Measures Of Growth In Focus

2007

Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine

Thirteenth Report of the Maine Economic Growth Council

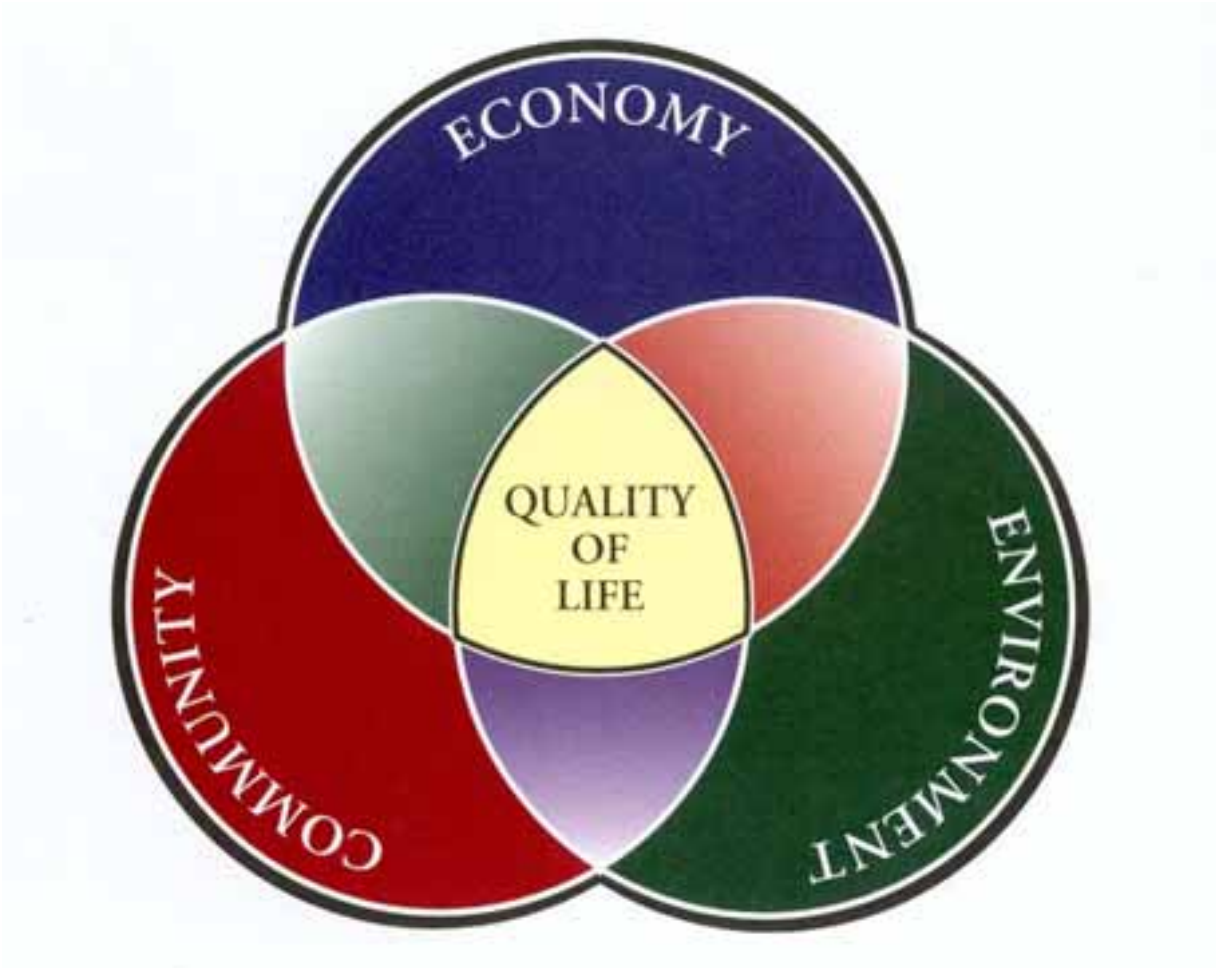
Prepared by the

Maine Development Foundation

V I S I O N

A high quality of life for all Maine citizens.

Achieving this vision requires a vibrant and sustainable economy supported by vital communities and a healthy environment.



Prepared for the Maine Economic Growth Council
by the

MAINE DEVELOPMENT FOUNDATION

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2007 Performance Measures of the Maine Economic Growth Council

ECONOMY

Prosperity

- 1. Personal Income
- 2. Gross Domestic Product
- 3. Employment
- 4. Multiple Job Holding

Business Innovation

- 5. Research and Development Expenditures
- 6. International Exports
- 7. High Speed Internet Subscribers
- 8. New Business Starts
- 9. Manufacturing Productivity

Skilled and Educated Workers

- 10. Higher Degree Attainment

Business Climate

- 11. Cost of Doing Business
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- 13. Cost of Health Care
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COMMUNITY

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Disparities

- 17. Poverty
- 18. Gender Income Disparity

Health and Safety

- 19. Chronic Disease
- ★ 20. Health Insurance Coverage

ENVIRONMENT

Preservation

- 21. Conservation Lands

Stewardship

- ★ 22. Sustainable Forest Lands

Access

- 23. Population of Service Center Communities

Key to Symbols

GOLD STARS & RED FLAGS

Determining which performance measures receive Gold Stars and Red Flags are judgments made by members of the Maine Economic Growth Council. These determinations reflect consensus of the group and are based on consideration of the best data available and the experienced perspective of Growth Council members. Generally, criteria are as follows:

★ Exceptional performance.
Very high national standing and/or established trend towards dramatic improvement.

Needs attention.
Very low national standing and/or established trend towards dramatic decline. In some cases, there is improvement but it is still viewed as needing attention.

PROGRESS SYMBOLS

The progress symbols reflect movement toward or away from the benchmarks. The benchmarks are established by the Growth Council and determining progress is done objectively each year by reviewing the most recent trend. The Growth Council does not use a uniform methodology in creating benchmarks. Criteria for applying the progress symbols are as follows:

We have moved toward the benchmark since last available data.

We have moved away from the benchmark since last available data.

No significant movement either way since last available data.


M E G C
Maine Economic Growth Council

Introduction: A call to action

Current public policy discussions in Maine often center on the ongoing shift away from an old economy towards a new economy, and what Maine is doing to make its way through this transition. "Innovation-driven," "knowledge-based," "creative economy," and, perhaps most popular, "the world is flat" are terms and concepts used to describe the emerging economic landscape. What all of these arguments have in common is the conclusion that in order for societies to thrive, they must focus investment in their people as well as in cutting-edge technology. It might also be added that societies must have reasonable costs for doing business in place if they are to be competitive.

The *Measures of Growth 2007* report shows that Maine has experienced little economic growth since the 2006 edition of this report was published last February. Maine's personal income has grown slowly but the state's ranking has fallen to 37th nationally; Maine's Gross Domestic Product (GDP) growth has slowed; job growth has stalled; and more workers are holding multiple jobs—an indicator that some jobs may not be paying enough.

Behind these measures of Maine's prosperity are signs that tell the story of the state's performance in the new economy. After a strong showing in research and development expenditures last year, the Maine Economic Growth Council gave R&D investment a Red Flag in this year's report. This measure—a key indicator of the steps Maine is taking to become a more knowledge-based and innovation-driven economy—has moved away from the benchmark. Another troubling sign is the widening gap between Maine and the U.S. in manufacturing productivity, which the Council has flagged as well. Simply put, investments in worker training and skill development, as well as in capital upgrades, have fallen off when compared to the rest of the country. Transportation infrastructure is also an area of concern. This new indicator has received a Red Flag, and shows that Maine's transportation system needs improvement. Quality, state-of-the-art transportation infrastructure is vital in order to facilitate economic activity.

In addition to the above, the Growth Council has drawn attention to burdensome costs that continue to strain Maine's economic development. The cost of health care and the tax burden in Maine—both recipients of Red Flags—stifle the creation of wealth and business profits, and act as deterrents to doing business in the state. Maine must reduce these costs and bring them more in line with the rest of the region and the U.S.

On the bright side, Maine is performing exceptionally well in two areas: health insurance coverage of Maine citizens and sustainable forest lands. The Growth Council has awarded a Gold Star to each of these indicators. Maine is a national leader in health coverage, and the high percentage of Maine people with health benefits means that more workers are apt to be productive in the workplace. The state also enjoys a thriving stock volume in its forested areas. Maine is doing a good job of protecting an important part of its natural resource-based economy and quality of life.

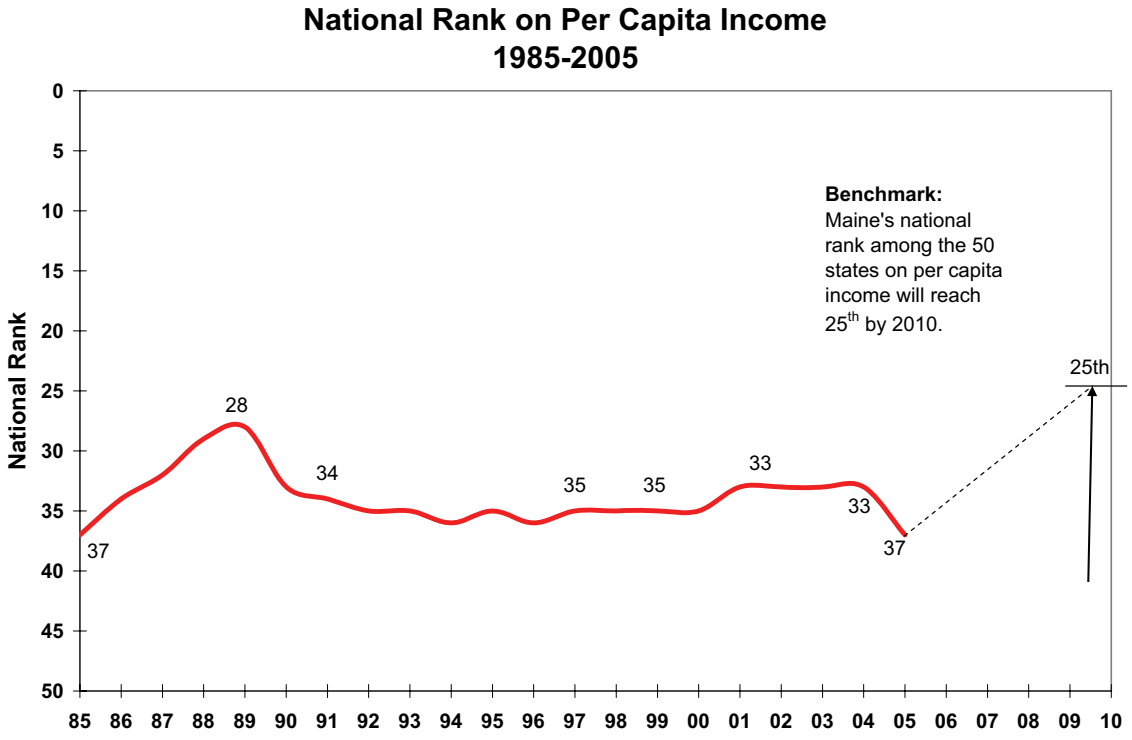
Other highlights in this year's report include a bounce-back year for international exports; continued expansion of high-speed internet subscribers; a decrease in the poverty rate; and continued decreases in death rates from chronic diseases.

Consistent with a broader consensus, the Maine Economic Growth Council believes that a skilled and educated workforce, technological innovation, and a sound cost structure are the keys to success in the new economy. The *Measures of Growth 2007* report shows that there is still work to be done to improve these critical underpinnings of Maine's future.

The Growth Council hopes you find the 13th annual edition of *Measures of Growth* informative and useful.

1. Personal Income

Benchmark: Maine's national rank among the 50 states on per capita income will reach 25th by 2010.



Data Source: U.S. Bureau of Economic Analysis

Personal Income Grows but Ranking Declines

Despite the fact that Maine's per capita personal income grew in 2005, the state's ranking slipped to 37th, the lowest ranking in 20 years.

Maine's 2005 income per capita (total income earned in the state divided by the state's population) was $30,808, a 3 percent increase from the 2004 level of $29,897. Maine's per capita income in 2005 was 89.3 percent of the national average of $34,495. At $41,785, New England has the highest per capita income of any region in the country, with Connecticut, Massachusetts and New Hampshire ranking first, third and sixth, respectively. Of note, Vermont leapt from a ranking of 33rd in 1998 to 25th in 2005.

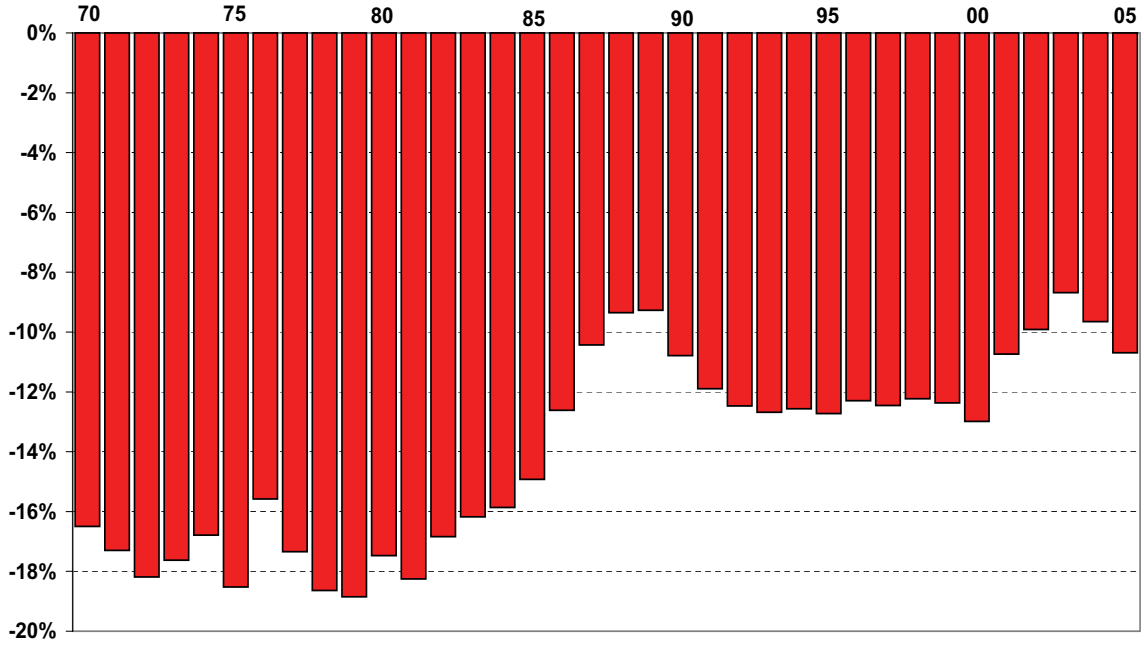
Increasing personal income is fundamental to achieving a high quality of life for Maine citizens. It is also a direct reflection of economic growth and prosperity. Higher incomes stimulate consumer spending, create greater savings, and ease problems such as tax burden and household debt. Higher incomes also allow people to secure a foundation, whether that is housing, health insurance, or a car to drive to work.

Income is derived from wages and salaries, but it also comes from other sources such as returns on investments and transfer payments from government. Personal income differences between states should be viewed with population densities in mind. There is a correlation between a state's population density and its per capita income; generally, the lower the population density, the lower the income.

The Growth Council has set the goal of Maine ranking 25th in personal income by 2010. The Council believes that a rank of 25th is attainable; Maine ranked 28th nationally in 1989. Furthermore, Vermont's rise as a mostly rural and sparsely populated northern New England state suggests that Maine, given its similar characteristics, can make significant progress.

1. Personal Income (continued)

Per Capita Personal Income Gap 1970- 2005
(% Points Maine Income Lags U.S.)

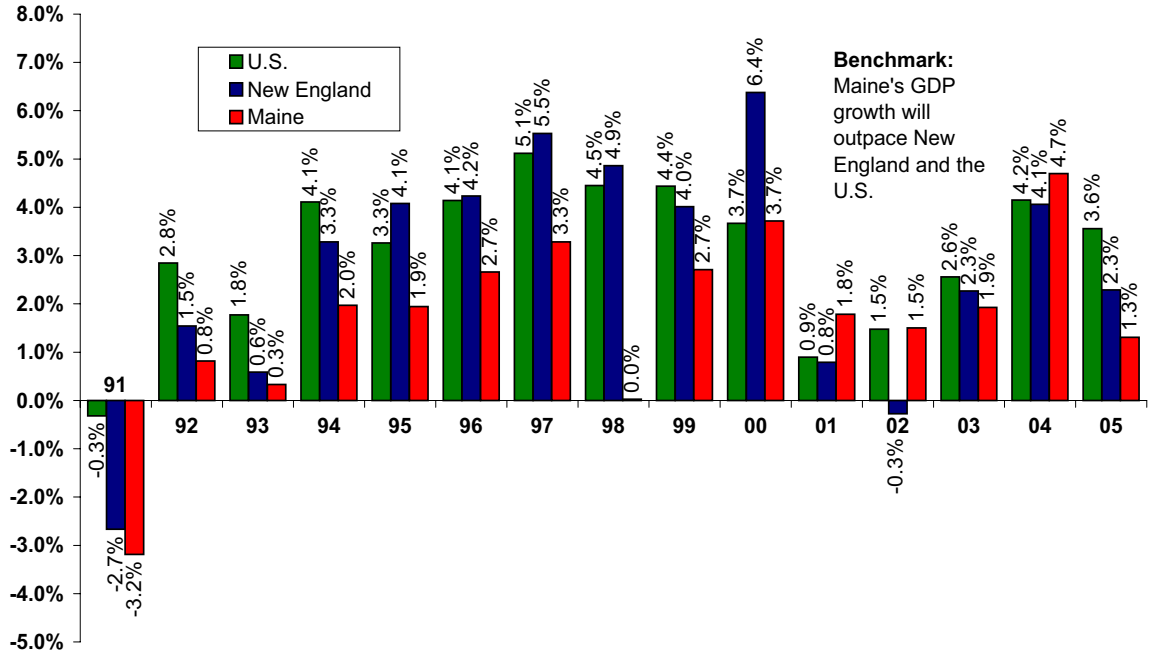


The graph above shows that, despite ranking in the mid-thirties on per capita income for most of the last 15 years, Maine has made significant progress in closing the income gap with the U.S. Whereas Maine's income lagged the nation by 16-18 percent through the 1970s, the income gap shrank to between 9 and 13 percent over the past two decades.

2. Gross Domestic Product

Benchmark: Maine's Gross Domestic Product growth will outpace New England and U.S. growth.

Gross Domestic Product Growth Rate
U.S., New England and Maine 1991-2005



Data Source: U.S. Bureau of Economic Analysis

GDP Growth Rate in Maine Smaller Than New England and U.S.

Maine's real (inflation adjusted) Gross Domestic Product* (GDP) growth rate in 2005 was 1.3 percent. During the same time period, the New England economy grew 2.3 percent, while the U.S. experienced 3.6 percent growth.

GDP is the value added in production by labor and property located in a state. It is a fundamental measure of economic health, and the primary determinant of the extent to which an economy is growing or in recession. The sum of value added in all industry sectors totals GDP.

The graph shows that the national, regional and Maine economies all experienced less growth in 2005 as compared to 2004. The U.S. economy slowed by 0.6 percentage points and New England's cooled by 1.8. Maine's GDP dipped by a more precipitous 3.4 percentage points.

2004 was an exceptional growth year for Maine. It was the most productive year for the state's economy of any year highlighted in the graph. Excluding 2004, Maine's economy has been growing at a rate of 1-2 percent annually since 2001.

The table to the right shows the relative contribution to GDP by major industry sector in Maine. Real estate, government and manufacturing contributed 38 percent of total output in 2005, or approximately $15.5 billion.

Real Gross Domestic Product by Major Industry Sector Maine 2005

Industry Sector	GDP Millions of Dollars	% of Total
Real Estate	$5,280	13%
Government	$5,238	13%
Manufacturing	$4,936	12%
Health care	$4,012	10%
Retail trade	$4,000	10%
Finance and insurance	$2,575	6%
Wholesale trade	$2,335	6%
Prof. and tech. services	$1,897	5%
Construction	$1,802	5%
Information	$1,429	4%
Lodging and food services	$1,221	3%
Admin. and waste services	$889	2%
Transport. and warehousing	$879	2%
Other services	$831	2%
Utilities	$805	2%
Agriculture, forestry, fishing	$617	2%
Management	$348	1%
Arts, entertainment, & rec.	$338	1%
Educational services	$327	1%
Mining	$5	0%
Total GDP	$39,764	100%

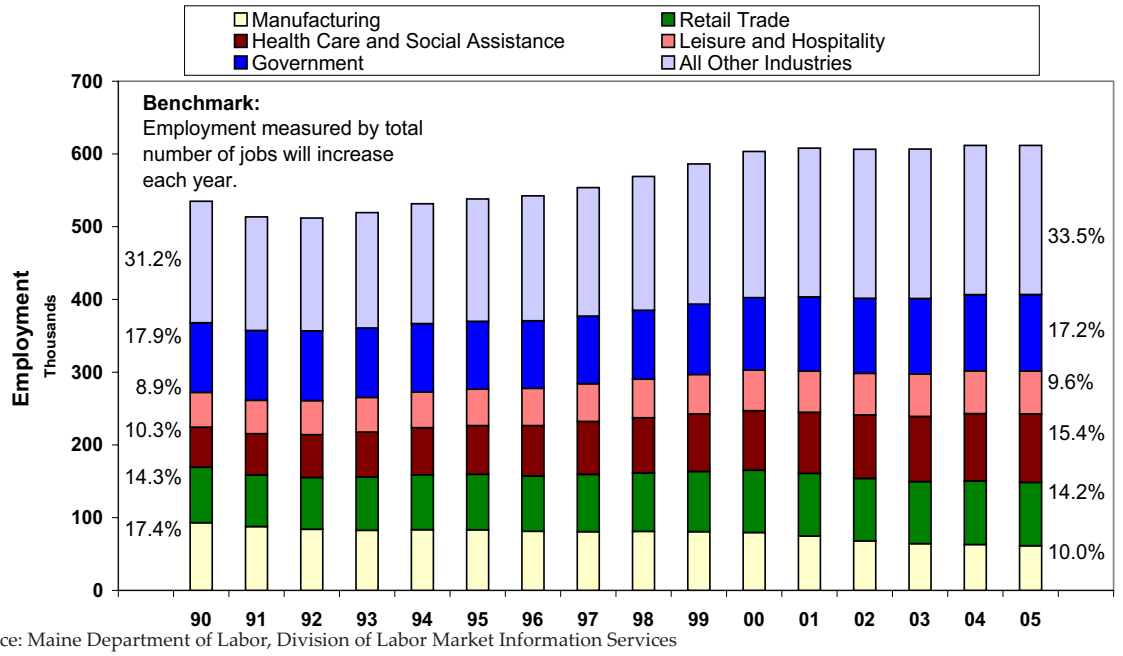
*Until last year, this indicator was noted as Gross State Product (GSP). The Bureau of Economic Analysis has since changed GSP to "Gross Domestic Product (GDP) by state."

3. Employment

= Benchmark: Employment as measured by the number of total jobs will increase each year.

Average Annual Nonfarm Wage and Salary Employment by Industry Sector

Nonfarm employment figures relate to full- & part-time wage and salary workers in pay periods including the 12th of the month.



Data Source: Maine Department of Labor, Division of Labor Market Information Services

Overall Job Growth Stagnates

From 2004 to 2005, Maine experienced zero job growth. Employment remained constant at 611,700 total jobs.

Maine's manufacturing sector continued to shrink in 2005, losing 1,700 jobs from the previous year. Employment in manufacturing has experienced a consistent decline over the last 15 years, falling from 17.4 percent of Maine's total employment in 1990 to only 10 percent in 2005. Like the rest of the U.S., Maine's industrial job losses are due, in part, to operations moving offshore to places where cheaper labor exists. In addition, Maine's relatively high costs of energy, health care and taxes have driven some manufacturing jobs to other regions of the country.

The graph above shows that while manufacturing employment has experienced a downturn, jobs in the health care industry have grown. Employment in health care has expanded from 10.3 percent of overall employment to 15.4 percent over the past decade and a half.

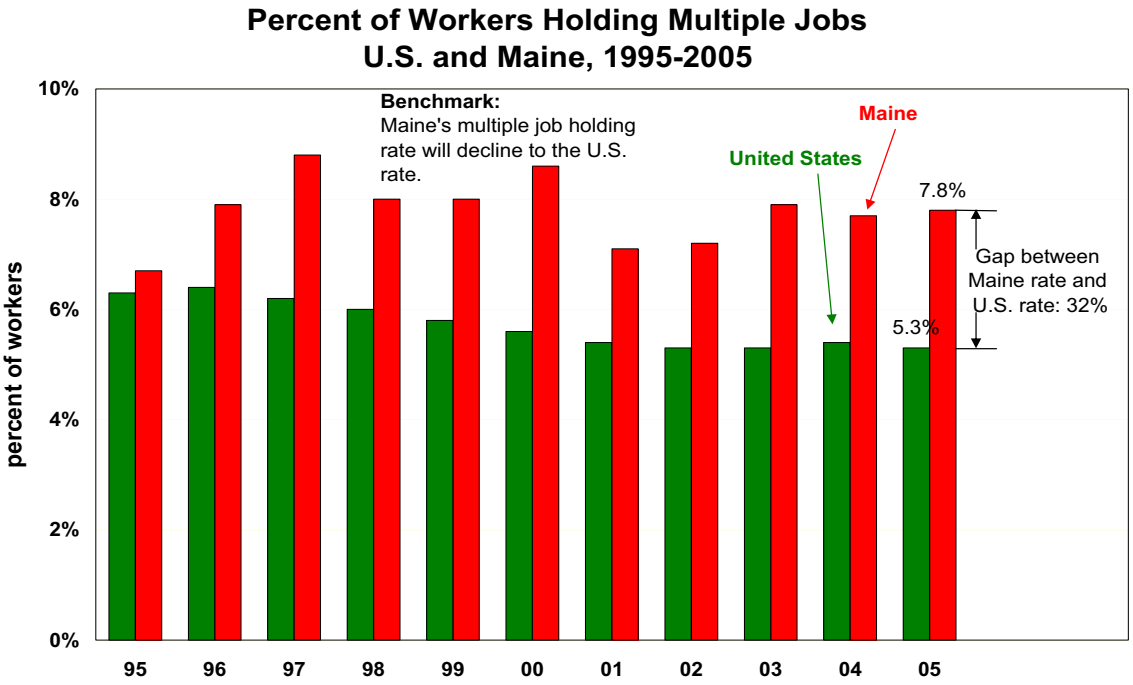
Maine's current investments in areas such as job training, education, and research and development are intended to grow a new knowledge-based economy to replace jobs lost in the state's traditional manufacturing sector. Some of the state's investments in R&D have begun to create new manufacturing niches, such as composite building materials. R&D investment has also strengthened existing industries such as boat building, wood products and textiles.

Employment Growth by Sector 2004-2005	
Sector	Growth
Manufacturing	-2.7%
Retail Trade	-0.1%
Health	1.4%
Leisure	0.3%
Government	0.4%
Other	0.0%
Total	0.0%

Making the investment in workforce development and R&D does not guarantee job growth; however, failing to make the investment virtually assures poor future employment prospects. Large economies such as India and China have growing knowledge sectors and considerably lower overhead costs, making Maine's focus on creating high-quality, unique products and services (produced and delivered by "knowledge" workers) essential in order for the state to be competitive.

4. Multiple Job Holding

Benchmark: Maine's multiple job holding rate will decline to the U.S. rate by 2010.



Data Source: U.S. Department of Labor, Bureau of Labor Statistics, Maine Department of Labor, Bureau of Labor Information Services.

Multiple Job Holding Remains High

In 2005, 7.8 percent of all Maine workers had two or more jobs, a higher percentage than the national rate of 5.3 percent.* The gap between Maine's multiple job holding rate and the U.S. rate grew from 30 percent to 32 percent from 2004 to 2005.

The graph shows that Maine's multiple job holding rate was near the U.S. rate in 1995. However, over the following ten years a gap opened, as the U.S. rate moved below 6 percent while the Maine rate climbed to as high as 8.8 percent.

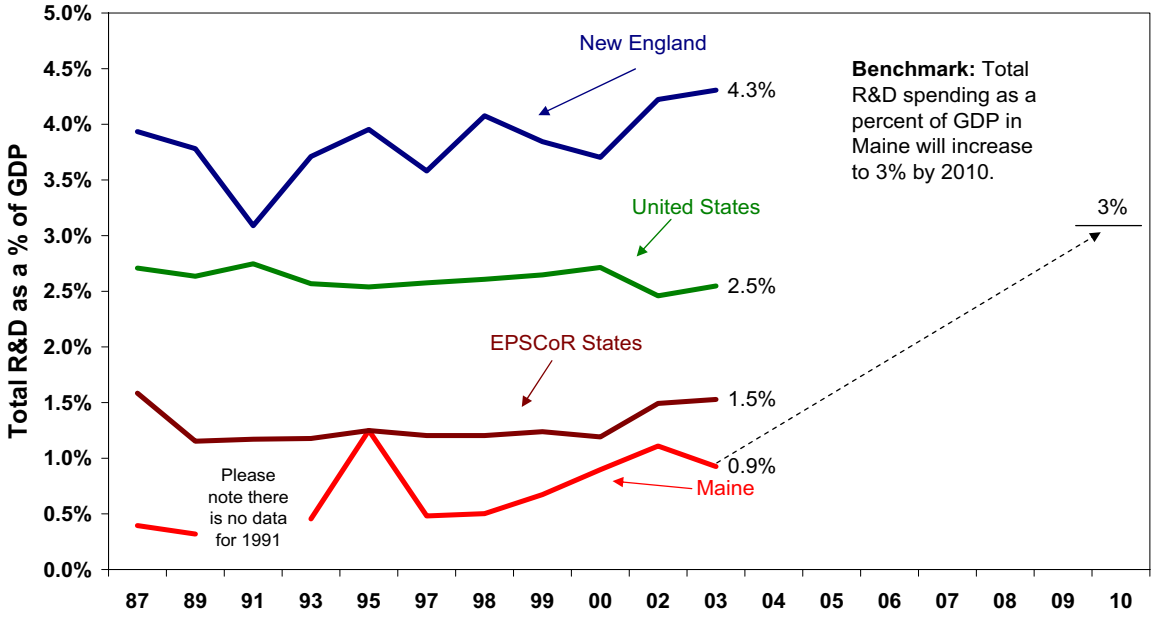
The Growth Council views this measure as a proxy for job quality. The relatively high rate of people in Maine who hold multiple jobs suggests that some jobs may not be paying enough or providing adequate benefits. The multiple job holding rate may also be related to the number of livable wage jobs available in the state. While some workers may choose second jobs to earn money for non-essentials, many take on multiple jobs to pay for basic needs.

*According to the U.S. Department of Labor, Bureau of Labor Statistics, multiple job holders are employed persons who had either two or more jobs as a wage and salary worker; were self-employed and also had a wage and salary job; or worked as an unpaid family worker and also held a wage and salary job.

5. Research and Development Expenditures

Benchmark: Total research and development investment in Maine will increase to 3 percent of GDP by 2010.

Total R&D Spending as a Percent of Gross Domestic Product 1987-2003



Note: From 1997-2000, chart portrays one-year increments; all other years are in two-year increments.

Data Source: PolicyOne Research

Research and Development Spending Moves Away From Target

In 2003, total R&D investment was 0.9 percent of real Gross Domestic Product (GDP) in Maine, down from 1.1 percent of GDP in 2002. After steady improvement from 1998-2002, the graph shows that in 2003 R&D spending took a step back from progressing towards the benchmark of 3 percent of GDP by 2010. The Growth Council has responded by giving this indicator a Red Flag.

This measure looks at total R&D spending in Maine as a percent of Gross Domestic Product compared with other EPSCoR states (EPSCoR is the Experimental Program to Stimulate Competitive Research, a joint program of the National Science Foundation and several states, including Maine), the U.S. and New England. The Growth Council determined that a benchmark that strove for the New England rate of R&D spending was unrealistic, given that the Boston area is one of the R&D capitals of the country.

The Growth Council considers the 3 percent benchmark as the minimum investment necessary to expand Maine's innovation-driven economy and increase competitiveness with the U.S. Greater spending in the academic and non-profit sectors, and in particular Maine's private R&D sector, will be required in order to accomplish the goal.

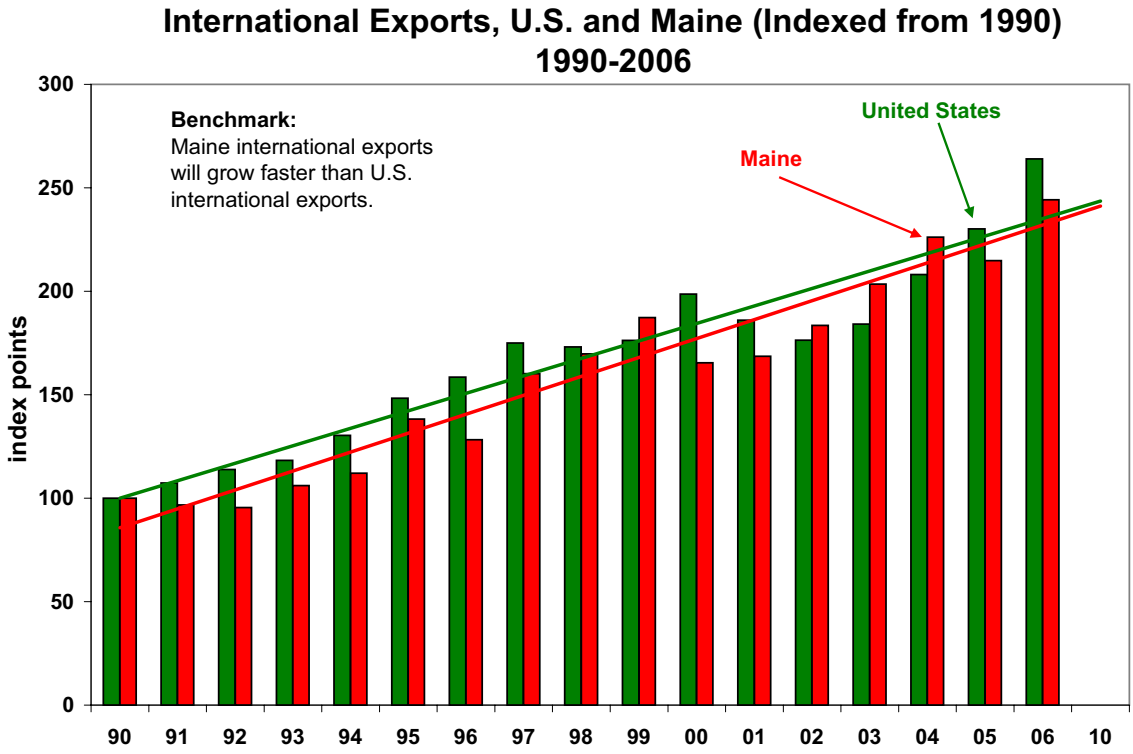
A growing R&D sector in Maine creates wide-ranging economic benefits, chief among them better jobs, higher incomes and increased government revenues. R&D performance is a key measure for gauging Maine's competitiveness in the new knowledge economy. The Corporation for Enterprise Development (CFED) recently ranked Maine first in the country in businesses created via University research and development - a positive sign given performance in 2003.*

*CFED 2007 Development Report Card for the State of Maine. Available online at:

www.cfed.org/focus.m?parentid=34&siteid=2346&id=2346

6. International Exports

Benchmark: Maine's international exports will grow faster than U.S. exports.



Data Source: Maine International Trade Center

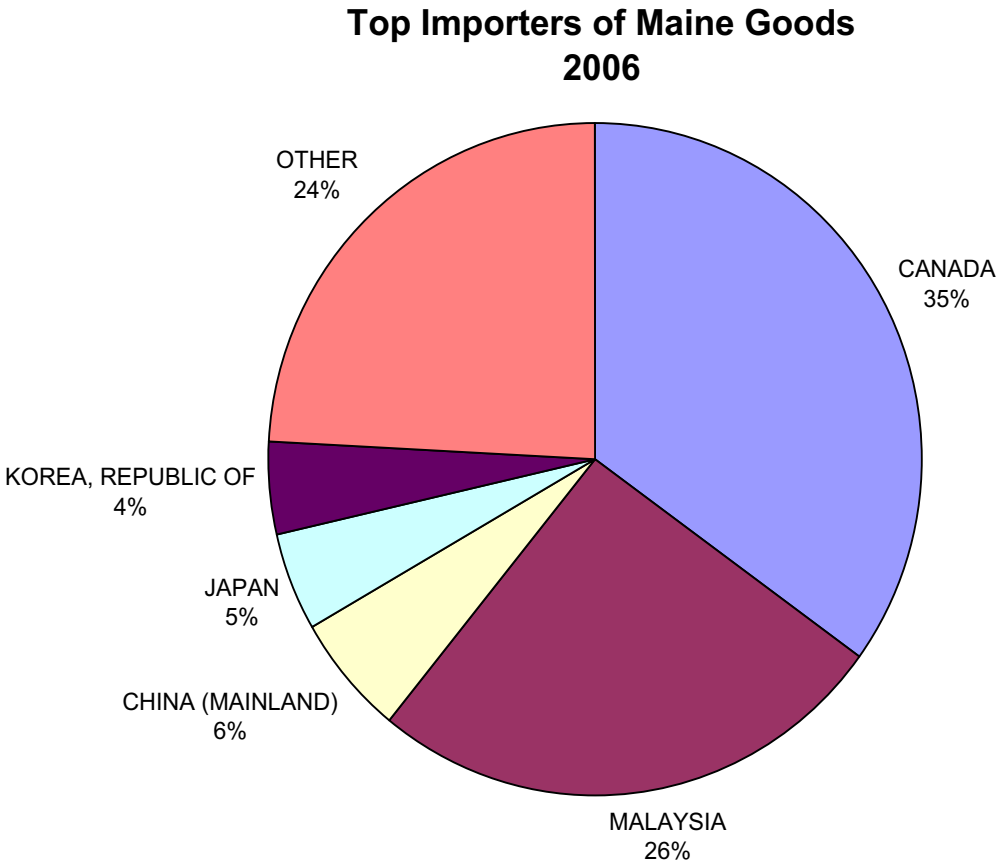
Maine's Exports Bounce Back in 2006, But Still Behind U.S.

Following a decline in 2005, Maine exports rebounded in 2006. Although Maine's 2005-2006 export growth rate of 13.7 percent was slightly below the U.S. rate of 14.7 percent, Maine posted a new record of just over $2.6 billion worth of overseas sales in 2006. Exports in semiconductors, forest products, aircraft parts, and military equipment all grew last year. Maine has made steady progress in tapping international markets since the early 1990s.

Maine's top five commodity exports through 2006 were (from first to fifth): electrical machinery (including semiconductors), paper and paperboard, wood and articles of wood, pulp products, and seafood. When all forest products are grouped together, they represent Maine's largest commodity export.

Canada is by far the largest consumer of Maine goods. The other top importers of Maine commodities are Malaysia, China (mainland), Japan, and Republic of Korea. Singapore dropped from the ranks of Maine's top trading partners, the result of semiconductor shipments being diverted to Malaysia.

6. International Exports (continued)

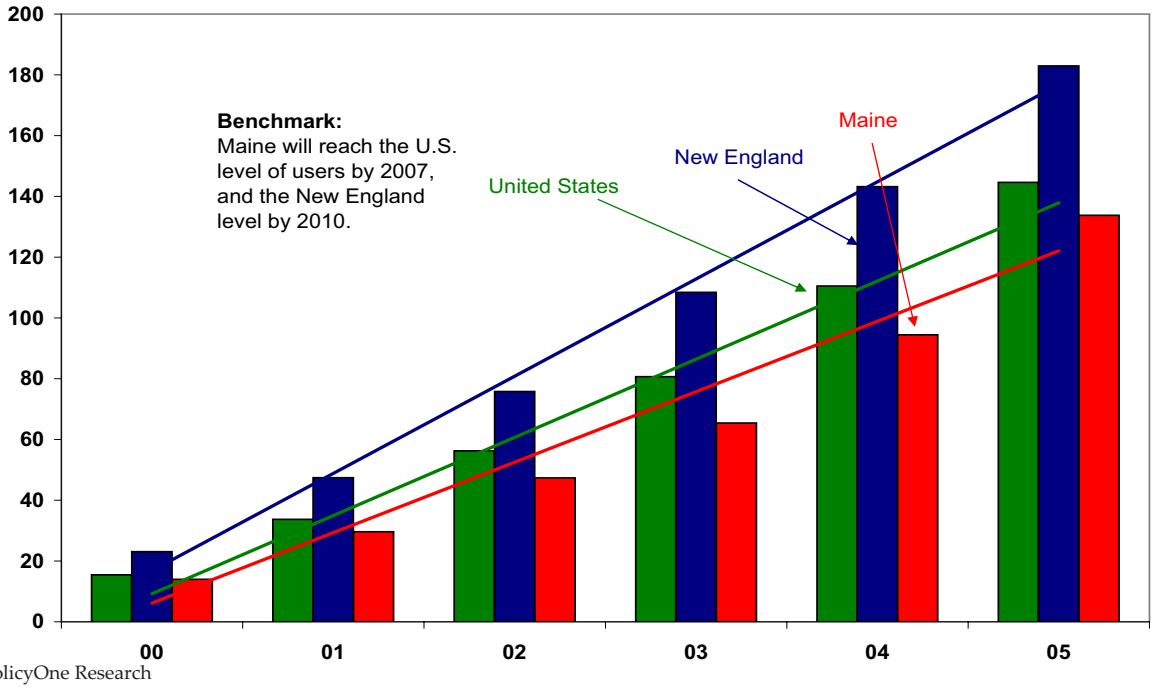


Major Exported Commodities, 2006 in Millions of Dollars		
Commodity	**2006**	**2006 Percent of Total**
Forest Products Sub-Total	**871**	**33%**
Paper & Paperboard & Articles (Inc. Paper Pulp Artl)	*306*	*12%*
Wood and Articles of Wood; Wood Charcoal	*296*	*11%*
Pulp of Wood etc.; Waste etc. of Paper & Paperboard	*269*	*10%*
Electric Machinery, etc.; Sound Equip; TV Equip; Pts	**804**	**31%**
Fish, Crustaceans & Aquatic Invertebrates	**195**	**7%**
Industrial Machinery, Including Computers	**129**	**5%**
Ships, Boats, & Floating Structures	**11**	**0%**
Other	**616**	**24%**
Total Exports	**2,627**	**100%**

7. High Speed Internet Subscribers

Benchmark: Maine will reach the U.S. level of high speed internet subscribers by 2007 and the New England level by 2010.

High Speed Internet Lines (Subscribers) per 1,000 Residents 2000-2005



Data Source: PolicyOne Research

High Speed Internet Subscribers Growing

High speed internet subscribers in Maine grew by 42.4 percent from 2004 to 2005, while the U.S. rate increased only 32 percent. Maine's high speed subscribers have grown by 890 percent since 2000.

Despite its progress, Maine is not yet on par with the rest of the country, and is well behind the New England region. As of this report, 134 people per 1,000 in Maine had a high speed internet connection, compared to 145 per 1,000 nationwide and 183 per 1,000 in New England. Maine ranks 25th nationally in this measure.

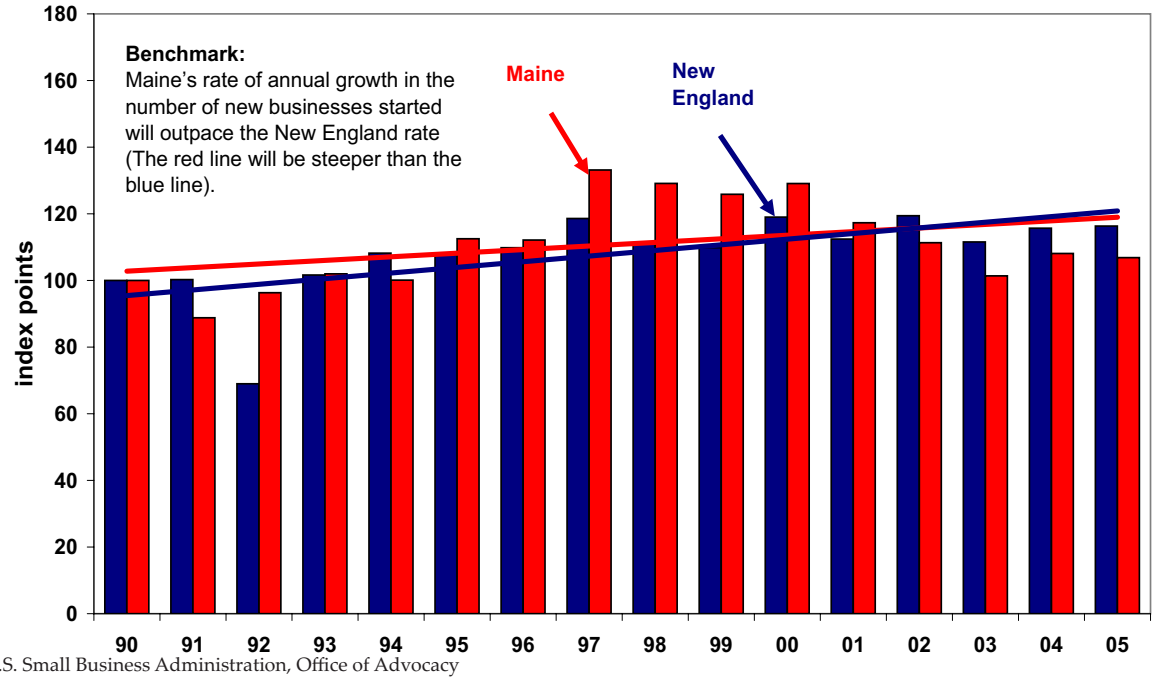
Internet access in rural areas is a challenge in Maine. The internet is primarily supplied through cable, telephone or wireless systems, and all three systems have limitations in reaching people in outlying regions. For cable, population density is an issue. Typically, cable companies do not extend lines down roads with fewer than 15-20 homes per mile. Telephone lines are technically limited in providing a consistent internet signal. In the case of wireless service, which relies on towers providing a signal to receivers on homes, physical terrain can create barriers. All of this means that an area such as the western mountains region, for example, is at a disadvantage for linking people to the World Wide Web.

The internet and telecommunication technology in general facilitates economic activity by allowing people to access information easily and communicate with others. Investments in all forms of connectivity infrastructure are critical as Maine seeks to integrate and compete in the global economy.

8. New Business Starts

Benchmark: Maine's rate of annual growth in the number of new businesses started will outpace the New England rate.

New Business Starts, New England & Maine (indexed from 1990), 1990-2005



Data Source: U.S. Small Business Administration, Office of Advocacy

New Business Starts in Maine Decrease

In 2005, 4,251 new businesses started in Maine, down 1.2 percent over the previous year. New business starts across New England increased 0.5 percent over the same time period. The graph shows that Maine is moving away from the benchmark on this indicator.

New business starts in Maine peaked between 1997 and 2000, and then experienced a decline from 2001 to 2003. Both the region and Maine experienced a rebound in 2004. New England continued to experience growth in new firms in 2005 while Maine did not.

For ease of comparison, the graph shows Maine and New England data indexed to 1990, whereby 1990 values were equalized to 100. The measure itself does not consider the number of business failures, acquisitions or mergers. It is the number of businesses each year that are "a new registration" with the state, or an applicant for a new account number with the state's Department of Employment Security. Also, the data presented here reflects only new businesses that have at least one employee other than the owner.

The data reflected in the graph provided by the U.S. Small Business Administration (SBA) does not take sole proprietors with no employees into account. Research conducted by the University of Maine Cooperative Extension shows that growth in new business starts by sole proprietors is increasing, and that female sole proprietors comprise an estimated 60 percent of these businesses.*

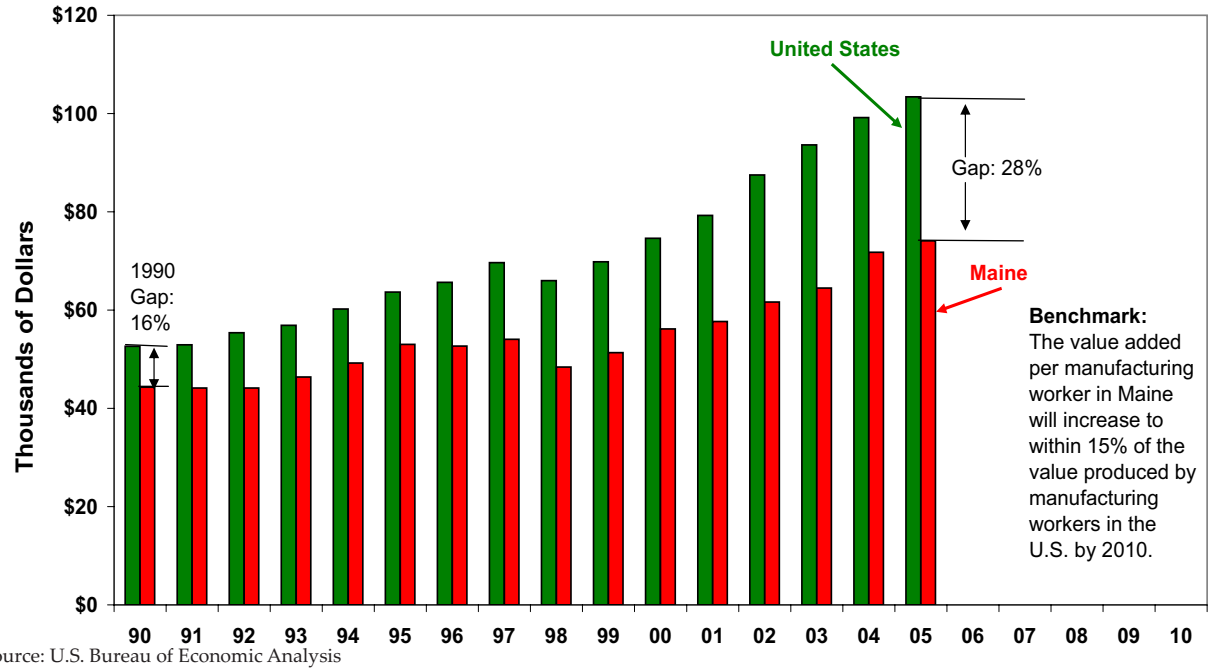
Annual Growth		
	ME	NE
1990	-11.1%	-12.3%
1991	-11.2%	0.3%
1992	8.5%	-31.2%
1993	5.9%	47.3%
1994	-1.8%	6.5%
1995	12.4%	-0.4%
1996	-3.0%	2.0%
1997	18.7%	8.0%
1998	-3.0%	-6.2%
1999	-2.5%	-1.2%
2000	2.5%	7.7%
2001	-10.0%	-5.9%
2002	-5.4%	5.9%
2003	-9.8%	-7.1%
2004	6.2%	3.6%
2005	-1.2%	0.5%

*Information on sole proprietorships in Maine compiled by James C. McConnon, Jr., Business and Economics Specialist, University of Maine Cooperative Extension.

9. Manufacturing Productivity

Benchmark: The value added per manufacturing worker in Maine will increase to within 15% of the value added per manufacturing worker in the U.S. by 2010.

Manufacturing Value Added per Manufacturing Worker
U.S. and Maine 1990 - 2005



Data Source: U.S. Bureau of Economic Analysis

Gap Remains Wide Between Maine and U.S. Productivity

In 2005, each manufacturing sector worker in Maine produced $74,106 worth of product on average, an increase of 3.2 percent from 2004. During the same time period, U.S. manufacturing productivity increased by 4.3 percent.*

While both Maine and the United States have experienced consistent increases in worker productivity over time, the current gap in productivity between the United States and Maine is wide at 28 percentage points. Moreover, the gap between Maine and the U.S. grew over 10 percentage points in the last 10 years. This measure is not progressing toward the benchmark and is a source of concern. The Growth Council has flagged this indicator.

This measure primarily reflects capital improvements and investments in worker training and education that add value to the product. These investments must be made if Maine is to close the gap with the U.S.

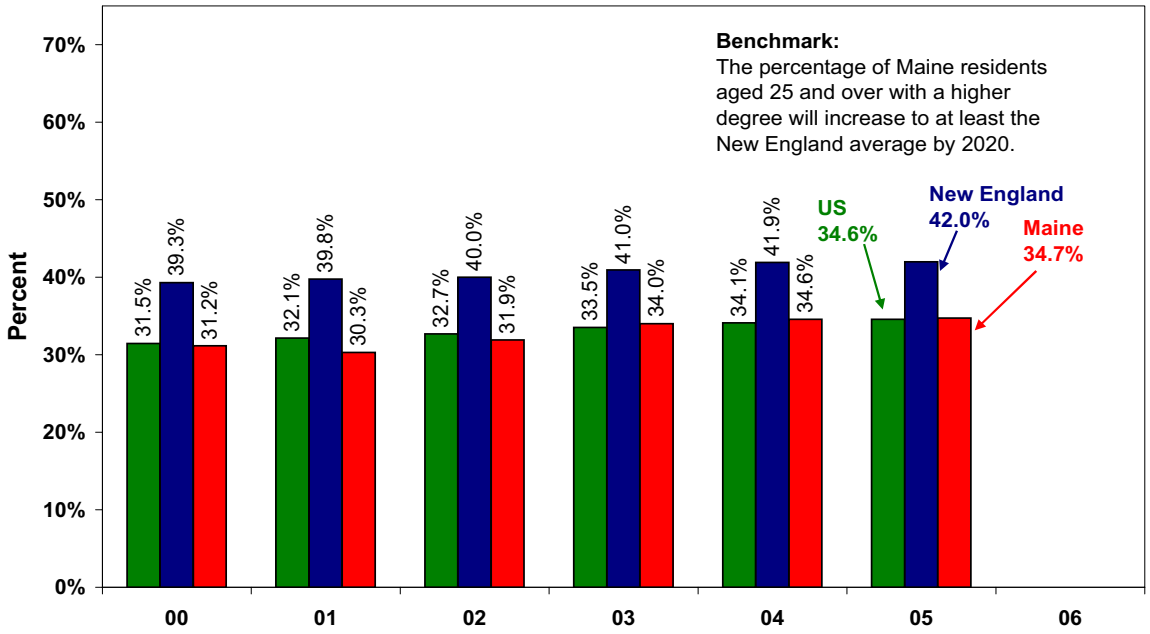
In 2006, the Maine Legislature created a personal property tax exemption effective April 1, 2008. Under the new law, businesses will receive an exemption from municipalities rather than having to pay property tax and then get reimbursed for it later from the state (as was the case under the Business Equipment Tax Reimbursement program). The goal behind the legislation is to create a greater incentive for businesses to make capital investments, as they will no longer need to seek reimbursement.

*Productivity is calculated here by dividing the total number of manufacturing employees into value added by the manufacturing sector in Maine. Value added is defined as the amount contributed by the sector to the state's Gross Domestic Product. Employment figures do not reflect all manufacturing employees, as some types of manufacturing activities are increasingly outsourced to companies in the "service sector" such as employment contractors.

10. Higher Degree Attainment

Benchmark: The percentage of Maine residents age 25 and over with a higher education degree will increase to at least the New England average by 2020.

Higher Degree Attainment Among Residents Aged 25 and Over
U.S., New England and Maine 2000 - 2005



Data Source: U.S. Census Bureau, American Community Survey

More Maine People Have Higher Degrees

In 2005, 34.7 percent of people in Maine age 25 and over held an associate's, bachelors or advanced degree. By comparison, 42 percent of people in New England held a degree, while the percentage nationwide was 34.6.

In that same year, 14 percent of New Englanders had graduate or professional degrees, while 8.6 percent in Maine held advanced degrees. New England's bachelor degree rate was 20.1 percent last year, whereas Maine's was 17 percent. Finally, in 2005, New England's proportion of associate's degree holders was 7.9 percent, compared to 9.1 percent in Maine.

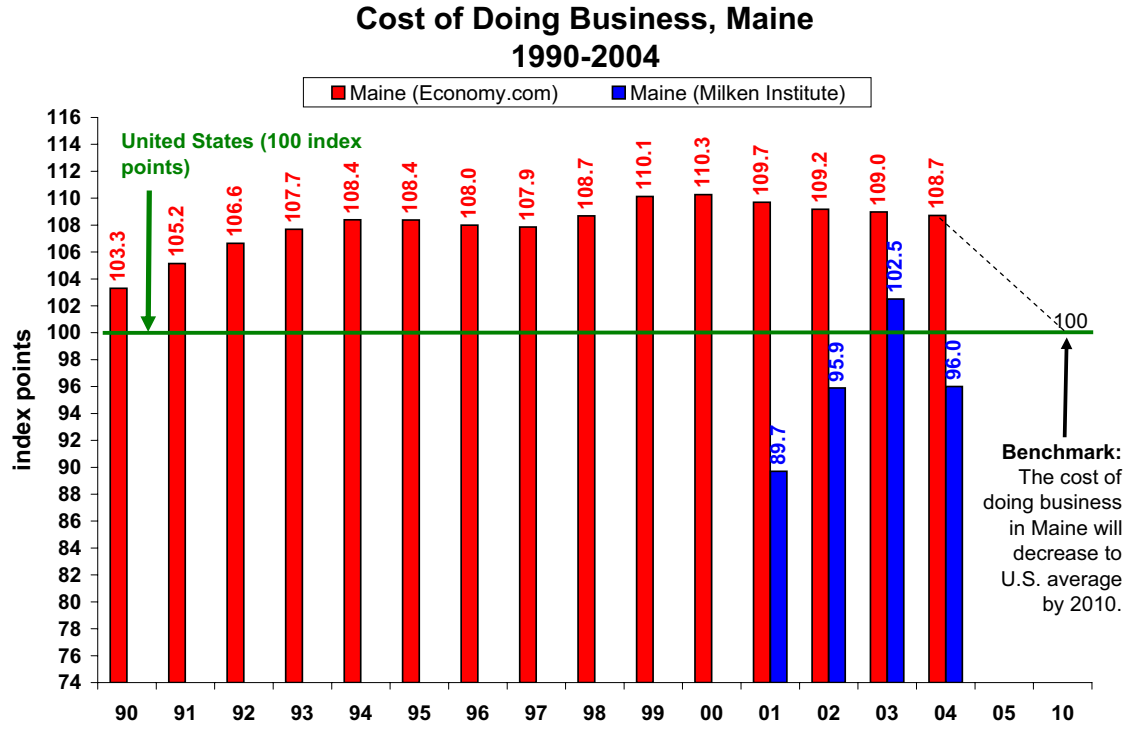
Maine has made steady progress in recent years in increasing its degree attainment levels. However, as the graph illustrates, so have New England and the U.S. While Maine outpaces the nation slightly in degree attainment, a substantial gap remains between Maine and the rest of the region.

Higher education has become an increasingly critical factor in Maine's economic development, given today's "knowledge economy." Each of Maine's degree attainment levels needs to grow in order for the state to attract business investment and create better jobs. A more educated workforce is central to Maine's competitiveness in an era of rapid knowledge advancement around the globe.

The benchmark for this measure is set to the goal of the Maine Compact for Higher Education, which is to reach the New England level of degree holders by 2020.

11. Cost of Doing Business

Benchmark: The cost of doing business in Maine will decrease to U.S. average by 2010.



Data Source: Economy.com, Cost of Doing Business 12th Edition, 2006; Milken Institute, October 2005.

Cost of Doing Business High in Maine Relative to U.S.

According to Economy.com (red bar on graph), Maine's cost of doing business in 2004 was 8.7 points higher than the national average cost of doing business. Though the cost of doing business in Maine as reported by Economy.com decreased in 2004, it remains one of the highest in the country. Maine ranked in the top ten for this measure each year between 1995 and 2004. (See table below)

The cost of doing business affects decisions of firms looking to relocate to Maine, expand within Maine, or leave the state. The Economy.com index factors in the costs of labor (including health care costs), energy and taxes. The Milken index adds in rent for commercial space as well. Maine ranks high in the cost of doing business because of its above average costs for health care, energy and taxes.

Unit labor costs comprise 75 percent of the Economy.com index; energy costs comprise 15 percent; and the tax burden is 10 percent. For the Milken Institute, wage costs represent 50 percent of the index; 20 percent is the tax burden; 15 percent is energy costs; 10 percent is the cost of renting warehouse space; and 5 percent is the cost of renting office space.

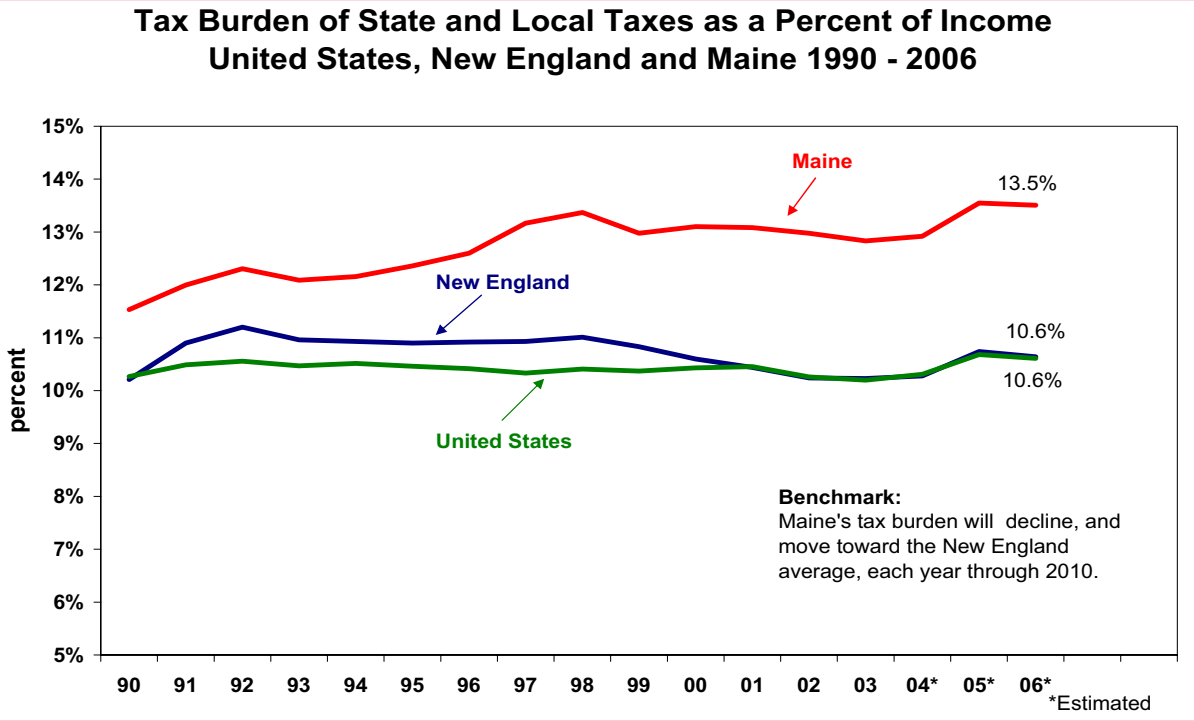
When commercial and industrial rental prices are factored into the cost of doing business calculations, Maine's overall costs appear more favorable but also more volatile. The Growth Council uses the Economy.com Index as its benchmark because of its 15 year history and the stability of the measure.

Cost of Doing Business National Rankings
1995-2004

	95	96	97	98	99	00	01	02	03	04
Economy.com	7	8	8	7	5	5	5	6	6	6
Milken							36	23	16	19

12. State and Local Tax Burden

Benchmark: Maine's tax burden will decline and move toward the New England average each year through 2010.



Data Source: Tax Foundation; Maine Revenue Services

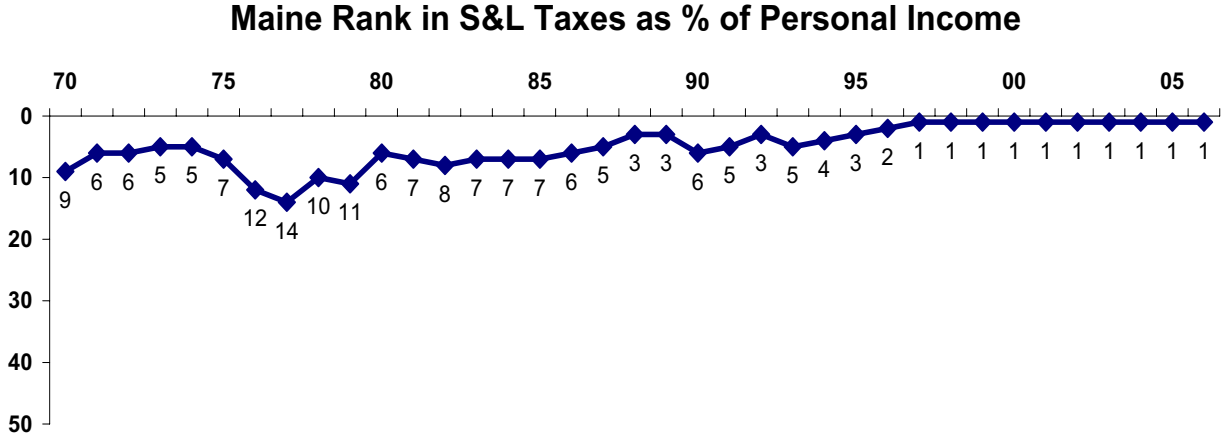
Maine's Tax Burden Stable But High

According to the Tax Foundation, in 2006 Maine's state and local taxes were an estimated 13.5 percent of income. This estimate is virtually unchanged from the 2005 estimate. By comparison, both the New England and the U.S. tax burdens are holding between 10 and 11 percent.

Total state and local taxes in Maine for 2006 amounted to approximately $5.6 billion, of which property taxes accounted for about $1.9 billion, income taxes approximately $1.4 billion, and sales taxes near $950 million.

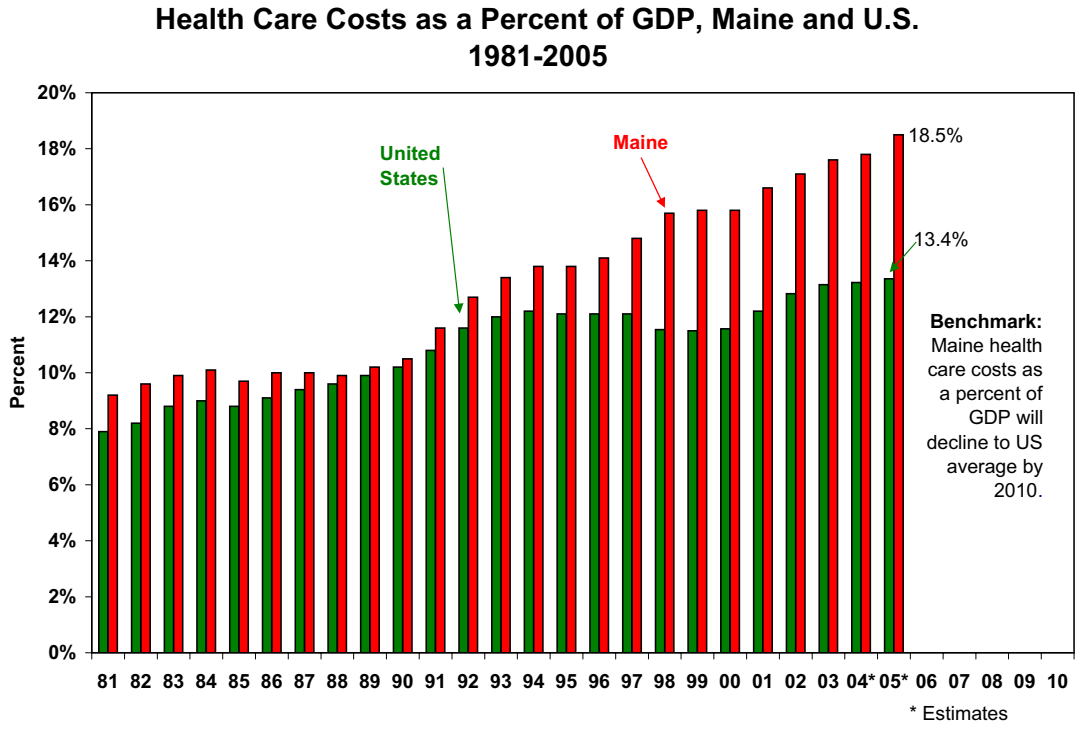
This measure has not made progress toward the benchmark, and the Growth Council has given it a Red Flag. Reducing Maine's tax burden is an important factor in achieving sustainable economic growth. Maine competes with other New England states to attract people and businesses, and its high tax burden puts the state at a disadvantage.

The chart below shows Maine's rise over time to becoming the state with the highest tax burden in the country.



13. Cost of Health Care

Benchmark: Health care costs as a percent of GDP will decline to U.S. average by 2010.



Data Source: Governor's Office of Health Policy and Finance, Centers of Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; MeHAF

Health Care Costs Remain Well Above U.S. Average*

The Growth Council has given this indicator a Red Flag. In 2005, personal health care costs for Maine's people and businesses amounted to an estimated 18.5 percent of Maine's Gross Domestic Product (GDP), up from an estimated 17.8 percent in 2004. For the U.S. as a whole in 2005, health care costs were an estimated 13.4 percent of GDP, a slight uptick from an estimated 13.2 percent in 2004.

Maine's health care costs continue to rise each year, and are moving away from the benchmark. The cost of health care in Maine is an important factor for businesses considering moving to or expanding in Maine. Rising costs represent increasing health insurance premiums for businesses and increasing deductibles and out-of-pocket expenses for employees.

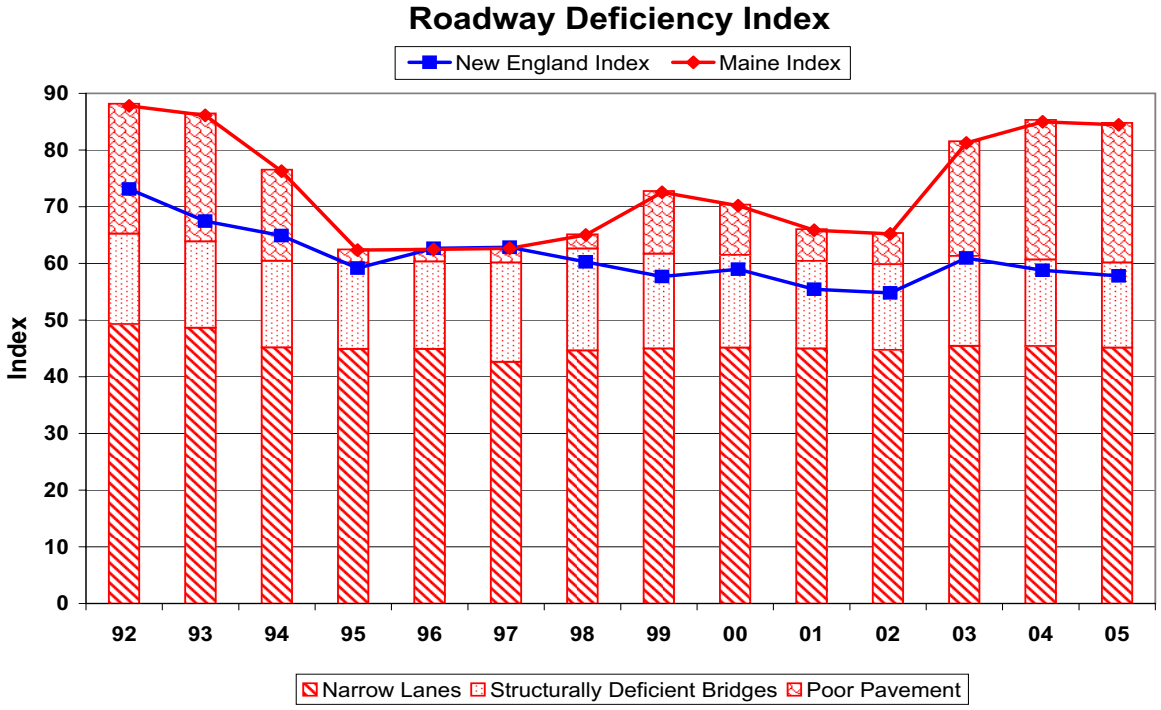
A number of elements are driving the increasing cost of health care in Maine. They include advances in medical technology and costly new treatments; inefficient, costly care for the uninsured; a rural, older population; rising demand for services; and a generally poor overall health status.

A number of strategies exist for reducing the cost of health care in Maine. One opportunity for bringing down the cost lies in Maine's citizens improving their lifestyle choices. Maine has high smoking, poor nutrition and inactivity levels, all of which lead to chronic diseases such as cancer, cardiovascular disease, lung disease, and diabetes. The rates of these diseases can be minimized and health costs can be attenuated if preventative steps are taken on behalf of Maine people.

*The data for this indicator was unavailable for update for 2007. The graph appears as it did in the 2006 *Measures of Growth* report.

14. Transportation Infrastructure

Benchmark: Maine's roadway deficiency index will decline each year and eventually to the New England index.



Data Source: Maine Tomorrow

Maine's Roadways in Poor Condition

The Growth Council believes a strong transportation system is critical for Maine's economic development, and for this reason the Council chose to adopt a transportation infrastructure indicator this year. The Roadway Deficiency Index shown above is a composite measure of the percentage of pavement in poor condition, the percentage of bridges that are structurally deficient, and the percentage of road mileage with lanes narrower than 10 feet. (Note: roads that have lanes 10 feet wide and narrower have not been built to modern standards.) The benchmark for this measure is that Maine's roadway deficiency index will decline each year and eventually meet the New England index.

The index lines compare Maine with New England. As the graph shows, Maine's roadways are in considerably worse condition than the rest of the region. The graph also shows that poor pavement has become a more pronounced issue in the last few years. Poor pavement condition in Maine results in higher operating costs for vehicles using the roads, increased crash rates and ultimately higher construction costs to return the pavement to good condition.

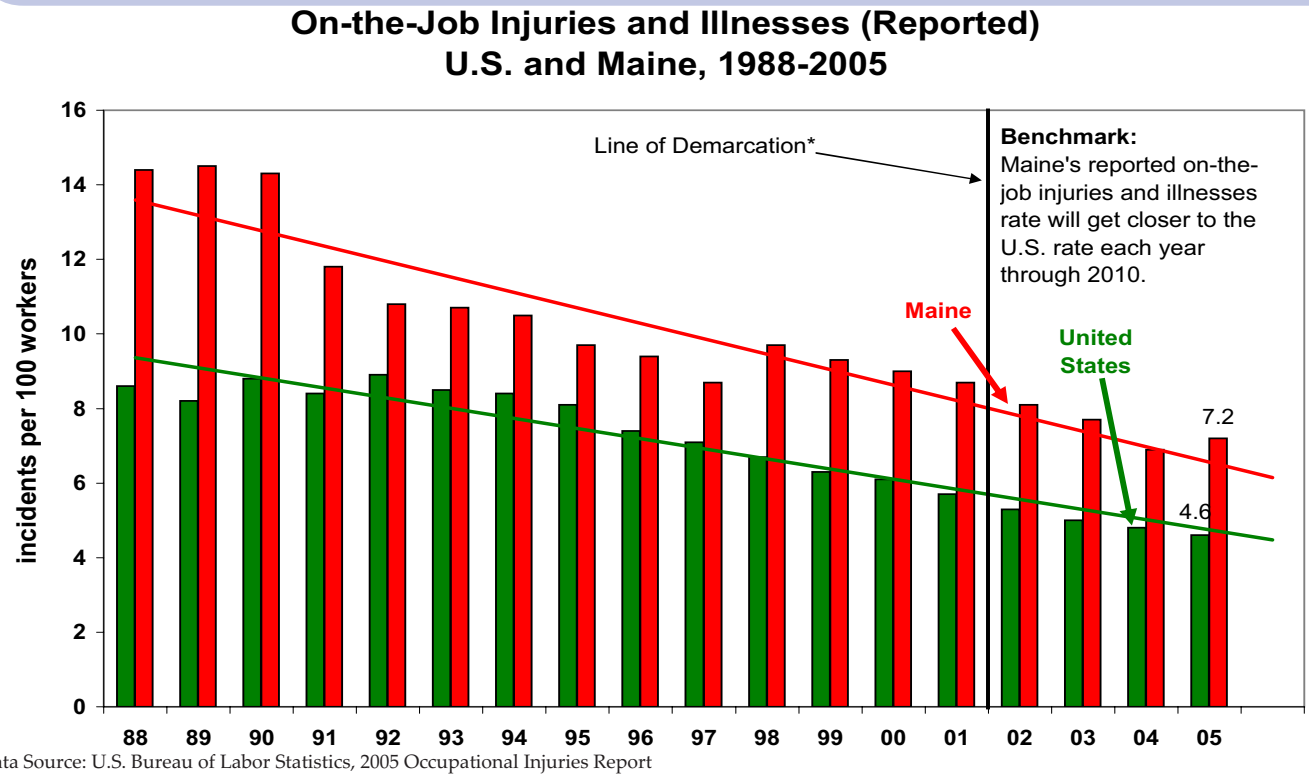
The Growth Council has given this indicator a Red Flag. Like telecommunications infrastructure, transportation infrastructure connects people and facilitates economic activity. Improvements in all modes of transportation – roads, rail, air, and ports – make Maine more attractive to those interested in doing business here, and network Maine to the wider world.

The structurally deficient bridge measure is the proportion of Maine's bridges that are eligible for replacement using Federal Highway Administration Bridge Replacement and Rehabilitation Program funds. Bridges can also be functionally obsolete, which means they may need more lanes, wider shoulders, etc. However, this measure only considers those bridges that are structurally deficient.

Narrow lane roads serve here as a proxy for posted roads (roads with temporary weight restrictions), for which no comparative data exists. Roads not built to modern standards impact industries that depend on moving heavy loads during the spring thaw months, such as the pulp and paper industry.

15. On-the-Job Injuries and Illnesses (Reported)

Benchmark: Maine's reported on-the-job injury rate will move closer to the U.S. rate each year through 2010.



Data Source: U.S. Bureau of Labor Statistics, 2005 Occupational Injuries Report

Maine Rate Increases Slightly and Moves Away From Benchmark

In 2005, there were 7.2 reported injuries and illnesses for every 100 full-time Maine workers, up from 6.9 per 100 workers in 2004.** During that same time period, the number of incidents in the U.S. dropped from 4.8 to 4.6 per 100 workers. While Maine moved away from the benchmark on this indicator this year, workplace injuries and illnesses have declined significantly since the late 1980s.

The vitality of the workplace and larger community is negatively affected by injuries and illnesses that occur on the job. Workplace safety is an important component of long-term economic growth; injuries translate directly into increased health costs and decreased output.

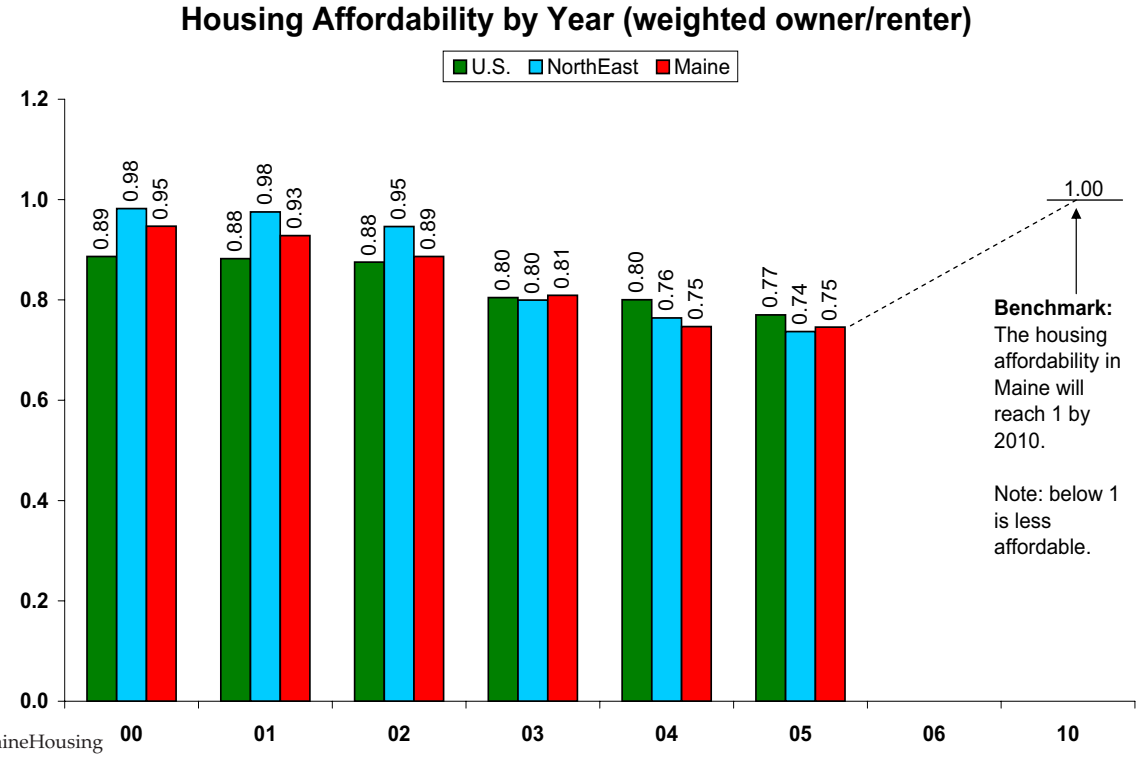
The data upon which this measure is based includes all types of work-related injuries and illnesses required to be recorded by the Occupational Safety and Health Administration (OSHA). OSHA defines an injury or an illness as an abnormal condition or disorder. Injuries include cases such as, but not limited to, a cut, fracture, sprain, or amputation. Illnesses include both acute and chronic illnesses, such as, but not limited to, a skin disease, respiratory disorder, or poisoning. While some workplace injuries and illnesses go unreported, many Maine companies, insurers, government agencies, and unions have taken steps to increase emphasis on safety and on reporting injuries.

*Effective January 1, 2002, OSHA revised its requirements for recording occupational injuries and illnesses. Details about the revised requirements, including a summary of the revisions and a comparison between the old and new requirements, are available from the OSHA Internet site at http://www.osha-slc.gov/recordkeeping/index.html.

**OSHA recordable incident rate for the State of Maine for public and private sector establishments.

16. Affordable Housing

Benchmark: The housing affordability index in Maine will reach 1 by 2010.



Data Source: MaineHousing

Housing Affordability Stable But Well Below Benchmark

Housing affordability in Maine continued to be a problem in 2005. This measure remains well below the benchmark.

The index used here is the weighted average of the MaineHousing homeownership affordability index* and rental affordability index,** with the weighting based on the relative numbers of homeowner and rental households.

In the graph above, the higher the index, the more affordable housing is; the lower the index, the less affordable. It can be seen that in Maine, as in the Northeast and U.S. as a whole, housing has become less affordable over the last few years.

High housing costs create a drag on the economy. It decreases consumer spending as people must pay more for their homes or apartments. It also keeps young workers from becoming first-time home buyers. Moreover, lack of affordable housing impacts the environment. In most of Maine's employment centers, high housing costs are forcing people to commute long distances because they can't afford to live in the same communities in which they work. This contributes to sprawl, including increased traffic problems, highway maintenance costs and dependence on fossil fuels.

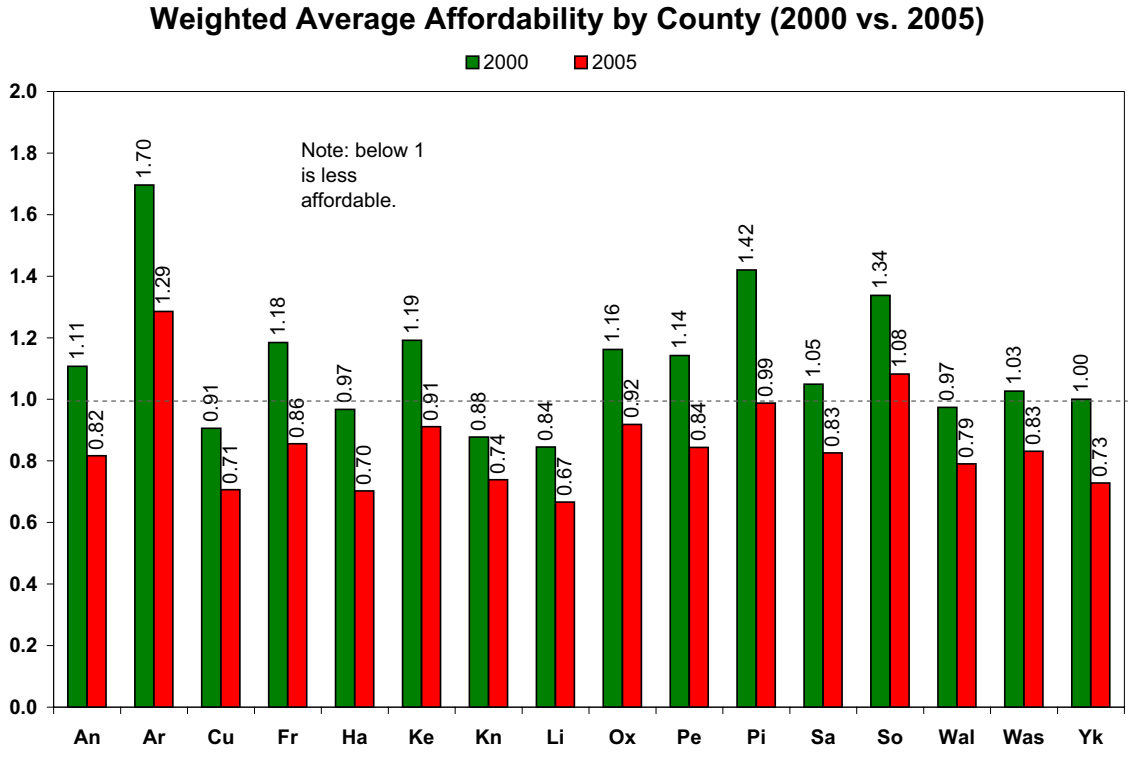
(Continued on next page)

*The homeownership affordability index is the ratio of the home price that a Maine household at median income can afford to the actual median home price. A home price is considered to be affordable if no more than 28 percent of monthly gross income is needed to cover payment on a 30 year mortgage with a 5 percent down payment (including taxes, homeowners insurance, and private mortgage insurance).

**The rental affordability index is the ratio of the rent that a Maine renter household with median renter household income can afford to the actual average rent for a two bedroom apartment, including utilities. A rental is considered to be affordable if no more than 30 percent of gross monthly income is needed to cover the rent. In this index, median rental household income is used rather than median household income generally, because typically the median income of renter households is 25 to 35 percent less than households overall.

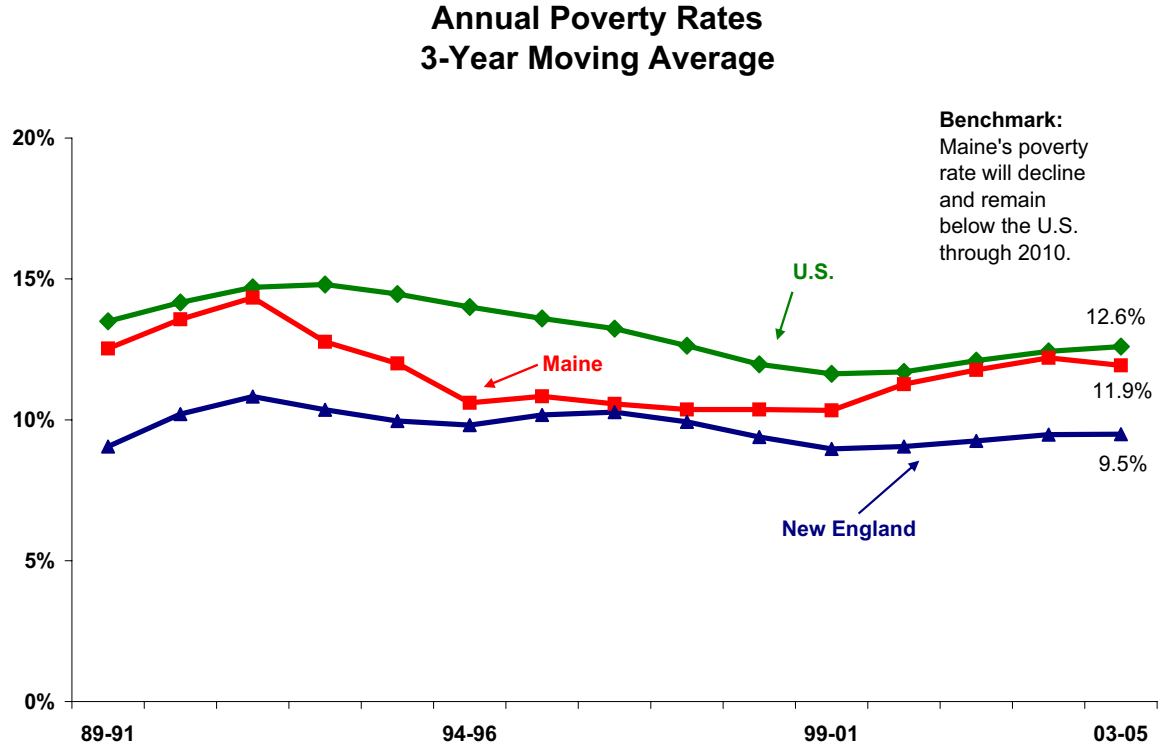
16. Affordable Housing (continued)

The graph below shows homeowner/renter affordability across all 16 Maine counties in 2000 and 2005. It can be seen that affordable housing was an issue in 5 counties in 2000, and has since become a problem in 14 counties.



17. Poverty

Benchmark: Maine's poverty rate will decline and remain below the U.S. through 2010.



Data Source: U.S. Census Bureau, American Community Survey

Maine's Poverty Rate Shows Slight Improvement

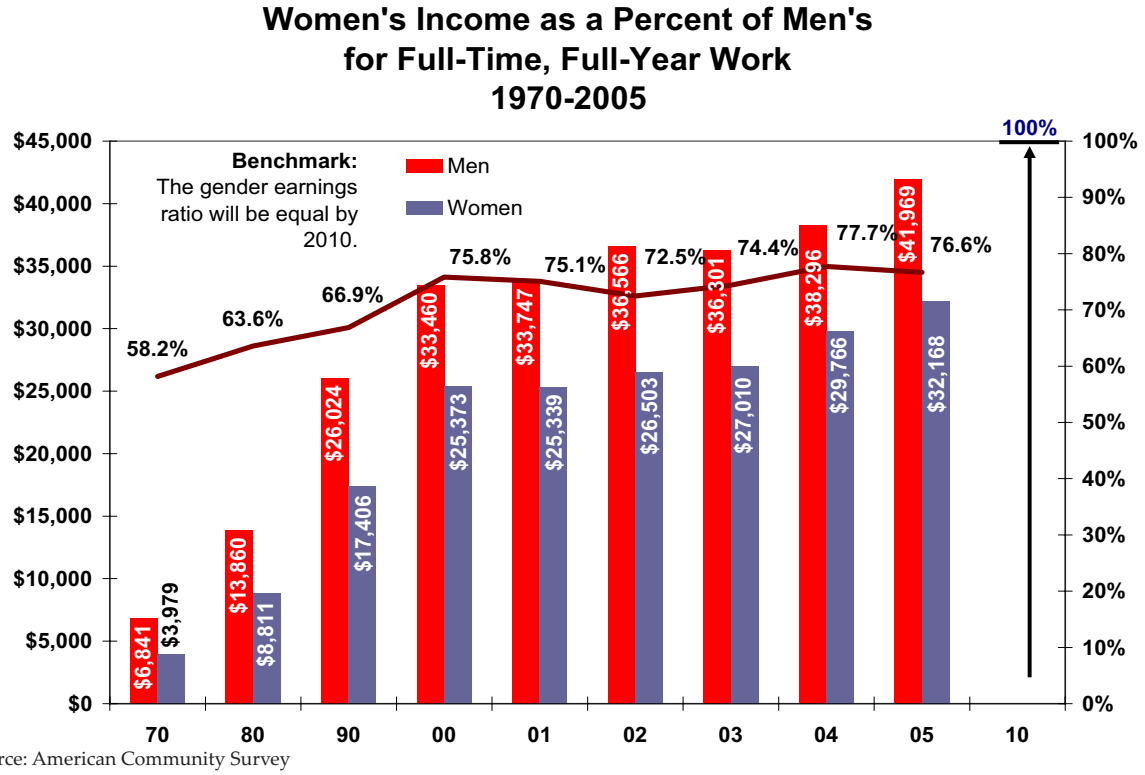
After a trend that saw a steady rise in the poverty rate dating to the late 1990s, Maine has begun to witness a decline in the percentage of the state's population living in poverty. The state is hitting the benchmark on this indicator.

The graph shows poverty rates based on three-year averages. The average rate of Maine people living in poverty from 1999 to 2001 was 10.3 percent. The rate increased to 12.2 percent through the three-year period from 2002 to 2004. From 2003 to 2005, however, the poverty rate moved down to 11.9 percent. By comparison, the U.S. poverty rate continues to trend upward while the New England rate has leveled off.

Poverty impacts Maine on many levels. Children growing up in poverty are more likely to experience lags in physical and mental development, which diminishes their chances for educational success and future contributions to the workforce and community. Additional aspects of poverty can include substance abuse and crime. Such negative spin-offs create increased dependency on public resources to cover costs such as health care and criminal justice.

18. Gender Income Disparity

Benchmark: The median annual income of women working full-time will improve to 100 percent of the median annual income of men working full-time by 2010.



Data Source: American Community Survey

Women's Income Still Significantly Lower Than Men's*

In 2005, the median annual income of all women in Maine who worked full-time, full-year was $32,168, compared to a median income of $41,969 earned by men who worked full-time, full-year. This translates to an earnings ratio of 76.6 percent. The Growth Council's benchmark calls for a 100 percent ratio by 2010.

Disparities in the amount of money that women make compared to men provide disincentives for women to contribute to the labor force, and impair economic growth by not fully realizing the benefit of having productive, economic contributions from all people.

The prosperity of women affects Maine's communities broadly and there are significant economic costs associated with the wage disparity. Since many more women than men constitute single heads of households, increasing women's wages to a level more in line with male earnings can decrease poverty. Also, higher earnings among younger women, who are saving for retirement and contributing to social security, can provide greater economic security for those women later in life and decrease the dependency of Maine's elderly population. Given that women tend to have a longer life expectancy than men, adequate income for retirement is that much more important.

The chart on the next page gives a breakdown of median earnings for males and females across various occupations in Maine. It can be seen that women are making as much or more than men in computer and mathematical professions, social services, and maintenance and repair work. Women are earning considerably less than men in the legal profession; health care; farming, fishing and forestry; and transportation.

*Last year's report used total earnings data instead of the more appropriate measure of full-time, full-year employment. The Growth Council regrets this error.

18. Gender Income Disparity (continued)

The chart below provides a breakdown of median earnings for males and females across various occupations in Maine.

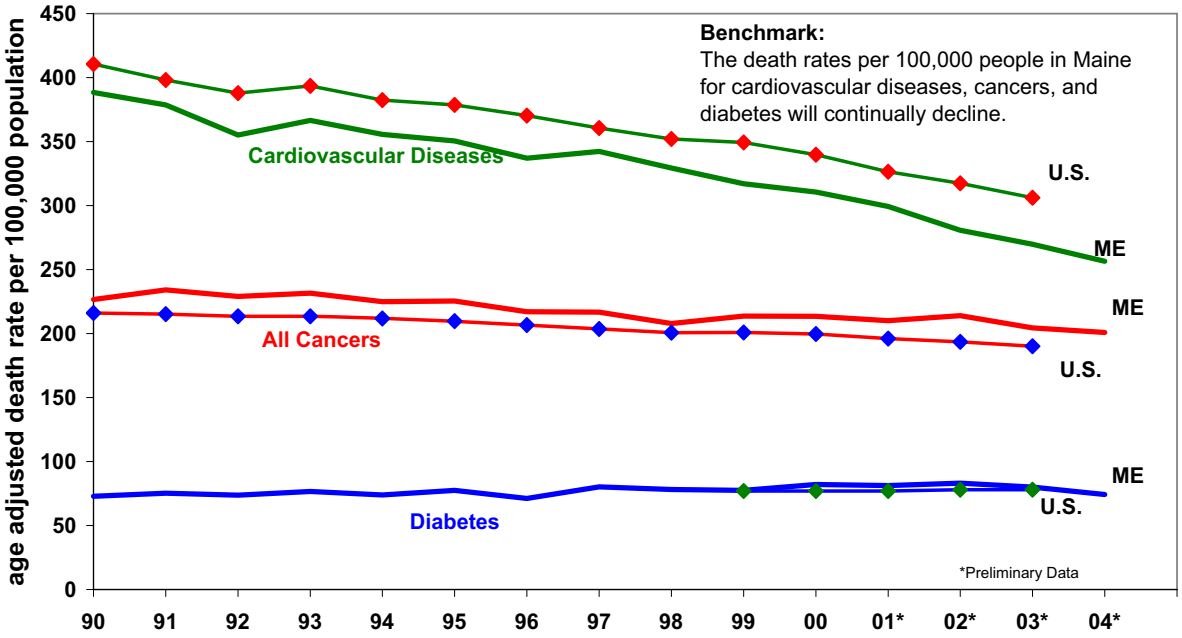
2005 Median Earnings for Full-Time, Year-Round, Civilian Employed Population 16 Years and Over				
Occupation	Male	Female	Difference	Women's Earnings as % of Men's
Management, professional, and related occupations	$51,811	$39,748	$12,063	76.7%
Management, business, and financial occupations	$53,218	$42,435	$10,783	79.7%
Management occupations	$55,488	$44,552	$10,936	80.3%
Business and financial operations occupations	$50,382	$39,141	$11,241	77.7%
Professional and related occupations	$50,950	$38,244	$12,706	75.1%
Computer and mathematical occupations	$50,816	$53,069	-$2,253	104.4%
Architecture and engineering occupations	$57,739	$47,328	$10,411	82.0%
Life, physical, and social science occupations	$50,078	$36,216	$13,862	72.3%
Community and social services occupations	$32,500	$33,916	-$1,416	104.4%
Legal occupations	$99,562	$41,009	$58,553	41.2%
Education, training, and library occupations	$42,741	$35,756	$6,985	83.7%
Arts, design, entertainment, sports, and media occupations	$43,952	$29,525	$14,427	67.2%
Healthcare practitioner and technical occupations:	$92,771	$42,046	$50,725	45.3%
Health diagnosing and treating practitioners and other technical occupations	$100,000	$48,292	$51,708	48.3%
Health technologists and technicians	$60,714	$35,103	$25,611	57.8%
Service occupations	$28,814	$21,516	$7,298	74.7%
Healthcare support occupations	$26,353	$23,664	$2,689	89.8%
Protective service occupations	$41,503	$31,100	$10,403	74.9%
Fire fighting and prevention, and other protective service workers including supervisors	$45,426	$31,031	$14,395	68.3%
Law enforcement workers including supervisors	$40,644	$31,310	$9,334	77.0%
Food preparation and serving related occupations	$21,774	$18,280	$3,494	84.0%
Building and grounds cleaning and maintenance occupations	$23,175	$21,102	$2,073	91.1%
Personal care and service occupations	$29,860	$20,444	$9,416	68.5%
Sales and office occupations	$36,025	$26,697	$9,328	74.1%
Sales and related occupations	$37,750	$25,869	$11,881	68.5%
Office and administrative support occupations	$31,533	$26,812	$4,721	85.0%
Farming, fishing, and forestry occupations	$35,258	$16,236	$19,022	46.0%
Construction, extraction, maintenance, and repair occupations	$35,595	$29,708	$5,887	83.5%
Construction and extraction occupations	$34,175	$29,071	$5,104	85.1%
Installation, maintenance, and repair occupations	$37,916	$55,014	-$17,098	145.1%
Production, transportation, and material moving occupations	$35,759	$23,750	$12,009	66.4%
Production occupations	$38,805	$24,105	$14,700	62.1%
Transportation and material moving occupations	$31,963	$22,348	$9,615	69.9%
Supervisors, transportation and material moving workers, and other transportation workers except motor vehicle operators	$46,892	$21,447	$25,445	45.7%
Motor vehicle operators	$32,424	$20,092	$12,332	62.0%
Material moving workers	$29,769	$24,561	$5,208	82.5%

Source: U.S. Census Bureau, 2005 American Community Survey

19. Chronic Disease

Benchmark: The death rates per 100,000 people in Maine attributed to cardiovascular diseases, cancer, and diabetes will continually decline.

Death Rates from Select Chronic Diseases
U.S. and Maine, 1990-2004



Data Source: Maine Mortality Data Files, Prepared by: Maine Department of Health and Human Services, Maine Center for Disease Control and Prevention, Office of Data, Research and Vital Statistics.

Death Rate for Cardiovascular Disease Continues to Fall

In 2004, the estimated death rates of the chronic diseases tracked in the graph were all in decline, compared to 2003.* From 1990 to 2004, the cardiovascular mortality rate decreased by 34 percent, the cancer death rate decreased by 11.4 percent, and the diabetes death rate increased by 1.8 percent.**

The term "chronic disease" refers to a wide variety of health conditions that are not contagious and that can rarely be completely cured. Death rates in Maine attributed to the three major chronic diseases – cardiovascular disease, cancer, and diabetes – are impacted by lifestyle choices such as smoking, diet and exercise.

Chronic diseases negatively impact the quality of individual lives and the larger community. Costs associated with lost work time, hospitalization, and treatment of these often-fatal diseases also affect the economy. Caring for people living with chronic diseases comprises a significant part of Maine's health care costs.

At least one factor contributing to the reduction in chronic disease mortality may be Maine's significant efforts to address lifestyle risks. In recent years, the Maine Center for Disease Control and Prevention (formerly the Bureau of Health) invested most of the state's tobacco settlement funds into prevention programs, and the state passed laws restricting tobacco use in public places

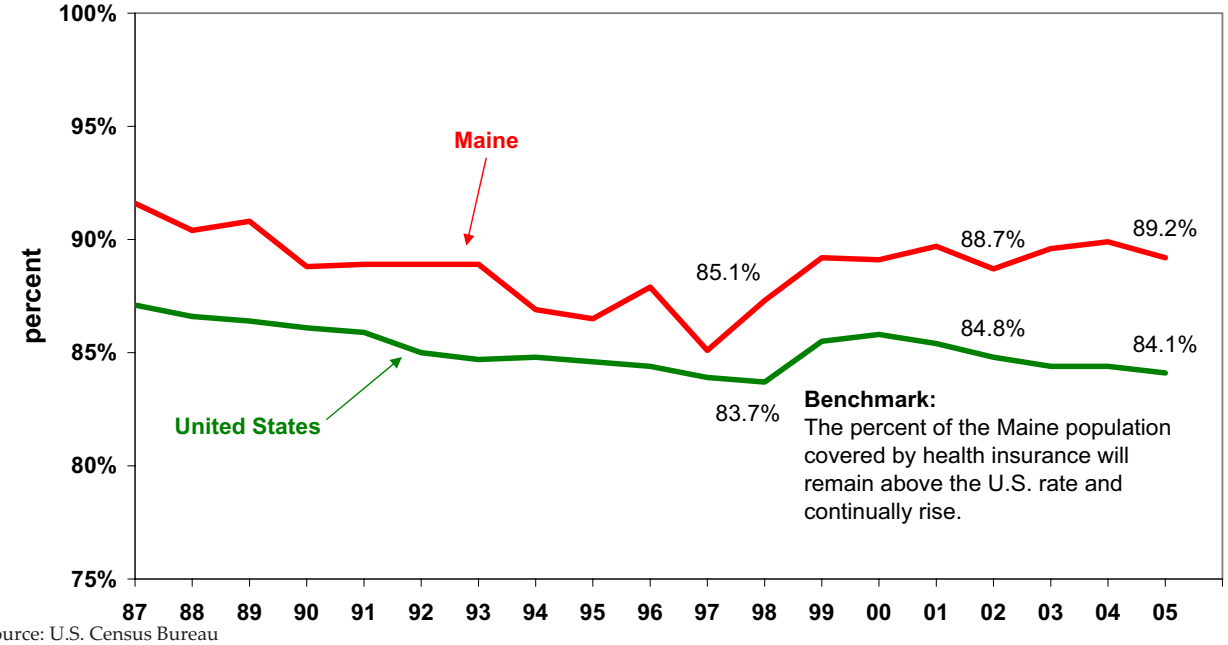
*Death rates serve as a proxy for the number of people living with chronic diseases.

**Data from 2001 to 2004 is preliminary. Data on chronic diseases were age-adjusted to the year 2000 standard population. Age-adjusted rates are useful for comparison purposes only, not to measure absolute magnitude. Age adjustment is a technique for removing the effects of age from crude rates, so as to allow meaningful comparisons across populations with different underlying age structures.

20. Health Insurance Coverage

Benchmark: The percentage of Maine's population with health insurance coverage will continually rise and remain above the U.S. rate.

Percent of Population with Health Insurance Coverage
U.S. and Maine, 1987-2005



Data Source: U.S. Census Bureau

Health Coverage in Maine Down Slightly But Still High

In 2005, over 89 percent of people in Maine were covered by health insurance, whereas 84 percent of the U.S. population had coverage. Slightly fewer Maine people had health insurance coverage in 2005 as compared to 2004.

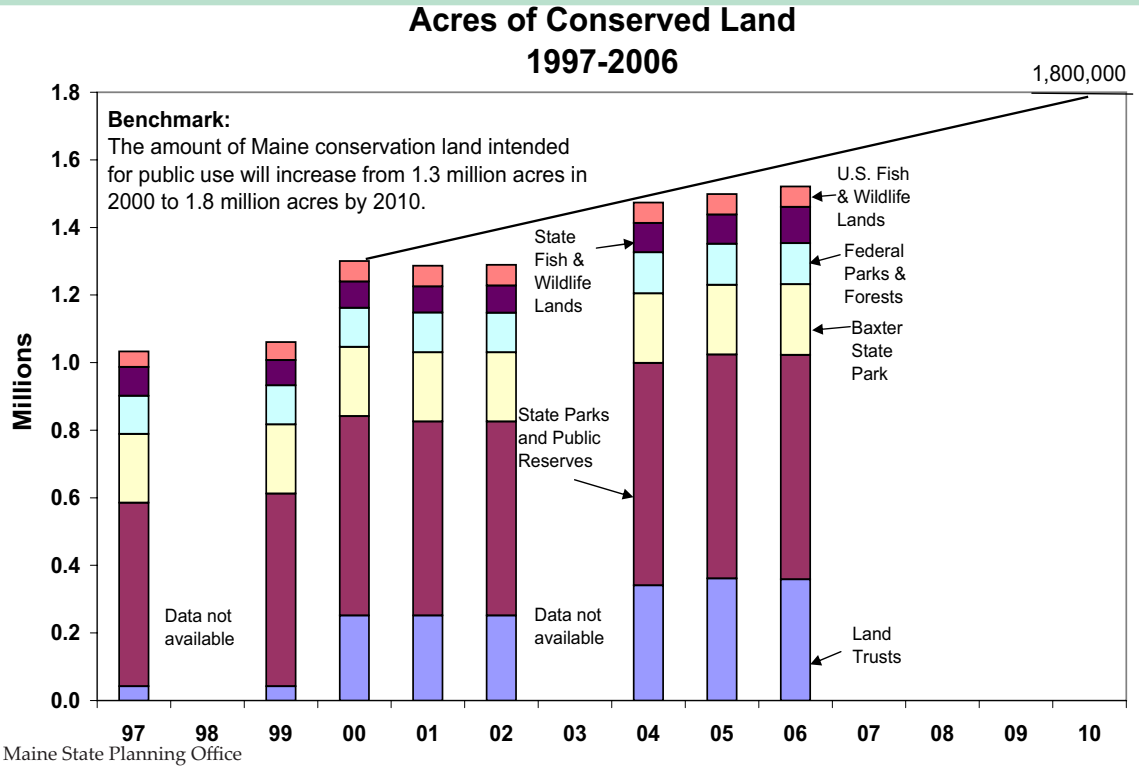
This measure received a Gold Star from the Growth Council. Maine is a recognized innovator among states when it comes to health care reform and pursuing strategies to increase health coverage. Between 1999 and 2005, Maine rose to one of the top five states nationally in the percentage of citizens between the ages of 18-64 that have some form of health insurance.

Health insurance coverage is imperative for helping people access appropriate health care services and staying healthy. Healthy people are more apt to be engaged in their communities and productive in the workplace.

In line with the U.S., about 60 percent of non-elderly Maine citizens (ages 0-64) have at least some of their personal health expenditures covered under an employer-based health insurance program. However, the rate of employer-sponsored insurance (ESI) has declined both nationally and in Maine in recent years, as rising insurance costs have made it increasingly difficult for small and large employers to offer affordable health insurance benefits to employees. The decline in ESI is the cause of the increase of the uninsured nationally. Maine has used its Medicaid program (MaineCare) to offset this impact, successfully reducing its overall uninsured rate. Maine has the highest percentage of the population on Medicaid of any state in the U.S.

21. Conservation Lands

Benchmark: The amount of Maine conservation land intended for public use will increase from 1,300,710 acres in 2000 to 1,800,000 acres by 2010.



Data Source: Maine State Planning Office

Land in Conservation Continues to Increase

Through 2006, Maine held an estimated 1,521,552 acres of publicly accessible conservation land. This is an increase of 220,000 acres since 2000. The significant rise in conserved land is due to an expansion in state reserves and land trusts in recent years. The figure does not include private lands under conservation easements.

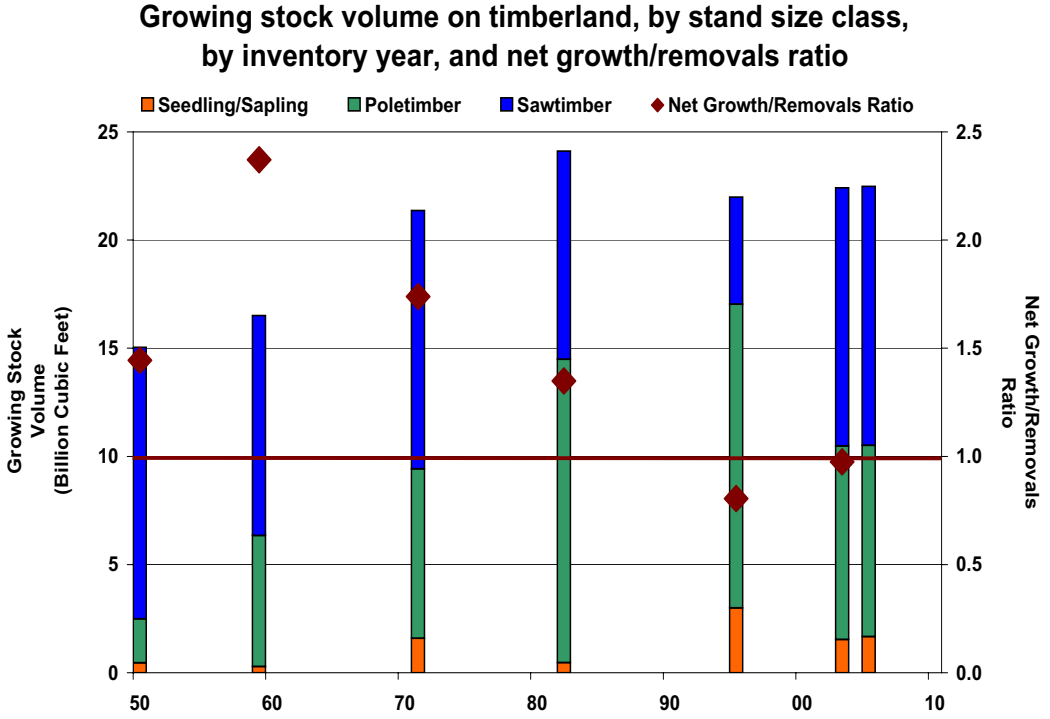
The upward trend in conservation lands is in part a response to increased sprawl along the coast and around major towns and cities. It also comes in response to significant turnover in forestland. In 1999 a $50 million land bond package stimulated increased conservation efforts over subsequent years.

Access to public and private lands contributes to the high quality of life enjoyed by Maine people. Residents use these lands for all types of recreational activities, which provide jobs and draw tourists. In addition, conserved lands support diverse plant and wildlife species, and maintain the natural aesthetic quality of the landscape.

Despite the positive trend in land conservation, public and philanthropic investment may be beginning to level off. This presents a challenge to meeting the benchmark, which is 1.8 million total acres in conservation by 2010.

22. Sustainable Forest Lands

Benchmark: The current growing stock volume, the mix of stand types, and the growth-to-harvest ratio will all be maintained at 2005 levels.



Data Source: Department of Conservation, Maine Forest Service

Total Growing Stock Volume Holding Steady

Total growing stock volume of Maine's forests in 2005 was 22.5 billion cubic feet. The current diversity of acreage among stand size classes is balanced.* The net growth to removals ratio is at or near 1 (fluctuations around this optimal ratio are acceptable, so long as the long-term trend is neutral). This indicator is performing well and is hitting the benchmark. The Growth Council has awarded a Gold Star to Sustainable Forest Lands.

Maine's forests are fully inventoried on a five-year cycle. Total growing stock volume has increased by 50 percent since 1950.

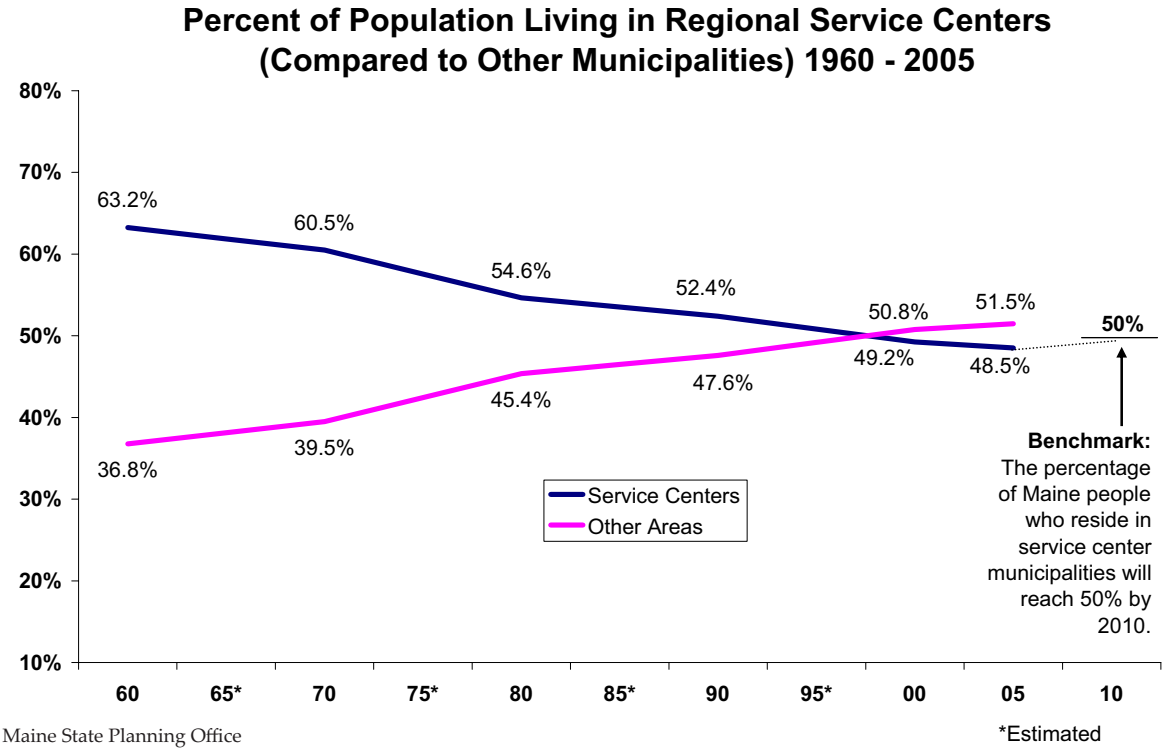
Maine's forests cover nearly 90 percent of the state's land area. Most of this acreage is actively managed by private landowners. Maine's forests support healthy wildlife populations, provide clean water, offer recreational opportunities, and supply raw materials used to create products ranging from newspaper to alternate fuels. Maintaining growing stock volume at an appropriate level, coupled with a good balance among stand size classes and, over long periods, a balance between growth and removals, can sustain Maine's forests.

Sustainable forest lands, along with conservation lands, are important indicators of the degree to which the state is combating sprawl and supporting the natural resource-based economy.

*Stand size classes are delineated by the tree sizes that make up the majority of trees in a stand. A sawtimber stand has a majority of large sized trees; a poletimber stand has a majority of medium sized trees; and, a seedling/sapling stand is comprised mostly of small trees. Without a diversity of stand sizes, the ecosystem and economic output could become vulnerable.

23. Population of Service Center Communities

Benchmark: The percentage of Maine people who reside in service center municipalities will reach 50 percent by 2010.



Data Source: Maine State Planning Office

*Estimated

Residential Choices Reflect Increasing Sprawl*

In 2005, 48.5 percent of Maine people lived in regional service center communities, whereas in 1960, 63.2 percent lived in these communities. The continuing trend of people moving out of urban centers into the more rural parts of the state increases public costs and weakens Maine's central communities.

With increasing sprawl comes the build-out of redundant infrastructure such as roads, schools and waste systems. Upkeep of this infrastructure costs local and state governments millions annually, which has prompted the state to spend even more to promote the regionalization/consolidation of municipal services. Meanwhile, service center communities are struggling to pay for their own underutilized infrastructure.

Sprawl causes other negative impacts. With more people commuting from rural areas to jobs in service centers, there is more household income spent on transportation and less time for civic participation. The increased consumption of Maine's land base also erodes the state's natural environment, a central part of the state's notable quality of life.

Within the boundaries of 63 specifically identified regional service center municipalities are almost three-quarters of all Maine jobs, services (hospitals, social services, educational institutions, cultural activities, and government services), and the state's consumer retail sales. For the most part, these are the places in which Maine people work, shop and visit for a wide variety of services.

Economic growth is enhanced to the extent that people live close to or actually within these service centers. More people living in service centers means that services are delivered more efficiently and energy costs are reduced because people are not traveling as far to work and to shop. Greater populations in urban areas also lessen environmental impacts such as fuel emissions and residential development in rural areas.

*The U.S. Census Bureau revises population figures from time to time to adjust for undercounts in the decennial census or to incorporate updated or revised data in the estimated procedures.

Citing Information in this Report

Reproduction of the information contained in *Measures of Growth* is encouraged with proper citation. Wherever data or text is reproduced, please reference the source in the following manner: "Data source: Maine Economic Growth Council and Maine Development Foundation, *Measures of Growth 2007*."

About the Data and its Timeliness

The data in this report came from a wide variety of sources, primarily state and federal agencies. Some agencies are able to provide data that is immediately up-to-date, while others experience a lag in up-to-date reporting. Where possible, estimates were given by agencies in order to compensate for lags in confirmed data.

On The Web

Measures of Growth 2007 is available at the website of the Maine Development Foundation in Portable Document Format (PDF) for easy download and printing. Visit the Maine Economic Growth Council through the homepage of the Maine Development Foundation at www.mdf.org.

Background and Acknowledgments

The Maine Economic Growth Council is co-chaired by retired president and CEO of Madison Paper Industries, Roy Barry, and State Senator Lynn Bromley. The Growth Council was established in statute by the Governor and the Legislature in 1993 to develop a vision and goals for the state's long-term economic growth. It is comprised of 19 members: 14 representing the private, public, education, labor and nonprofit sectors; 4 legislators; and the commissioner of the Department of Community and Economic Development. Membership to the Council requires a three-way appointment from the Governor, Senate President and Speaker of the House.

Since its inception, the Council has published thirteen annual editions of *Measures of Growth*. Several state agencies have formally incorporated the report's goals and benchmarks into their own strategic plans. Nonprofit organizations have initiated programs aimed directly at accomplishing specific benchmarks. Government officials have used *Measures of Growth* to justify programs to achieve the goals. Teachers have incorporated the substance of the reports into their curricula. Policy development forums have used the benchmarks as springboards.

Measures of Growth has been constantly revised over the years in order to provide our readership with the most up-to-date overview of Maine's progress towards long-term, sustainable economic growth, and a high quality of life for all its citizens. For the past three years, the Council has opted to include what it deems are only the most critical factors that play into the vision of this report. The result is a leaner, more focused edition of *Measures of Growth*, compared to editions prior to the 2005 report.

The Council is administered by the Maine Development Foundation (MDF). MDF was created by the Legislature and Governor in 1978 as a private, nonprofit corporation with a broad mandate to promote Maine's economy. MDF empowers leaders, strengthens Maine communities and guides public policy. Today, the Foundation is financed primarily with private resources.

The Foundation's president and CEO, Laurie Lachance, oversaw the development of this report and the proceedings of the Growth Council. Kevin Thurston, program director at MDF, administered Growth Council meetings and authored the report. MDF program assistant Lisa Merrill provided research, administrative support and graphic design. The Copy Center printed the report.

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