

MAINE STATE LEGISLATURE

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Tentative Findings & Recommendations
Committee on Economic & Physical Infrastructure
Commission on Restructuring
October 4, 1991

The Economic and Physical Infrastructure Committee has examined a broad range of issues related to government's role in enhancing Maine's economic well being. Among these issues, the Committee has identified a number of areas of special concern around which a consensus has been developed.

This report is truly tentative in nature. The recommendations outlined here will receive further refinement. The Committee is also reviewing additional areas for recommendation.

Introduction: Economic growth in Maine in the 1990's will be much slower than during the 1980's. At the same time, Maine will face intensifying competition both from within the U.S. and from abroad. Among the consequences of the short-term and long-term economic dynamics facing Maine are included:

- Maine government structure has been shaped by the rapid economic growth of the 1980's. The pattern of growth expected through the 90's will not support current spending patterns of state government.
 - The cost of government must kept in relation to the ability of its citizens to support it and it's ranking relative to the other states with which Maine competes..
 - Current costs must be reduced.
- Improving the standard of living of Maine's citizens will depend upon the competitive position of Maine industry, and a business environment that is conducive to job creation in Maine. For Maine State Government this means:
 - Maintaining competitive business costs.
 - Facilitating business development opportunities.

I. Economic Development Recommendations

A. Maintaining Competitive and Affordable Government Spending.

B. Public spending and employment levels should be governed by macro-economic measures that reflect the relative capacity of the State's citizenry and economy to support and are in line with levels in comparable states.

C. Legislative proposals should include an economic impact assessment.

II. Facilitating Business Development Opportunities

A. Government support of tourism development should be a high priority, including traditional promotion efforts, ensuring a good recreation infrastructure and protection of Maine's scenic qualities.

B. The reality and perception of Workers' Compensation costs in Maine are a significant detriment to economic development in Maine.

C. Additional avenues to facilitate the generation of investment capital for Maine businesses.

III. Ensuring Adequate Infrastructure

A. Set highway spending levels and priorities in a manner that emphasizes the needs of economic development and health and safety concerns.

B. A modern telecommunications infrastructure is critical to the competitive position of Maine businesses and for Maine as a location for new business development.

IV. Maintain a competitive tax structure that encourages economic growth:

A. Allow personal and corporate income tax surcharges to sunset.

B. Increase emphasis on tax collection / auditing.

C. Identify elements of Maine's tax structure that are impediments to economic growth.

V. Reducing Government Expenditures

A. Streamline state services

1. Eliminate unnecessary/duplicative services
2. Further investigation of areas which would be suitable for privatization and/or elimination.

a. Bureau of Alcoholic Beverages

B. State employees

1. Institute a total quality management program with the commitment of the Governor, Legislature, the state employees and the public.
2. Ensure wage contracts are consistent with the state's economic growth.

C. Economic development services

1. Focus of economic development services must be on job creation.
2. Unified strategy with Executive and Legislative support.
3. Lines of coordination and distribution of service responsibilities need to be clarified.

D. Regulatory process

1. Eliminate duplicative federal, state and local environmental approval requirements.
2. Move selected areas of regulation down to local level.

E. State Finances

1. Centralized Executive Branch Fiscal and Program Review and government financing and leasing functions.
2. Establish a long-term capital budgeting plan based on an established list of priorities.

F. Boards and Commissions

1. Develop criteria for determining which boards and commissions should continue.
2. Develop criteria for establishing new advisory boards or commissions.

G. Departmental Recommendations

1. Eliminate the following functions in the Department of Labor:
 - a. licensing of bedding and stuffed toys.
 - b. monitoring JET work searches
2. Reassign the following state government functions for improved efficiency:
 - a. move licensing/approval of substance abuse testing program.
 - b. turn the regulation of the Casco Bay Transit District over to the City of Portland.
 - c. move or eliminate the responsibility of monitoring of vocational education for the WC Commission.

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INTERIM REPORT
COMMITTEE ON ECONOMIC AND PHYSICAL INFRASTRUCTURE
SPECIAL COMMISSION ON GOVERNMENTAL RESTRUCTURING

September 6, 1991

The Committee on Economic and Physical Infrastructure was created within the Special Commission on Governmental Restructuring to determine the most potent means for improving the efficiency and effectiveness of Maine's state government with regard to the state's economy.

PROBLEM STATEMENT

After a period of full employment and rapid growth, Maine is now facing a period of economic downturn and unemployment. In part, this unemployment is due to the national recession. The recession has influenced the New England area most heavily and economists predict that Maine's economic recovery will lag behind what is expected to be a slow national recovery.

The regional depth of the recession has increased the importance of the impact of the state's business climate in Maine's economic downturn. Neither cyclical nor national, the negative affects of the climate can classified as:

- the inadequacy of the infrastructure (including human resources, transportation and capital) needed to support and enhance economic activity and
- Maine's relative position vis a vis other states in some areas of taxation, regulation, capital formation and the cost of doing business.

Many aspects of the state's adverse business climate are within our control, but they must be addressed more effectively and efficiently by state government if Maine is to avoid a steady economic decline into the twenty-first century. The Committee is confident that, with the cooperation of the executive and legislative branches, structural changes can be accomplished that will improve the cost effective delivery of services by the state.

ELEMENTS OF THE PROBLEM

The Committee on Economic and Physical Infrastructure recognized that there were many elements critical to the development and maintenance of a healthy economic environment. Ten elements were given priority as the focus for their work. They are:

- A tax policy which encourages or at least does not penalize private investment

- Adequate public investment in infrastructure
- Availability of capital
- An efficient regulatory process
- Improved productivity with emphasis on total quality management and privatization
- Availability of a skilled workforce
- Counter-cyclical investment
- Promotional activities, including tourism, that promote the state as a good place to do business (both internally and externally)
- Improved communications/access/awareness/collaboration between government (including the university system) and the private sector
- Understanding the differences of the needs and priorities between small and large business.

In analyzing these elements the committee is seeking to reduce the cost of government while providing efficient and effective services. Total quality management of economic development is seen as critical to the process of restructuring.

ASSESSMENT OF CURRENT STATUS

To understand the current status of state operations with regard to the identified areas of focus, the Committee has received information from the State Planning Office regarding comparative economic data for Maine and other states; held informational meetings with state business leaders, representatives of trade and professional organizations and the Maine Development Foundation; and held structured interviews with the administrators of relevant state departments and agencies. Future plans call for meetings with interested legislators, economists from state businesses and a review of information gathered by staff on topics such as relative tax burdens and privatization.

FINDINGS AND RECOMMENDATIONS

The Committee has heard numerous suggestions for improving the efficiency and effectiveness of state government operations. Many of these suggestions, together with the ideas generated from Committee discussions, will be woven into concrete recommendations for the Commission. While the exact content of the recommendations is still fluid at this stage of the process, the Committee is resolved that they will contain quantifiable expected outcomes and target cost reductions.

Respectfully submitted,

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