it is true, they are.

*C&B: Are there additional demographic trends?*

**LL:** Yes. Another trend is that we are growing unevenly as a state. If you look at Maine's 16 counties, you see absolute



declines in population in the northern and eastern parts of the state, but fairly rapid growth in the southern coastal counties and on the New Hampshire border. People can get a lot more house for their money in Maine than in New Hampshire or Boston, and southern New Englanders are moving into southern Maine. This trend is changing the dynamics of the state.

The transition out of manufacturing is also differentially affecting the two regions. In 1950, one out of every two jobs was in manufacturing—in labor intensive industries such as leather, textiles, and forest products. Many of these industries grew up on rivers in rural Maine. Today, manufacturing is only about 12 percent of our job base, and the shift has been painful for rural areas. When a mill closes, it really undermines the economic fabric of these communities.

**C&B:** *How are the communities surviving the transition?*

**LL:** A lot of communities turn to tourism, particularly ecotourism or heritage-based tourism, which leverages rural Maine's beautiful landscape. There are also efforts to encourage entrepreneurial ventures and to better link small businesses with the support they need. The idea is to build on the strengths and the heritage of these communities. For instance, people in rural Maine have a better feel for wood fiber than anybody else. We are trying to find new ways to use that fiber, whether as fuel sources, medicinal extracts, or composites.

**C&B:** *That is a great theme—building on the heritage strengths.*

**LL:** When you are talking about fishing, when you are talking about forestry, when you are talking about farming, you are talking about Maine. We have always had a great interaction with the land, the water, and our natural resource base. This is where our strength is, and when we build on that knowledge, it gives us tremendous opportunity.

**C&B:** *Are the population shifts and economic changes causing a disconnect between the two regions of the state?*

**LL:** It is creating some pressure. It can be hard to understand the issues of living in a mill town where the mill is closing, when you live in coastal Maine, and you are worried about your property tax rate skyrocketing because of rapid development. And vice versa. These are huge differences, and at the political level, it is challenging to create policies that serve all of Maine.

MDF is working to address this divide through our Leadership Maine program. Each year a class of 40 to 45 leaders from around the state takes part in a nine-month program focused on the Maine economy. The participants are diverse, representing the 16 counties and high-level professionals from all sectors. In each session, the group tours a part of the state and sees the issues first hand. They also spend a day doing a mock legislative session, playing roles that are unfamiliar to them. So far, the program has created 490 engaged, energized, and networked leaders. I went through it, and it was life changing for me. It took me out of my comfortable environment and threw me in with people who had completely different views of the state. It also gave me the sense that Maine is a small community, where anybody can make a difference.

MDF also runs something called the Policy Leaders Academy. We take new legislators on an economic tour of the state. Same kind of experience—put them on a bus, put them together, and take them out to see places in Maine that they may have never seen before. These people are making important decisions about the state, and some may have never been north of Augusta.

**C&B:** *Has the Policy Leaders Academy had an effect on Maine's law makers?*

**LL:** It is hard to measure, but people say they see a difference in the committee discussions. The Policy Leaders experience is informing the debate. Legislators now say, "Wait a minute, that's not what's really going on. I saw this facility when we were touring." The program has the potential to move mountains... if we can only

get more legislators to go.

**C&B:** *You mentioned that there were several demographic trends. Are there others that we haven't covered?*

**LL:** Yes. Another trend—number four, I believe—is that we are moving from our urban hubs into suburbia. We consumed as much of our land base in the last 20 years as we did in all of our prior history. It is sprawl, and it is putting tremendous pressures on our communities, especially fiscal pressures. It is becoming extremely costly to deliver services because we are spreading out. School costs and busing costs have grown, as has the cost of road maintenance. There is an environmental impact, and there is also a community impact. People are spending more time on the road and are less involved in their communities.

And finally, trend number five: demographically speaking, Maine is the most homogeneous state in the nation. We are 98 percent Caucasian. Our lack of diversity is making it difficult to attract new people. Minorities and immigrant populations feel outnumbered, and they cannot always obtain the goods and services they desire. It has become harder and harder for our colleges to recruit diverse populations. Yet, in a knowledge-based economy, a pool of diverse talent will be a major strength.

**C&B:** *What sort of work is MDF doing on these fronts?*

**LL:** One way we are addressing these issues is through our Maine Downtown Center program. This effort is working with communities across the state to revitalize their downtown areas. Vital downtowns help to attract youth. They help to attract diverse populations, and they attract retirees back into Maine. The program is also helping to combat sprawl. If you can live and work in your downtown area, it lessens the need to spread out and move elsewhere.

**C&B:** *MDF publishes a yearly report card, "Measures of Growth," on the health of the state's economy, communities, and environment. How did Maine do this year?*

**LL:** In some areas, we are doing incredibly well. Our income and employment growth have outpaced both regional and national performance in recent years. Maine's workforce is highly respected, and our quality of life is high. In health care, our number of uninsured is below the U.S. average, and we've been able to reduce teen smoking and pregnancy. We also have high voter turnout and civic participation—some of the highest in the nation.

But, we have some red flags, too, mostly related to the cost of doing business in Maine. Our taxes have gotten out of line. Our health care costs are above the U.S.

average. Our energy costs, though improved, are still relatively high. When you put all of these together, they can make it difficult to attract needed business investment. Much of my focus as the head of MDF will be on these red flags and what we can do about them.

**C&B:** *What do you see as the biggest challenge for the state in the next ten years?*

**LL:** In the face of all the demographic and economic shifts, our biggest challenge is to acknowledge that we have control over our future and take that control. We have to lay the foundation for a more modern, higher-value-added, "building-on-our-heritage" economy. There are some fundamentals that we must address. We need to get our spending under control, bring tax rates down, and create an environment in which people want to invest in Maine. These are hard things to do, but once we start down the path of working more collaboratively, I think we will be well positioned for the future. Overtime, Maine has proven that our work ethic is unsurpassed, our companies are innovative, our government is engaged, and our quality of life is unparalleled. We have every reason to believe that Maine's future will be bright.

