

MAINE STATE LEGISLATURE

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September 17, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure

FROM: Karen L. Hruby, OPLA *Karen*

RE: Combined Summaries of September 6th and 11th committee
meetings

The Committee on Economic and Physical Infrastructure held its fourth and fifth meetings on September 6th and 11th, 1991. These meetings were primarily devoted to hearing from state department and agency heads. Present were co-chairs David Flanagan and Jean Mattimore, Rusty Brace, and staff Mila Dwelley, Karen Hruby and Galen Rose. The presentations are available on cassette tape.

The agencies were asked to answer the following six questions in a limited time frame:

1. What do you think your agency's job is? How well is it accomplishing that job? How do you measure success?
2. What areas of duplication or overlap of authority and/or function exist within your agency and between your agency and other agencies?
3. What are your three lowest priorities? That is, what programs, committees, commissions or positions contribute least to your agency's successful performance?
4. What functions currently performed by your agency could be privatized?
5. What is the Number One thing you would change to make your agency more efficient?

6. What are the two most critical issues facing your agency in the next 5 years and what have you done to address them?

The answers to these questions are summarized on the last X pages of this memo, along with a list of other significant points of discussion.

The following departments, authorities, agencies and commissions were represented at these meetings:

Friday, September 6, 1991

Finance Authority of Maine	Tim Agnew
Maine State Housing Authority	Dwight Sewall
Public Utilities Commission	Ken Gordon
Maine Waste Management Agency	Sherry Huber
Maine World Trade Assn	Dan Marra
Department of Environmental Protection	Dean Marriott

Wednesday, September 11, 1991

Department of Transportation	Dana Connors
Workers' Comp Commission	Ralph Tucker
Department of Professional and Financial Regulation	Susan Collins
Bureau of Banking, Dept. of Prof. & Fin. Regulation	Don DeMatteis
ME Science and Technology Commission	Robert Kidd
Bureau of Taxation	John LaFaver
Department of Economic and Community Development	Lynn Wachtel
Tourism - DECD	Hillary Sinclair
Department of Labor	Charles Morrison

There was no other business conducted by the committee after the speakers made their presentations on Friday, September 6th. At the September 11th meeting the committee decided to wait to review a matrix of services and agencies prepared by SPO staff until the next meeting. They discussed their impressions of the hearings overall and shared their thoughts regarding recent informal meetings that they had attended. The committee directed staff to:

- develop some decision standards against which to measure their recommendations and
- draft a tentative outline of their final report.

Due to scheduling conflicts, the committee will not meet on September 20th, but will meet again on September 27th at which time they will hear from municipal and regional economic development leaders as well as interested Legislators.

"LOWEST PRIORITIES"

The following list is a synopsis of each agency's self-identified "lowest priorities".

- BANKING - • None
- DECD - • Coordination of homeless activities
 • Job Opportunity Zone Commission
 • Small Business Commission
- DEP - • None mentioned (1)
- DOT - • None, due to reduced funding.
- FAME - • Keep the programs managed by the Veteran's Board and
 the Natural Resources Board, but dissolve the boards,
 folding their membership back into the main FAME board.
- LABOR - • Licensing bedding and stuffed toys
 • Approving substance abuse testing programs
 • STAR process which requires taking applications long
 after funding is exhausted.
 • JET work searches
- MSHA - • None
- MAINE WASTE MANAGEMENT - • None
- MAINE WORLD TRADE - • Non-specific promotional programs
- PROFESSIONAL AND FINANCIAL REGULATION - • None
- PUC - • Deregulate water districts (not water companies).
 • Transfer regulation of the Casco Bay Transit
 District to the City of Portland.
- SCIENCE AND TECHNOLOGY COMMISSION - • Director's position on
 the Biotech and Genetic Engineering Commission
 (replace with Executive Director of Biomedical)
- TAXATION - • Central control-type functions
- TOURISM - • Reluctantly, the following types of programs:
 - development
 - management
 - regional marketing
- WORKER'S COMP. COMM. - • Monitoring vocational education
 • Monitoring "abuse" - which is
 broadly and vaguely defined
 • Gathering data for research

"NUMBER ONE CHANGE"

The following list is a synopsis of the most important change each agency would make to improve its efficiency and effectiveness.

BANKING - No changes offered.

DECD - Centralize and consolidate economic development agencies (detailed re-organization proposed).

DEP - No changes offered. (1)

DOT - Improve permitting and licensing process.

FAME - Move all programs to a central location.

LABOR - Improve automation; consolidate and increase interagency use of collected data.

MSHA - No changes mentioned.

MAINE WASTE MANAGEMENT - Move the agency out of the state financial and human resource systems.

MAINE WORLD TRADE - No changes mentioned.

PROFESSIONAL AND FINANCIAL REGULATION - Change personnel and union rules to permit more freedom in rewarding good performers and reducing poor performers.

PUC - Streamline hearings and remove all employees from the state personnel system.

SCIENCE AND TECHNOLOGY COMMISSION - Create a position of science and technology advisor to the Governor.

TAXATION - Change management orientation (of government in general) to decentralization rather than current centralization; implement MATS and increased auditing to increase the percentage of owed taxes which are paid

TOURISM - Contract advertising with private firms.

WORKER'S COMP. COMMISSION - Increase staff stability; use less expensive staff for informal conference processes and increase computerization.

"CRITICAL ISSUES"

The following list identifies the critical issues facing each department or agency as reported by their commissioners, directors and representatives.

- BANKING -
 - Regulation of Maine's banking industry.
- DECD -
 - Consolidation of economic development activities
 - A long-term economic development strategy need to be created, implemented and maintained.
- DEP -
 - A looming problem is that most communities lack sinking funds for infrastructure replacement at a time when federal funds are shrinking and the infrastructure is aging.
- DOT -
 - The fall referendum is problematic
 - Changes in environmental legislation need to accommodate existing highway systems to avoid costly delays and changes.
- FAME -
 - Adequate loan loss reserves need to be identified and set aside
 - The issue of environmental liability on defaulted property which reverts to the state is a potential financial nightmare.
- LABOR -
 - Continued coordination of services with other departments
 - Need additional resources to do their job efficiently and effectively.
- MSHA -
 - The amount of affordable housing needs to be increased
 - Tax credit policies need to be maintained.
- MAINE WASTE MANAGEMENT -
 - Meeting recycling goals
 - Siting landfills
- MAINE WORLD TRADE -
 - Increase private funding
 - Increase international trade mindset among business community
- PROFESSIONAL AND FINANCIAL REGULATION -
 - Regulating the financial industry will become increasingly complex
 - Meeting the increased demand for services with reduced funding
 - Increasing legislative regulatory requirements
- PUC -
 - Slowing long-term growth in electric rates
 - Increasing the flexibility of telecommunication regulatory framework

"CRITICAL ISSUES"

SCIENCE AND TECHNOLOGY COMMISSION - • The success of the
centers for Innovation

TAXATION - • Automation
 • Decentralization

TOURISM - • Obtaining stable funding
 • Investing in the infrastructure

WORKER'S COMP. COMMISSION - • Developing a consensus on
disability

ADDITIONAL SUGGESTIONS

The following is a brief list of additional suggestions for governmental restructuring made by presenters during the course of these hearings.

- Privatize the worker's compensation system for state employees (not worker's comp for private businesses) or at least centralize it.
- Combine, reduce the number of and bring all regulatory boards under the Department of Professional and Financial Regulation.
- Develop a coordinating, policy setting economic development council
- Develop a mechanism to provide seed capital to small or venture firms.
- Increase the utilization of Small Business Initiatives in Research funding.
- Strengthen automated services in the state.
- Dedicate a percentage of meals and lodging tax to fund tourism activities.

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SUMMARY OF RESPONSES
DEPARTMENTS AND AGENCIES
SEPTEMBER 6 & 11, 1991

AREAS OF DUPLICATION	BANKING	DECD	DEP	DOL	DOT	FAME	MSHA	P&F REG	PUC	S&T COM	TAXATION	TOURISM	WASTE	WRLD TRD	W.C. COM
BANKING	X														
DECD		X												P	
DEP			X						P						
DOL				X											
DOT					X										
FAME						X									
MSHA							X								
PROF. & FIN. REG								X					P		
PUC									X						
SCIENCE & TECH COM.										X					
TAXATION											X				
TOURISM												X			
WASTE MGT									P				X		
WORLD TRADE														X	
W.C. COMMISSION															X
FDIC	P														
LOCAL PLANNING			P												
BUR. OF INSURANCE															P
LOTTERY											P				
ALCOHOLIC BEV.											P				
DHS				P											
DHS				S											
PRIVATE SECTOR				P											
UNEMP. INSUR.															

X=SELF
S=SLIGHT
P=PARTIAL

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available for distribution.*

SUMMARY OF RESPONSES
DEPARTMENTS AND AGENCIES
SEPTEMBER 6 & 11, 1991

PRIVATIZATION	NONE OR NO RESPONSE	REVIEWS AREAS THAT CAN BE PRIVATIZED	CONTRACTS OUTS UNSPECIFIED % OF SERVICES	CURRENTLY CONTRACTS OUT MOST WORK	CONSIDER THEMSELVES PRIVATIZED
BANKING	X				
DECD			X		
DEP	X				
DOL	X	X			
DOT				X	
FAME	X				
MSHA	X				
PROF. & FIN. REG	X				
PUC	X				
SCIENCE & TECH COM.	X				
TAXATION		X			
TOURISM		X			
WASTE MGT.		X		X	X
WORLD TRADE					X
W.C. COMMISSION	X	X			

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SUMMARY OF RESPONSES
DEPARTMENTS AND AGENCIES
SEPTEMBER 6 & 11, 1991

HOW DO YOU MEASURE SUCCESS	AGAINST PREVIOUS YEAR	AGAINST NATIONAL NORMS	AGAINST AGENCY TARGETS AND GOALS	NEEDS ASSESSMENT AND MANAGEMENT ANALYSIS
BANKING	X (1)			
DECD	X			
DEP	X			
DOL	X	X	X	
DOT			X	X
FAME	X			
MSHA	X			
PROF. & FIN. REG	X (1)			
PUC	X		X	
SCIENCE & TECH COM.	X			
TAXATION	X	X	X	X
TOURISM	X	X		
WASTE MGT.			X	
WORLD TRADE	X			
W.C. COMMISSION	X	X		

1
2
3
4
5
6
7

(1) = NOT SPECIFICALLY STATED BUT GLEANED FROM DISTRIBUTED MATERIALS

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September 30, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure

FROM: Karen L. Hruby, OPLA *Kan*

RE: Summary of 9/27/91 committee meeting

The committee heard from three legislators and several representatives of the Economic Development Council of Maine at a special meeting held on September 27th. Present were committee members Flanagan, Mattimore and Brace, and staff Adams, Dwelley and Hruby. The major points of each speaker are summarized below. In addition, the committee agreed to have a telephone conference to discuss a final draft of their committee report on Wednesday, October 2nd.

Senator Judy Kany

- Recent regulatory advancement has been made to preserve the environment; forest and fisheries in particular.
- Solid waste will be the major environmental issue for the next 10-20 years. It should be a consideration in all manufacturing decisions and in the acceptance of nuclear power.
- A full-time BEP, patterned after the PUC is needed; the public advocate functions is necessary and should be maintained.
- Perhaps PUC should be reduced to a one person board, since most of the major decisions have been made.

- The two most serious infrastructure problems are waste water treatment and that municipalities need financial assistance to accomplish repairs and new systems.
- Supports the concept of single Department of Natural Resources but with all regulatory functions segregated and winnowed.
- Insurance regulation also required PUC-like organization instead of a single insurance superintendent.
 - One person cannot be knowledgeable about all insurances.
 - Extend Public Advocate's role to include this area.
- The assumption that the worker's compensation insurance system has been poorly managed is wrong. The system is broken and has not been managed at all; it lacks focus and a holistic view.

Representative Ruth Joseph

- The nature of the Legislative process and the 3 co-equal branches of government mean that you can't run government like a business.
- A major short-coming of government is that you can't plan for the long term; administrations, legislators and administrators come and go. Talk to senior civil service people to get the long-term perspective.
- Legislature is not anti-business; separate partisan political rhetoric from reality. Example of reduced/no sales tax on electric services for manufacturing, other tax exemptions.
- Reduction of the size of the Legislature sounds good but realistically will not be passed due to the widespread nature of many districts and Constitutional intent.
- Although Maine ranks 38th in population size among the states, it's Legislative size is ranked 45th and Legislative expenditures rank 43rd. Its budget has not increased as a percentage of the state budget.
- Growth of Legislative staff is probably true; non-partisan staff is needed - previously lobbyists wrote bills.
- Please develop committee recommendations as proposed legislation.
- Time for a no-frills state government; become pragmatic; only provide services, no lobbying.

- Would like to initiate a public debate about tax policy; remove most sales tax exemption and reduce rate to 5%.
- In discussions with Legislators from other states, she hears that costs usually escalate after the first year of privatizing government services.
- Down-size government by eliminating many boards and commissions; save \$14 million dollars in a biennium (list shared).
- Investigate inordinate salaries - Deputy Director of Information Services makes \$96K, while the Director of Corrections makes \$64K.
- The problems associated with restructuring legislation include:
 - partisan politics
 - turf issues
 - special interest constituencies

Senator Don Collins

- No need for a tax mix change; credits and exemptions need to be monitored; new increases only temporary, given assumptions of future economic recovery.
- Regarding infrastructure:
 - the private sector does a reasonably good job.
 - the northern part of the state feels short-changed because there is no 4 lane highway there.
 - railroad development in southern Maine is ill-advised.
- The government's capital investment policies need to change.
 - COPS needs to be modified and monitored.
 - services with many revenue sources make oversight difficult.
 - FAME is well run but perhaps needs to be more conservative.
- The legislative intent on worker's compensation is not to lower payments to people but to limit medical costs, reduce litigation costs and focus on retraining people and getting them back to work quickly.
- DEP permitting can be redefined and downsized.
- There should be monitoring of budgets and expenditures. Not sure if it should come under the Legislative or the Executive branch.

- Cuts can be made in DEP (cut duties as well as budget), in the Legislative budget and by eliminating 3/4 of the advisory boards and commissions.
- Spending 100% of the economic growth of the 80's was a dreadful mistake.

Economic Development Council of Maine

The speakers included David Cole, Ken Gibb, Michael Aube, Richard Kelso, Chuck Roundy and Harvey Rosenfeld. Comments are not attributed to individual speakers due to the informal, give and take nature of the discussion.

- Despite the fact that the future is uncertain, several issues will predominate:
 - Changing markets - companies can and will locate anywhere.
 - International investment patterns will change.
 - Workforce needs will continue to shift away from the unskilled and semi-skilled worker to the worker skilled in critical thinking and analysis.
 - The US workforce will age; immigrant workers will become increasingly important.
 - Population, infrastructure development and jobs will continue to flow to urban areas (particularly in the South and Southwest) and away from rural areas.
 - Manufacturing jobs will increase in importance and will move to regions which offer the lowest costs for business.
- Economic development is a long-term, expensive process.
- Maine lacks the financial and development programs to attract new business.
- The continual reconfiguration of economic development services and departments for the last 25 years has been a detriment to the implementation and maintenance of long-term economic development strategies.
- New programs need not be invented - both Indiana and Illinois have successful economic development plans which could be used in Maine.
- The perception that Maine is a poor place to do business is widespread.
- Maine has a history of being very adept at obtaining federal funds for infrastructure development. These funds are decreasing by 80% and future availability will be substantially reduced.

- For Maine, the labor force is the key positive; worker's comp is the #1 negative.
- The whole purpose of economic development is to influence capital investment.
- Maine doesn't package it's positive elements well; we can be more competitive without a lot of new programs.
- The attitude that "growth is not good" has hurt economic development. "When growth stops, revenues stop; but there are people out there who still want to manage growth."
- Key elements of a successful economic development policy would include an entrepreneurial, aggressive approach; a consistent, long-term commitment; a public/private venture and continuity of programs.
- MDF has gotten far away from its original intent.
- All business development is local; the state should focus on business attraction - including people and packaging to support local development.

WPPGEA 3201

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August 27, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure

FROM: Karen L. Hruby, OPLA

RE: Summary of August 23th committee meeting

The Committee on Economic and Physical Infrastructure held its third meeting on August 23rd, 1991. Present were co-chairs David Flanagan and Jean Mattimore, Commission co-chair Mert Henry, and staff Mila Dwelley, Karen Hruby and Galen Rose. Some changes to the summary notes from the committee's August 15th meeting with the MCCI were made:

- Flanagan wanted to clarify that he did not see energy, waste systems and highways as impediments themselves, but that the regulatory process which surrounded them was problematic and impedes their adequate development. He cited this fall's referendum (if passed) on the turnpike as an example.
- The individual whose name was left partially blank was Joe Ezhaya.

While waiting for the morning's first speaker to arrive the committee briefly discussed the following issues:

- The planned presentation on Total Quality Management scheduled for the Commission's September 6th lunch break;
- The advisability of all state employees under the rank of commissioner being unionized within the same union. Questions were raised about the potential problems with supervision under those circumstances;

- Which state administrators should be invited to come before the committee;
- The process to be followed during the interviews with department and agency heads; and
- The format for the draft interim report.

During the morning and afternoon session the committee heard from nine business and community leaders. The main topic(s) of their presentations are briefly summarized in order of appearance here. The speakers' complete remarks are available on cassette tape and may be obtained by contacting Mila Dwelley at 289-1670.

SANDI GOOLDEX - Greater Portland Chamber of Commerce

- The need for the regulation process to be more sensitive to business problems, flexible and not overzealous
 - The need for legislators to consider the economic impact of proposed legislation on business by requiring an economic impact statement.
- *Offered to assist the committee by obtaining specific information on regulatory reform, sample economic impact statements, survey members regarding regulatory issues and provide assistance through the Chamber's governmental relations group.

BOB DAIGLE - Fleet Bank, Regional President

- The regulatory experience (banking) has been a positive one for Fleet - praise for Don DeMatteis, PUC, AG and Maine Bond Bank.
- The state's tax policy must do more to encourage private investment. As infrastructure investment shifts to private funding, the use of private activity bonds increases. The income from these bonds is not tax-free in Alternative Minimum Tax calculations and the final result is:
 - less demand and higher interest rates for these bonds, and
 - reduced initial interest in the project
- The state needs to create a "more level playing field" between banks and other investment companies with regard to the sale of annuities and credit cards.

* Offered to obtain trend information regarding private activity bonds, samples of legislation from other states that address this issue and to coordinate a meeting between the committee and Mr. Gary Ciminero, Fleet's Chief Economist.

SCOTT HAMILTON - Director of Finance, Mid-State Machine

- Productivity can be adversely affected by the regulatory process; citing his own company's experience with random drug testing and their voluntary employee assistance program and difficulties posed by new 1990 regulations.
- Property taxes on capital investments need to be negotiable and flexible if private capital investment is to be maintained or increased.
- Working with FAME has been a positive experience, however, no similar financing alternatives are available for purchasing used equipment and they are needed.
- Company is located in Maine because the founder is a native; expansion within Maine is not necessarily assured due to more attractive conditions in other states.
- * offered to provide committee with information about companies which discontinued drug testing/employee assistance programs due to new regulations.

JIM GOOD - Pierce, Atwood, Scribner, Allen, Smith & Lancaster

- Disparity in comparative state tax burdens has increased dramatically.
- Assumption is that Maine should be able to compete with New York, Washington and Maryland, but probably not the deep south.
- Maine's property tax is the primary reason that Maine's tax rate is non-competitive. While a corporate income tax is a tax on how well the firm is doing, a personal property tax is a direct charge against a firm's investment; it is a capital investment disincentive.
- Corporate income tax rates in Maine are high but they are not as important as the property tax rates; must be sensitive not to increase the property tax burden on capital intensive companies.

- Manufacturing jobs pay more than service jobs. Efforts should be made to maintain and increase the manufacturing base in Maine.
- Maine's present tax exemptions are similar to those offered in many states.
- The Alternative Minimum Tax strips out depreciation deductions; in hard economic times heavy capital investment becomes a liability.

BILL HAGGETT - Bath Iron Works

- The organization chart is not critical to efficiency and effectiveness in government.
- The major issues are:
 - Taxes - need to temporarily increase
 - The cost and scope of Government - needs to decrease, the question is how?
 - Improve Maine's business climate by:
 1. Decreasing Worker's Compensation costs
 2. Decreasing health insurance costs
 3. Reformulating tax policies
 4. Changing the attitude of Government
 5. Reevaluating environmental issues
- The partisan nature of Government makes a comprehensive approach nearly impossible.
- Start with the fundamentals - reduce the size and cost of Government:
 - Reduce the House from 153 to 90 members
 - Reduce the Senate from 35 to 30 members
 - Reduce the legislative staff by half
 - Reduce the Governor's staff substantially
 - Shift compensation to an annual stipend with expenses on a daily rate
- The trustworthiness of government is the issue. The governor must be willing to really cut costs (timing less important than follow-through) and the Legislature needs to make the recommended cuts to keep faith with the people.
- DECD should be temporarily discontinued. Spend money on increasing tourism, but don't advertise the state as a good place to do business until it is a good place to do business.
- Manufacturing is the central backbone of the state; it is declining rapidly because the state is non-competitive.

JOE EZHAYA - A. G. Edwards

- The Commission must have the courage to develop a vision and the perseverance to see that it gets implemented.
- Government must be modernized and reduced in size. Specific suggestions included:

- Cuts must be equitable
- Measures of productivity must be introduced
- Utilize the U Maine System
- Develop a fund for venture capital.
- Develop a Maine stock exchange with guaranteed liquidity.
- Increase the number of Maine tax-exempt bonds.
- Privatize appropriate functions: state parks, state ferries, prisons.

HENRY BOURGEOIS - Maine Development Foundations

- The Commission's report should focus on a multi-year, continuous process of restructuring.
- Total Quality Management should be used within State Government.
- MDF and other similar organizations should be utilized more.

BILL RYAN - Peoples Heritage Bank

- Tax policy is a universal, not a state, issue.
- Infrastructure investment should follow an agreed upon process, not be the subject of referendums. Today's process is flawed: when economic times are good we should save money for infrastructure investments when times are hard.
- Availability of capital is a serious issue for bankers. Currently people are not coming to the state (and are not bring capital with them) and the regulations are inhibiting investment.
- FAME, MSHA and the Bond Bank do a good job, but their rules and regulations need to be flexible enough to be adjusted in hard times. For example, MSHA loans should be made available for the purchase of condos - there is a significant supply and demand, but no mechanism to develop this type of low cost housing. Also the state should encourage the big banks to write down their foreclosed property and make it available to young/homeless people.

- Maine needs an Economic Development Corporation to develop a pool of investment funds to finance projects that would create jobs (not real estate purchases) - cites Lowell, MA.
- Incentives for small companies to relocate do not exist.
- The Maine Banking Commission and the FDIC duplicate bank inspection services.
- Causes of businesses leaving Maine or not relocating in Maine are:
 - regulatory process (length and complexity)
 - no monetary incentives
 - geography
 - workers' comp costs
- Maine's quality of life and its position on the Canadian Rim are advantages.
- State must continue to strive to obtain more manufacturing jobs.

TOM HOWARD - Associated General Contractors

- Develop a state public works trust fund - funded through small additions to the real estate transfer tax and the utilities tax.
- The majority of Maine's highways are classified as being in either poor or fair condition.
- There is a need for a timely, efficient and friendly permitting process.
- In 1989 the cost of rehabilitating Maine's roads and bridges was 1 billion dollars.
- Increasing fuel taxes to supplement general revenues is wrong. Remove specified wage rates.
- A percentage of future surpluses should be spent on the infrastructure backlog.
- Railroads are important if Maine continues to be a manufacturing state, but their role will probably always be limited to freight.

After the speakers' presentations the committee discussed the proper protocol for inviting Legislative participation in the committee's deliberations and refined the questions to be posed to department or agency heads. Given the number of government officials the committee planned to invite and time restrictions, the committee decided to schedule department and agency heads for both September 6th and a special meeting on September 11th. The committee will not meet on September 20th, but will reconvene on September 27th to hear from Legislative leaders.

wppgea 3062

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August 19, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure
FROM: Karen L. Hruby, OPLA *Haven*
RE: Committee Staff Update

Attached you will find a copy of the minutes of the committee's August 9th meeting. Additional material was added to the prioritized elements list on page 3 to note the committee's intention to review these areas from the perspective of making recommendations to restructure state government into a more effective and efficient operation.

Notes from the committee's meeting with the Chamber of Commerce and Industry Board of Directors on August 15th are also enclosed.

The individuals named on attachment B were contacted to arrange a time for them to speak with the committee. As of today five business representatives have been scheduled for Friday's meeting; two have refused. The prioritized list of the elements of a sound business climate to be sent to your guests were also modified to include the statement of perspective added to the minutes. That list will be sent out today to those scheduled for Friday's meeting.

Work on the matrix of business development functions and agencies as well as locating information about the tax burden per capita is continuing.

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August 19, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure

FROM: Karen L. Hruby, OPLA *Karen*

RE: Summary of August 9th committee meeting

The Committee on Economic and Physical Infrastructure held their second meeting on August 9th, 1991. Present were co-chairs David Flanagan and Jean Mattimore, Rusty Brace, and staff Steve Adams, Mila Dwelley and Karen Hruby. After brief introductions of new staff, the committee discussed the minutes from the previous meeting.

Co-chair Mattimore had several questions. A discussion which strove to clarify the problem statement; the nature of the notes regarding "leadership" and "relative weight" in state departments and agencies; the intent of the reference to the Maine Development Foundation's panel on Quality Management; the use of the university system's expertise; and a recap of the counter-cyclical dialogue resulted.

This discussion was followed by Adams' presentation on the relevance of information from the 1991 Development Report Card to the committee's areas of investigation. He reviewed the history of the Development Report Card and noted that its three weaknesses were:

- accuracy (there was at least one inaccuracy in the Maine data and it is reasonable to assume that given the problem of trying to fit diverse programs from 50 states into finite categories would result in some level of error);
- timeliness (most data was from 1989-90) and;
- relevancy of individual items to Maine. The example cited was that some measures, such as number of Ph.Ds graduated or number of patents awarded did not reflect the close proximity of the state to the skilled workforce pool created by Boston's.

Nevertheless, it is considered the premier evaluation tool available when comparing economic development factors among the states. The committee requested individual copies of the report, which SPO will provide.

Adams continued with a description of the four major indexes of economic development provided by the report:

1. The Economic Performance Index;
2. The Business Vitality Index;
3. The Development Capacity Index; and
4. The State Policy Index.

Indexes 1 and 2 tend to reflect the current state (1989-90) of economic affairs. Consequently Maine had high scores on them. Indexes 3 and 4 describe the climate for future economic development. While Maine had a high score on State Policy, it did poorly in the area of Development Capacity. Adams suggested that the committee focus its attention on the third and fourth indexes and provided a more in-depth discussion of their composition. Handouts which described the indexes in detail and showed Maine's relative ranking on these indexes were provided to the committee.

Adams also discussed other resources available to the committee including "The Productivity Imperative and the New Maine Economy", a recent report published by SPO, and selected questions from the 1990 Business Task Force survey.

Brace noted that innovation and new product development would be the keys to future economic development. He stressed that the communications among government agencies, business and the university system needed improvement.

The committee then brain stormed elements that created a sound business climate. The objective was to focus on the areas of government involvement which, whether through policies, regulatory decisions or direct action had a significant impact on the business climate. The committee initially identified 10 elements and narrowed their focus to the 5 highest priority issues, which they further defined or clarified. All ten elements are listed below; those in bold print are the elements the committee will focus on.

IT IS IMPORTANT TO NOTE THAT THESE ELEMENTS WILL BE ADDRESSED IN THE CONTEXT OF RESTRUCTURING STATE GOVERNMENT TO BE MORE EFFICIENT AND EFFECTIVE.

1. A tax policy which encourages private investment. Areas of investigation include:

- individual and corporate taxes;
- individual and corporate tax exemptions;
- the development of a target (based on a comparison with other states) of the total tax burden on a per capita basis;
- an evaluation of the impact of the current tax mix on savings and investment decisions in the private sector;
- how the shift from a manufacturing economy to a service economy changes the perspective on tax mix and exemptions.

2. Adequate public investment in infrastructure including:

- transportation;
- technology/telecommunications;
- environment (water, sewer, solid waste); and
- energy

will be considered with regard to:

- capital expenditure budgeting - is a process for a longer term budgeting process needed?
- the implementing decision process - does it assure sufficient infrastructure development to maintain a targeted level of business growth?
- the siting process - is infrastructure sited where it is needed to maintain a targeted level of business growth? Are economic and business needs considered in siting decisions?

3. Availability of capital, defined as state encouragement of capital development and investment through the issuance of bonds and guaranteed loans, not the direct transfer of general operating funds. The overlap between this element and tax policy is recognized and will be addressed.

Identified areas of investigation include:

- state banking regulation as it applies to the development of capital;
- tax policies regarding capital development and investment;
- the effectiveness of present financing systems such as FAME, MSHA and the Maine Bond Bank.

In addition, the committee has asked that staff provide them with a matrix of the functions performed by the various agencies which provide economic development services to the business community.

4 An efficient regulatory process. The necessary aspects of the process would include:

- a process which minimized the number of steps for a decision to be made;
- a process which produced timely decisions and timely appellate decisions;
- a process that knew and evaluated the cost (public and private) of processing applications.

The committee is aware of the study commission on permitting and reporting and wishes to work in conjunction with them in this area.

5. Improved productivity through

- lower worker's compensation and medical insurance costs;
- technology and;
- human resources, including the issues of vocational education and drug and alcohol abuse.

6. Availability of a skilled workforce. (This issue was recommended to the Committee on Education for study).

7. Counter-cyclical investment;

8. Promotional activities including:

- tourism
- the state as a good place to do business (both internally and externally)

9. Improved communications/access/awareness/collaboration between government (including the university system) and the private sector.

10. Understanding the differences of the needs and priorities between small and large business.

With the major areas of focus defined, the committee discussed how to obtain the information they needed. They will reconsider the issue of a survey of businesses once they have had the opportunity to review the information they received today. The idea of focus groups has been rejected as providing anecdotal evidence only, however the co-chairs expressed the desire to begin informational discussions with business leaders and state agency representatives as soon as possible. Staff will prepare a suggested list of participants with suggested questions for the committee's review.

The committee adjourned until the next scheduled meeting of the commission on August 23, 1991.

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**SUMMARY OF COMMITTEE MEETING WITH ME CHAMBER OF COMMERCE &
INDUSTRY BOARD OF DIRECTORS AUGUST 15, 1991**

ALL COMMITTEE MEMBERS PRESENT.

DAVE FLANNIGAN PRESENTED OVERVIEW OF MISSION TO CHAMBER.

JEAN MATTIMORE DESCRIBED THE PRIORITY ISSUES IDENTIFIED BY THE COMMITTEE.

RUSTY BRACE NOTED IMPORTANCE OF PUBLIC/PRIVATE PARTNERSHIPS AND DIFFERENTIATING NEEDS OF SMALL AND LARGE BUSINESSES WITH A SPECIAL FOCUS ON THE NEEDS OF SMALL BUSINESSES.

COMMENTS OF MCCI BOARD:

ROGER MALLAR: • Environmental process needs repair in areas of 1.) accountability -
-> BEP should become strictly advisory. DEP commissioner should be final arbiter of permits; and 2.)

- DEP organization should be changed to a three-tier approach to licensing --> a. Technical assistance, permit processing, enforcement.
- Natural Resource "superagency" may not be in the interests of business.

DAVE FLANNIGAN: Energy, highways, solid waste, wetlands restrictions are most important impediments to economic growth in Maine.

ROLLAND SUTTON: • Small business is important, and Maine has no focused program of assistance;

- Unemployment taxes, workers comp., etc. make Maine bad place to do business;
- need an educated workforce.

KATHIE LEONARD: • Tourism is not a high enough priority to State.

TOM BAUM: • Small business important.

- Media is negative.

LLOYD WILLEY: • State is largest single purchaser of goods and services in Maine. Should make effort to keep contracts in Maine.

- Govt. purchasing officials are not knowledgeable enough about Maine-produced goods and services.

JOE _____: • Vision is lacking;

- need to connect govt employee compensation to productivity;
- shift some govt-owned assets to private sector either through private "authority" e.g. Turnpike Authority, or leased out to private firms, e.g. state parks.;
- Involve state employees in restructuring.

DAVID HUGHES: • Improve quality of questions govt managers ask about themselves and their agencies.

- Appropriate priorities
- permanent structure for assessing govt management.

PHIL SARGENT: • Travel and tourism needs more spending.

- Don't forget large businesses.

BILL BEYER: • less govt is better; tax burden should be consistent with profit growth.

JACK DEXTER: • predictable tax policy

- new fiscal management system to buffer boom/bust affects.
- legislature must understand economic impact of proposed statutes.
- maintain priorities of ECO-ECO project.

KATHIE LEONARD: • State should help focus current efforts of Maine banks to meet the requirements of the Community Reinvestment Act to take fuller advantage of current efforts of banks.

TOM BAUM: • DEP & legislature needs to make their priorities clear.

BOB RENY: • Local education budget needs to be returned to full town meeting.

ROLLAND SUTTON: • Report of Restructuring Commission must be unanimous if it is to be accepted by decision-makers.

Attachment B
List of Potential Business Participants

<u>NAME</u>	<u>COMPANY</u>
Bill Haggett	Bath Iron Works
G. Melvin Honey	Maine Public Service
Tom Baum	Pratt and Whitney
Jack Dexter**	Maine Chamber
Sandy Goolden*	Greater Portland Chamber
Kathy Leonard	Auburn Manufacturing
Bob Reny*	Reny Department Stores
Leon Gorman	L. L. Bean
Charles O'Leary	Maine AFL-CIO
Henry Bourgeois*	Maine Development Foundation
Bill Ryan*	People's Heritage Bank
Ann Chostak	Fleet Bank
Patrick Murphy	Pan Am Consultants
Warner Cook*	Sugarloaf
Dave Maskiewitz**	Scott Paper
Frank or John Costas	Elcon
John Quartercamp	Maine Real Estate Developers Association
Jerry Haynes***	Maine Assoc. of General Contractors

* Attending Friday, August 23rd
** Will not attend
*** Wants to be on mailing list

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July 31, 1991

TO: Members and Staff of the Committee on Economic and
Physical Infrastructure
FROM: Karen L. Hruby, OPLA *KLH*
RE: Summary of July 29th committee meeting

The Committee on Economic and Physical Infrastructure met on July 29th, 1991. Present were co-chair David Flanagan, Rusty Brace, and staff Mila Dwelley, John Flumerfelt and Karen Hruby.

DISCUSSION: After brief staff introductions, the committee reviewed the function statement in the context of identifying which state agencies and departments would be associated with the various services listed in the statement as leading to a sound business climate.

The committee members were in agreement that leadership was an important variable when considering how efficiently and effectively an agency or department could accomplish its objectives. The questions of whether the state works hard enough to attract the best leadership and whether it sufficiently uses of the resources of the private sector were raised. It was noted that the relative weight of specific agencies, not only in terms of staff and budget, but also in terms of influence within the Executive Branch needed to be considered.

AREAS OF INQUIRY: The following questions were generated from the committee's discussion as a first step to assist them as they identified and prioritized the issues that they would focus on:

1. How does Maine compare with other states in terms of economic development?
2. What strategies do the most successful states use to promote economic development, and is Maine using those strategies?
3. What are the benefits that Maine has to offer to business? Are they being maximized?
4. What is the long-term strategy of the state to replace lost manufacturing and government investments?
5. Are policies affecting economic development integrated and made with a long-term view?
6. What policies negatively affect business development?
7. What functions of government might be subject to privatization? Would jobs be created?
8. How can the University system's strengths be used to improve the economic climate in Maine?

After the discussion of the task before them and the editing of the function statement the committee adjourned until the next scheduled meeting of the commission on August 9, 1991.