



HOUSE OF REPRESENTATIVES

2 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0002
(207) 287-1440
TTY: (207) 287-4469

H. Sawin Millett, Jr.

37 Golden Guernsey Drive
Waterford, ME 04088
207-583-4842
Sawin.Millett@legislature.maine.gov

TESTIMONY IN FAVOR OF LD 1198

Resolve, Directing the Department of Economic and Community Development to Convene a Working Group to Improve the State's 10-year Economic Development Strategy.

April 4th, 2023

Senator Curry, Representative Roberts, and Honorable Members of the Committee on Innovation, Development, Economic Advancement and Business:

My name is Sawin Millett and I represent House District 81. I am here to introduce LD 1198, Resolve, Directing the Department of Economic and Community Development to Convene a Working Group to Improve the State's 10-year Economic Development Strategy. This resolve is an outgrowth of several years of work and research by the Alliance for Maine (Alliance) and the Maine Jobs Council (MJC). I have been, and remain, in support of the effort to establish a statewide strategic plan; and I applaud the Governor for making that goal a priority of her administration. As with most policy initiatives, however, areas of improvement can be identified with the benefit of some additional time and experience. To that end, this bill would enhance the effectiveness of the strategic plan by including some additional elements, such as, for example, the need for capital investment.

I will let the Alliance and the MJC introduce themselves. Briefly, however, the Alliance for Maine is an educational organization that has been producing and distributing information about the essential elements of a successful, productive economy. The Maine Jobs Council is an advocacy group that supports the creation and maintenance of foundational jobs—those are jobs that add value or bring money into Maine including manufacturing, construction, transportation, farming, fishing, forestry, and tourism among others.

Recently, both organizations commissioned a study of Maine's national rankings using criteria that reflect economic and demographic standing. Those results are summarized on the first page of the handout. In the 22 economic and demographic criteria that were readily available from quality sources that were public and objective, Maine was in the bottom 10 in the nation in 19 of them. West Virginia was in the bottom 10 in 15, Alaska and Hawaii 12, and no other state finished that low in more than eight. No state rated so poorly, so consistently. For the remaining three criteria, Maine ranked 11th, 12th, and 13th worst in the nation. This is a clear indication that Maine's public policies have not strengthened our economic and demographic standing.



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The existing strategic plan includes innovation and workforce training, both of which are critical to the economy. However, this bill highlights several other factors that are necessary to improve our economic and demographic standing, particularly the need for access to capital and venture capital investment. Attracting as much investment as possible helps to attract and retain a diverse workforce. Maine has had the lowest percentage of children under the age of 18 for years, meaning that while older workers are currently going through the process of retiring, we do not have enough young people available to maintain the workforce.

Further, attracting investment helps to create and retain quality jobs that add economic value or bring in money from outside the State. The second page of the handout is a list of Maine companies that have been sold out of state. On the surface, it may appear that nothing has changed. However, when a company is sold out of state, often, the top salaries are lost, career paths for young people are eliminated, charitable contributions drop, decisions get made elsewhere, ancillary services like legal, accounting, and insurance are lost, and fewer vendors and suppliers come to what is no longer the company's headquarters and so business is lost at Maine hotels and restaurants. These sales hollow out the state's economy and are further evidence of our public policy deficiencies.

LD 1198 has bi-partisan sponsorship in both chambers and can serve to create an important forum to discuss Maine's national standing and the major economic and demographic challenges we face. This bill can be a vehicle to bring us together to consider additional, important, factors to be addressed by the State's Strategic Plan and, thereby, help increase Maine's prosperity, chart our course to more and better jobs for working people and their families, grow our tax base, and keep our kids and grandkids here. I strongly urge you to support this legislation to get all Mainers working together for a better future.

The Maine Jobs Council recently commissioned a study of Maine's national rankings using criteria that reflect economic and demographic standing. There were no instructions other than to use unbiased, quality sources with criteria that were meaningful and reproducible. The research team ended up selecting 22 different measures. Maine ranked:

- 41st for the excess of federal funds received over paid federal taxes (\$1.62 in federal payments to Mainers for every dollar of federal taxes), and income taxes;
- 42nd for venture capital investment, personal income, health care/capita, and GDP/capita;
- 43rd for our overall economy and as a state to do business;
- 44th for corporate taxes and the job market;
- 45th for workforce;
- 46th for our business environment;
- 47th for access to capital;
- 48th for the regulatory environment and overall taxes;
- 49th for infrastructure and the percentage of the population under 18; and
- Dead last for property taxes and the percentage of the population over 65.

Maine is the oldest, whitest state in the union and getting older faster than any other state.

So, over the 22 criteria, Maine is in the bottom 10 in 19 of them. We are also 40th in job growth and cost of living, 39th in reliance on federal funding, and 38th (our "best" score) in the cost of energy. Among the peer states rated, West Virginia had the second most bottom 10 rankings with 16, followed by Vermont with 13, Alaska with 12 and Hawaii with eleven. No other state had more than eight, so there's a case to be made that overall, Maine has the lowest rankings in the country.

Maine Companies Sold Out of State

Pottles
Exactitude
Sure Winner Foods
On Target
Sprinkler Systems
Keiser Homes
Murray Oil
Hartt Transportation
Norris, Inc.
Kenoco
Central Maine Power

Maritime Energy convenience stores
Getchell Brothers
Deering Lumber
Emery Waterhouse
Applicator Sales
Downeast Energy
Heutz Oil
Covetrus
Enefco
Pathway's Inc.
Dead River

Thayer Corp.
Maine Manufacturing
NH Bragg
Grafman's
James W. Sewall
Oakhurst Dairy
JSI Store Fixtures
UniTel
Dodge Oil
Gagne & Son Concrete
Bangor Hydro

People have a lot of varied feelings about money. We want it, often want more of it, are concerned about how fairly it is distributed, can resent those with lots of it, don't want to be a slave to it, and while we know it can't buy happiness, we might be willing to put that theory to the test.

What's undoubtedly true is that there are a lot of things you can't do without it, and run a business is one of them—have a quality job is almost certainly another. A carpenter can't build anything without tools, a machinist can't work without machines, a truck driver can't drive without trucks. Things get done because people work—and almost always that work requires something that it takes money to acquire.

A business starts with an idea, experience, expertise, and a willingness to compete and take risk. It goes nowhere without investment. A trucking company needs shippers and goods to deliver, contracts for services, drivers, technicians for maintenance and repairs, and services like lawyers, accountants, health care providers, and more. But it goes nowhere and does nothing without trucks. And you need money to buy trucks.

And so, it is with virtually every business. There has to be investment. Investment is a bet on the future. It is a decision to support a company so it can be successful, do meaningful work, employ quality people, provide decent jobs, and yes, make money. Investors want to make a profit on their money and so invest where they think there is a bright future, innovation, opportunity, and success.

Today, Maine is one of the lowest ranking states for both access to capital and venture capital investment. One of Maine's overriding goals should be to attract as much investment as possible to create and support quality foundational jobs, build our tax base, attract innovation and young families, and make Maine more productive. Productivity results from an effective business plan or idea, the number of people working, the training and education of the workers, the technology supporting the workforce, and the money to fund training, equipment, salaries, innovation, and growth. Those are the things that ought to be the focus of Maine's public policies.

The United States uses SMSA's (Standard Metropolitan Statistical Areas) to generate all kinds of statistics, understand economic activity, and plan for the future. A key metric is overall population and on that basis the New York City SMSA is the country's largest at almost 20 million, LA is next at 13 million, Chicago comes in third at 9.5 million, Washington, DC is sixth at 6.3, Boston is 11th at 4.9, San Francisco is 13th at 4.6 million and so on.

If the entire state of Maine was an SMSA, at 1.3 million it would rank in the 40's somewhere between Richmond, VA and Louisville, KY in the neighborhood of Buffalo, NY and Hartford, CT. The fact is that Maine has the population of a middling US city but with the disadvantage of being spread out over an enormous area. Thus, we need more schools, more roads, more hospitals, and more of most everything per person just to provide basic services. Of course, we avoid most of the problems of overcrowding, but we lose the efficiencies of proximity and critical mass.

But we aren't a city. We are a state. What sets us apart from Richmond and Buffalo is that we have a sovereign Legislature, a Governor, and our own court system. We have a great deal more control over our destiny and have the structure and opportunity to do much greater things than any American city.

Some of the things we could work together to do include:

- making Maine a magnet for young people and families,
- utilizing the latest technology and understanding to update and modernize K-12 education,
- doing what it takes to reduce the number of people in our jails,
- connecting with MIT, Harvard, UMaine and other top area universities to create world beating companies,
- finding out what it would take to increase Maine's collective productivity—better ideas, better training, better funding,
- developing and executing a plan to attract cutting edge 21st century jobs that fit within our lifestyle and environment,
- increasing our GDP per person,
- becoming a magnet for remote workers,
- making sure none of Maine's quality family businesses get sold out of state,
- integrating education starting with pre-school and running through graduate degrees,
- planning for Maine to benefit from the recent federal legislation bringing manufacturing back onshore and growing the chip industry,
- solving our worker shortage by attracting people to move to Maine,
- creating an environment to grow foundational jobs,
- taking steps to make Maine the most attractive state in the northeast for investment,
- improving Maine's overall economic rankings until we are in the top half instead of the bottom ten,
- making Maine a net contributor to the national economy instead of a statewide charity, and
- creating an economic and educational environment that enables people to turn away from drugs.

We could and should be doing some of these things with the power we have as a state. We should be much better at it than any city, but we're not. Unfortunately, our politics has for years been about short-term, self-interested issues and the belief that whichever party wins an election should give its supporters what they want. That isn't vision, that isn't leadership, and that isn't the road to success.

While we have the power of a state, with only 1.3 million people we don't have the ability to be successful fighting amongst ourselves. We need to aim high, have a vision, and work together to tackle big ambitious projects together.