

Testimony
To the Subcommittee on Economic Development, Public Buildings
and Emergency Management
July 12, 2006

Thank you, Mr. Chairman and the honorable members of the subcommittee for the opportunity to testify this afternoon on behalf of legislation to establish the Northeast Regional Development Commission. I would also like to thank Congressman Michaud for his leadership in the development of this legislation.

My name is Jonathan Daniels and I am here today, Mr. Chairman, as the President of an economic development district in Maine, and it is in that capacity that I offer my testimony.

My organization is one of six (6) economic development districts in the State of Maine...a state that was recently cited by the Federal Reserve Bank of Boston for an economy that is virtually stagnant. A look at the map of the Maine shows just how significant the job losses have been over the past 12 years just due to trade related impacts. Of the 145 businesses that are certified under the Trade Adjustment Act in Maine, there have been more than 18,000 job losses. While a few of these operations have re-opened,

available employment opportunities continue to wane. Additionally, this map does not note the recent decision by BRAC to close Brunswick Naval Air Station, which will not only impact the nearly 3,000 employee workforce on the base, but the state as a whole.

While I am speaking primarily of conditions in Maine, the problems we face are emblematic of the entire proposed Commission region.

This afternoon, Mr. Chairman, I would like to succinctly discuss the need for the authorization and funding of the multi-state Northeast Regional Development Commission as part of an overarching package that will further our efforts to create a sustainable, diverse economic region at a time when our traditional industries are closing in favor of a more service oriented economy.

As someone who typically stands against the creation of additional entities as a cure for the ills of economic distress, I see a new federally sanctioned development zone as an opportunity to put forth the infrastructure that will support the activities of the existing development districts while eliminating the redundancies that plague the current system. While the ultimate number

of counties designated within this zone has not been determined, we evaluated twenty-three (23) rim counties that represent a rural, distressed cross section of Maine, New Hampshire, Vermont, and upper state New York, as well as the six reservations supporting the five Native American Nations represented in those counties.

Why should this region be considered for the creation of such a Commission? We evaluated five (5) separate criteria in our analysis which serves as the basis for determining the general economic and social health of the region.

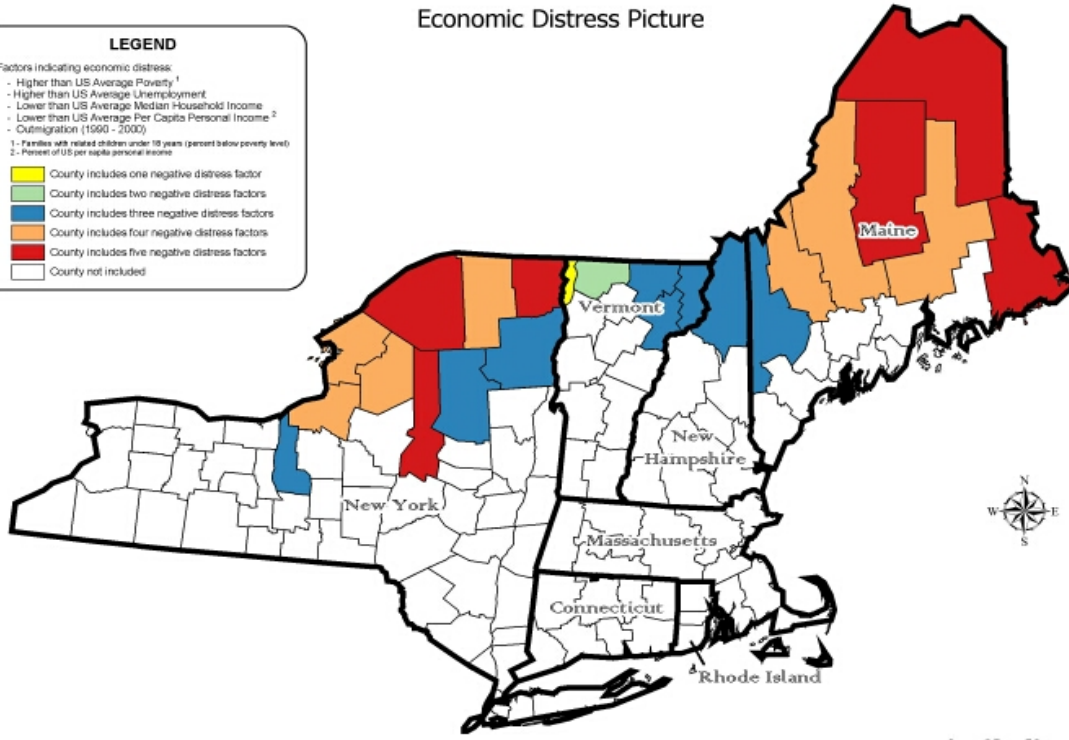
1. Change of Population/Migration...or in the case of the proposed Commission region, out-migration. The region as a whole saw a .3 percent reduction in population from 1990-2000. In comparison, the ARC region saw more than a 9 percent increase while the United States as a whole saw an increase of 13.2 percent. The most significant display of out-migration occurred in Aroostook County, Maine, which saw a 15 percent reduction in population over that time.
2. Poverty – 13.6 percent of the population within the prescribed region live in poverty according to 2000 census data, which

matches with both the national average and the poverty rate in the ARC region. The highest level of poverty in the Northeast Region is within Washington County, Maine at 20.3 percent.

3. Median Household Income – The average median household income in the region is more than \$8,000 less than the national average. At the extreme, Washington County, Maine is twice that level below the national average.
4. Unemployment – According to 2005 Bureau of Labor Statistics data, the unemployment rate sits at 5.6 percent, or half a point above the national average. Again, Washington County, Maine has the distinction of having the highest rate at 8.4 percent.
5. Per capita income as a percentage of national average – Often the best indicator of the economic health of a region. The region as a whole only stands at 76 percent of the national average of per capita income. There is not a single county within the proposed Commission region that meets the national average, with Franklin County, New York falling 35 percent below the national average.

Northeast Regional Economic Development Commission

Economic Distress Picture



Prepared by Eastern Maine Development Corporation * Bangor, Maine * 04401 * (207) 942-6389 * www.emdc.org

0 25 50 100 Miles

Sources: US Bureau of Labor Statistic (2005),
US Bureau of Economic Analysis (2004),
US Census Bureau and ESRI
Map created: July, 2006

As you can see from the map showing the counties in the initial data collection region, there is an obvious distress pattern that runs from Maine into New York. This region could easily be tabbed the “Ice Belt,” as the economic conditions in the region that sits just below the Canadian border are extremely cold.

How do we begin to address the distress that exists within the Northeast region?

1. We need to create an entity that emphasizes and assists in the development of infrastructure through public investment that

supports private sector business development, enhances educational attainment that spurs job skills training and stimulates entrepreneurship.

2. We must put forth a “bottom-up” approach that allows the development strategies that are created at a local level to be integrated into an overall, regional plan that fosters a highly efficient model of collaboration that can help leverage additional public and private sector investment. This ensures that actions taken on the regional level by the Commission reflect the needs of local agencies.
3. We must provide a critical mass of funding for the Commission. This funding will be carefully administered and invested in projects that strengthen our traditional industries while helping us invest in projects that will create a more diverse, sustainable economy.

Ultimately we need to authorize the creation of a Northeast Regional Development Commission that ensures proper capacity to deal with the chronic distress that besets the region. Congress has thus far recognized the need to assist the region with the passage of the Transportation Reauthorization Bill which designated a route from Calais, Maine to

Watertown, New York as a “high priority corridor.” While this sets the stage to authorize funding for required transportation improvements, there remains a need to have a multi-state Federal Regional Commission to create an all comprehensive regional strategy.

In 2003, The NADO Research Foundation published a report entitled, “Federal State Regional Commissions: Regional Approaches to Local Economic Development.” This report evaluates existing models and points to the need to expand these complimentary models for economic development because:

1. They are designed to ensure that regions with chronic and contiguous distress have the capacity and resources to tap into potential private sector investments and to access federal assistance programs without duplicating existing programs and creating massive bureaucracies;
2. They are linked to individual local communities through the existing network of local development districts (LDD), which are responsible for helping local officials and businesses assess, plan and facilitate action in their areas. LDD’s have long standing credibility and relationships with federal and state agencies, local

elected officials, business leaders and the public. They also have years of experience with planning, infrastructure development and grant administration.

3. They have the program flexibility and governance structure needed to take a holistic approach to uplifting a specific geographic region's common characteristics, needs and challenges.
4. They are a clear recognition that the most severely distressed regions of the nation require additional resources and attention to overcome persistent challenges and that the economic recovery and competitiveness takes time, comprehensive planning and commitment at the federal, state, and local level.

The federal – state partnership model is not unique, and it works as you have truly seen from the testimony seeking continued support for groups such as the Appalachian Regional Commission. With the existing successful models in place, we have decades of experience to draw upon. With your help, we can proactively address the needs of the region by providing the framework for regional cooperation and collaboration.

Mr. Chairman, and members of the committee, thank you for the opportunity to address this issue this afternoon and to provide evidence that I hope will

prove significant in making a decision for approval of the Northeast Regional Development Commission. I would be happy to answer any questions.