

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE
AS PASSED BY THE

ONE HUNDRED AND EIGHTH LEGISLATURE
AT THE

SECOND REGULAR SESSION

January 4, 1978 to April 6, 1978

FIRST SPECIAL SESSION

(No laws enacted)

September 6, 1978 to September 15, 1978

SECOND SPECIAL SESSION

October 18, 1978

THIRD SPECIAL SESSION

December 6, 1978

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STATE OF THE STATE MESSAGE

January 4, 1978

by

GOVERNOR JAMES B. LONGLEY

to the

SECOND REGULAR SESSION

One Hundred and Eighth Legislature

Mr. President, Mr. Speaker and Honorable Members of the 108th Maine Legislature:

We are assembled together at what I feel is a truly unique time in Maine's history. Never before have a Governor and a Legislature met at a time when they shared any greater opportunities. . . . opportunities unlimited.

I would submit we have:

(1) An opportunity to develop programs reflective of the will of the people as it was clearly expressed in the referendum of December 5, 1977.

(2) An opportunity to give the hard-working men and women of the State of Maine some meaningful tax relief that they not only badly need but legitimately deserve.

(3) An opportunity to hopefully start a new budget reform concept for Maine whereby in the future any surplus of revenues will be considered an "overcollection of taxes" and a fair share returned to the people who paid them, and

(4) An opportunity to update and further refine our combined efforts toward economy, efficiency, and effectiveness in government through bold and creative approaches to governmental programs.

I believe future historians will say that prospectively we had a collective opportunity in this session of the 108th Legislature to give the people of Maine hope that here in this state, in a time when government seems to many to be far away and unresponsive, that **their** elected officials were determined that our governmental processes will truly be of, by, and most important, for the people. I would hope most of all that those same historians will write retrospectively that together we delivered that hope to the people of Maine.

This Legislature deserves tremendous credit for the positive financial picture we see before us as we enter this session.

As Governor, I commend and thank this Legislature for this partnership effort with the Executive Branch and the people of this state should also thank you for the extent of your cooperation towards a fiscally responsible and accountable government. Great credit is also due many dedicated commissioners, department heads and state employees for bringing us to this landmark point in our state's history.

The fruits of our combined efforts are manifest:

(1) We have been successful in keeping the store of government open during some trying and difficult times. Together, we have tightened our belts and absorbed deficits and managed our dollars to better serve the people of Maine.

(2) I believe we proved that government could serve better without further overburdening the taxpayers of Maine and I think the lessons we learned helped to place us in the position we are in today. As a matter of fact, based on my mail and

contacts and thanks to many dedicated people, including the members of this Legislature, I think we have brought an improved dimension of caring and improved services to people with the greatest need, including the elderly and the handicapped.

(3) As we come together today, we have the ability to meet our obligations. . . . to pay our bills. . . . and to provide some measure of tax relief to the citizens of Maine.

EDUCATION FINANCING

The first challenge we face is agreement on and approval of an education financing law which will accurately and truly reflect the expressed will of the voters on December 5th.

We have a mutual obligation to enact a law reflective not only of what you and I would like to see, but much more important, we have an obligation to enact a new law that will reflect our recognition that the people of Maine have not only spoken but have been heard. . . . and that we acknowledge it is our duty to act upon the expressed will of the people as it was loudly stated on December 5th.

We have attempted to do this in the education financing bill which we have shared with each of you. We have not held out our alternative as the ultimate or the perfect solution. We feel, however, that it is a fair solution. We also feel it reflects what the people of Maine want and we further feel that it is an alternative that insures the stability of our education funding system in Maine.

You cannot solve a problem of inequity by building in further inequities.

We also must find reasonable and equitable solutions in such areas as capital constuction, school bus purchases, debt service, and collective bargaining that have tied the hands of school boards, superintendents and city and town budgets to the tune of 75 percent of education costs. Finally, we must have faith in the people of this state and their determination to meet their fair share of the costs of educating our children.

I, for one, have that faith and confidence.

While I have been told that one or more citizens or legislators who opposed repeal may challenge any alternative submitted, I do not want to believe that anyone would want to be a party to any obstructionist approach which would deny the people of Maine their right to vote and right to free speech. As a matter of fact, based on the best legal advice we have received, I am told the education financing alternative we have submitted will be far better able to withstand any constitutional challenge than the law which the voters of this state chose to repeal. In any event, the new alternative could not possibly have the divisiveness of the old law as it relates to the cities and towns and people of Maine.

FINANCIAL PICTURE AND BUDGET APPROACH FOR THE SESSION

As I have previously reported to you, my financial people have carefully analyzed the latest available financial information including balances available and projected, revenues already collected and projected for the balance of this year and the new fiscal year. We have also taken into consideration certain adjustments to revenues made necessary by repeal of the Uniform Property Tax.

The specific details of beginning balances, excess revenues, lapsed balances were all shared with you in my memo dated December 29, 1977.

These amounts of available dollars total approximately \$41.0 million for considerations in the session. Once again, I commend the Legislature and commissioners, department heads and state employees who have made this possible.

After considerable research and study in the area of government budgets, we have reached the conclusion that the traditional methods of budgeting have been largely responsible for continued increases in government costs. . . . and hence, in taxes. Stated simply, government has tended to budget by taking all available revenues and then establishing spending priorities and programs to consume those revenues. This has usually meant that state legislatures and to a worse extent Washington, for that matter, have often spent the cupboard bare and then operated with deficits or increased taxes when existing revenues were insufficient to fund ever-expanding programs that frequently are promoted by liberal spending politicians or the bureaucracy at the expense of the people and the taxpayers. Here again, it is a tribute to the Maine Legislature that you did not spend the cupboard bare last session.

What has happened, in effect, is that government has allowed programs and services frequently based on political and campaign promises to become the first priority and the taxpayers have not been included in the equation, much less considered a priority. Unfortunately, the taxpayers or those who have been the least considered have been the most shortchanged and overtaxed. While we have heard much about "zero-based budgeting" in other states, there appears to be more rhetoric and form than substance in that regard. In any event, so-called zero-based budgeting appears to have been an inadequate attempt to halt the trend toward more government spending and higher taxes. As a matter of fact, budgeting approaches have still resulted in spending based on available dollars. Bureaucracies from Washington on down, spurred by politically motivated and very liberal spenders, have shortchanged the taxpayers altogether too much and too frequently. As a result, government costs have spiraled, taxes have risen, and the cancer of inflation has eaten away at the available dollars of the taxpayers, with the wage earners on the low end of the scale and those on social security or in retirement being the hardest hit of all.

Is there an answer? We think so. We think Maine can provide the answer with a "Maine Plan" or a "Dirigo Plan." That answer isn't zero-based budgeting. It's zero-based spending. . . . a program designed to place the taxpayer's rights equal

to every last demand by government for his tax dollars. Our plan is designed to extend the American and democratic right of equality to the taxpayers equal to the spenders and the special interests.

The program we will present to the 108th Legislature will recognize the importance of the taxpayer on an equal basis with both the advocates and recipients of government spending. It will be an attempt to reverse a long-standing trend that has caused many taxpayers and citizens to lose confidence in their government as well as confidence in you and me and other elected and appointed officers of government.

We will attempt to do this in the following manner:

(1) The budget we will present will consider the estimated balances and surpluses as an "overcollection of taxes" or, in the case of lapsed balances, as money government found it did not need in order to operate. Therefore, in our budgetary priorities, we will extend equal rights for a change to taxpayers and provide priority for tax relief since this Governor at least feels that the State of Maine has been collecting more from the taxpayers than was necessary or overcollecting taxes from the people of Maine who pay the taxes. As a citizen as well as Governor, I would hope this Legislature would agree with me that we no longer have the right to spend those tax dollars we overcharge and overcollect without equal consideration for the taxpayers.

(2) The "Maine Plan" or the "Dirigo Plan" will further provide that for the future, we will ask the Legislature to embrace a concept whereby the Executive Department shall annually conduct an analysis of the economy of the state to be presented to the Governor and the Bureau of the Budget on or before October 1st of each year for consideration in the formulation of budget proposals for the next legislative session. The analysis shall include historical data and comparisons for the five previous fiscal years, estimates for the current fiscal year and projections for two years ahead in such detail as the Governor may require.

The Governor and the State Budget Officer when preparing budget proposals for the Legislature shall give first priority to consideration of the tax mix among the major broad-based categories of tax and the recommendation of an increase or decrease in the tax burdens as they develop state program recommendations.

The state budget document shall include a report of this economic analysis and such recommendations and other information as the Governor may wish to include.

It would be the intent of this legislation to give priority consideration and require justification to the Legislature and the people of Maine as to the Governor's recommendations in establishing levels of taxation and total spending for the ensuing fiscal period. We feel this concept will place the taxpayers' rights and interests on a long overdue basis of equal rights for those who provide the dollars equal to those who spend or receive the dollars.

TAX RELIEF PROGRAM

To carry through with the philosophy that any future overcollection of taxes and excessive revenues should be returned to the taxpayers, we are recommending to this Legislature a **TWO-PHASE TAX RELIEF PROGRAM**:

(1) We believe that to the degree possible, excessive tax dollars should be returned to the people who paid them. After much consideration, we reached the conclusion that the fairest method would be an income tax rebate. Therefore, we will recommend a direct rebate of up to \$50 to everyone who paid a State of Maine income tax in 1977. This rebate will cost approximately \$12 million.

(2) I believe it is essential that we continue to give incentives to the working men and women of Maine and to the businesses which provide them jobs. I feel strongly that we have reached a point in society where we must make the rewards for working greater than the rewards for not working. Therefore, in addition to the direct tax rebate, we will recommend to this Legislature that we reduce state income taxes by five percent permanently, beginning in 1978. We are informed that this will cost approximately \$8.5 million for the first year it is in effect. Combined with the direct rebate, this will give the people of the State of Maine \$20.5 million in tax relief this year or roughly half of our available dollars.

This is the least we should do for the working men and women of this state.

This is not to suggest that these are the only avenues through which we could give the people of Maine tax relief or the only avenues that this Legislature might want to consider. In our own deliberations we gave careful consideration to other approaches. The best advice and counsel provided me suggested that:

(1) To the extent taxation should be based on ability to pay, the rebate portion should refund taxes on that basis.

(2) To the extent our excess revenues are attributable to overcollection and/or inequity in the income tax area, we could also reduce areas of excessive taxation which could best demonstrate our good faith and our desire to retain existing quality jobs as well as attract quality industry and jobs.

Very candidly, many feel the rebate plan and the tax reduction plan are badly needed as well as extremely important in our industrial development efforts.

We have a rare opportunity in the upcoming session to demonstrate to the people of Maine that the taxpayers, for a change, are one of our top priorities of concern. This is an opportunity for this Legislature to once again help Maine be a leader and set an example for the rest of this country in showing people that government can give back dollars and not always take dollars away.

If the Legislature will join us in making the taxpayers of Maine an equal priority, then this relief can become a reality while the state continues to meet its commitments in other areas.

In addition to the tax relief program which we have outlined, we are also very pleased to be able to offer this Legislature an opportunity to consider other areas of tax equity and relief.

Once again, as Governor, I am asking for help and concern for our older and elderly citizens, who have perhaps been the most penalized by overspending and over taxation of late, by government that has caused the cancerous inflation that has jeopardized and discounted the purchasing power of their retirement and annuity checks and other nest eggs and savings for their retirement years.

(1) We will propose legislation that will extend the benefits provided by the Elderly Household Tax and Rent Relief Act. This proposed bill would expand benefits available under the program by eliminating discounted benefits for income over \$3,000. This change would provide a better level of relief to those claimants with income between the \$3,000 and \$5,000 level.

(2) We are again introducing legislation to provide the Bureau of Taxation with the authority and responsibility for valuation of industrial and utility properties with a value in excess of \$10,000,000. All the expertise states that this procedure would result in significant improvement in state valuation and provide municipalities with more up-to-date and accurate information to use for assessment purposes. State valuation has been supported by many groups and committees, including the Legislature's own Select Committee on State Property Tax Valuation and the Joint Select Committee on State Tax Policy. It would also be a significant step towards insuring that the property tax burden carried by major industrial properties is based on sound and accurate valuations.

(3) As we stated to you in our education financing message of December 28, the funding of the new bill which we are presenting will not be contingent upon any approval of new taxes.

However, while tax alternatives do not have to be considered for the funding of the bill, I feel that in fairness to all citizens of this state we should address the issues relating to nuclear generating facilities and the unorganized territories. I discussed these approaches in the December 28th message and pledge to work with the Legislature in this regard.

COLLECTIVE BARGAINING

Maine state employees have been granted collective bargaining rights. This administration, through the Office of Employee Relations and the Department of Personnel, has cooperated fully in the establishment of bargaining units and the implementation of the bargaining process.

I would like to report to this Legislature that we are actively negotiating with six of eight bargaining units. Two units have not requested sessions at this point.

We are confident that we are putting forth a good faith effort to honor the collec-

tive bargaining process. However, I feel we are at a crucial point where it is necessary for all parties. . . . state government in general, the Legislature and the employee organizations to honor the process. We commit to keeping the Legislature advised and to continuing our good faith bargaining efforts. Also, as Governor, I commit to the Legislature, state employees and all the people of Maine that Maine State Government will meet its responsibilities in that regard. In any event, as the Governor responsible for the Executive Branch, I commit to fulfilling any agreements reached between employee bargaining units and the Executive Branch of government. It goes without saying that, as Governor, I recognize that actions by the Governor and Executive Branch are subject to confirmation by the Legislative Branch, but I would hope that the Legislature, individually and collectively, would recognize that the responsibility for day-to-day collective bargaining rests with the Executive Branch. Once again, we pledge our good faith in that effort and a fair and equitable approach on behalf of the Legislature, state employees and the people of Maine.

LEGISLATIVE PROGRAM

Our legislative program has also been finalized and will be outlined to you in a written program message, within a matter of days. The majority of our bills have already been forwarded to Legislative Research for printing so they can be set for an early hearing, and from all reports it would appear both the Legislative and Executive Branches have set a new standard in the method and manner with respect to the pre-planning and expediting of legislation. I commend the Legislature as well as my own legislative staff in this regard.

I will not go into further detail in this message and will only tell you that we have placed a top priority on improvements in programs for our mentally retarded citizens, particularly at Pineland. It is our hope that, with the cooperation of the 108th Maine Legislature, we can give Maine one of the best, if not the best programs for the retarded in the nation.

We will also ask you for your cooperation in taking a close look at our corrections program to make certain it is meeting the needs of the inmates while at the same time it is serving the functions intended by society and protecting the citizens of this state. We will also present a supplemental highway maintenance program designed to keep our roads and bridges as safe as possible.

As your Governor, I gratefully and proudly feel that we are standing together on the threshold of one of Maine State Government's finest hours. We are in a position to demonstrate to the citizens of this state that we understand, acknowledge, respect, and are prepared to respond to their will.

We are in a position to continue and improve state services without a tax increase.

We are in a position to give the working men and women of Maine direct and meaningful tax relief;

We are in a position to return to the people what is rightfully theirs.

I ask that we do it!

Thank you very much.