

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND FIFTEENTH LEGISLATURE

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**STATE OF THE
STATE ADDRESS**

OF

GOVERNOR JOHN R. McKERNAN, JR.

JANUARY 15, 1992

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Mr. President, Mr. Speaker, Members of the 115th Legislature, Fellow Citizens of Maine:

We gather tonight, at the start of this new year, to take stock of the state of our State and plan anew for our future.

When I delivered my last State of the State address, this new decade dawned ominously in the face of twin threats: Iraqi aggression in the Middle East, and a looming national recession.

Abroad, we did well.

Our victory in the Gulf exceeded our expectations, and helped our national pride to soar. No state contributed more to this pride than Maine, as hundreds of Mainers risked their lives and set aside their jobs and their families to serve our nation in the gulf, and hundreds more gathered each day to welcome our troops home as they flew through Bangor.

But on the home front, it is hard to imagine ways that this year could have been worse.

We are fighting a crippling recession, brought on by the overheated New England economy, and now prolonged by the national recession.

Like all of the states in the Northeast — and most other states — we have struggled with a succession of budget problems that have undermined confidence in government, and challenged Maine's proud tradition of progress over partisanship.

In November, I took the unprecedented step of addressing Maine citizens on statewide television. I presented my plans for dramatic cuts in State spending and proposals to reduce the State bureaucracy. You responded, and we made a good start, and I will need your help again this Session. It is a daunting challenge we face. It will require extreme effort from all of you.

I would like to single out one person who has once again made that extra effort — days, nights and weekends to prepare the many difficult changes to our budget — my Commissioner of Administrative and Financial Services, Sawin Millett.

But as I said in November, the simple fact is that only by creating new jobs will we get our economy moving again. Nothing has changed since November: the answer is still jobs.

CREATING JOBS FOR MAINE WORKERS

As you gather in this Second Regular Session of the 115th Legislature, I believe you have but two tasks.

The first is to make our State a more hospitable place to preserve and create jobs for our citizens.

The second is to continue to cut State bureaucracy, and reduce the financial burden on Maine taxpayers.

On every vote you cast this Session, you must ask yourself two basic questions: first, "Will this help save or create jobs," and second, "Can we afford it?"

If any of you in the Legislature doubt the importance of these two tasks, you need look no further than the more than 33,000 jobs lost in Maine since 1989.

This is the toll of the hostile attitude toward those who create jobs. This is the harsh reality of this recession, a recession that affects all of our citizens, from all walks of life. The statistics are chilling: 1,489 jobs lost in Oxford County alone...More than 3,000 jobs lost in Androscoggin County....more than 3,000 lost in Kennebec County, 3,000 more in Penobscot, 4,129 jobs lost in York; and fully 9,260 jobs lost in Cumberland County.

Behind each of these cold statistics is the face and life of an unemployed worker. And unfortunately, each week the paper brings news of additional layoffs.

Make no mistake: These are the people, the families in your district, whom we in government have failed.

This is the human cost of our inability to adequately reform our workers' compensation insurance system; the real-life consequence of excessive regulatory red tape; it is the price we will continue to pay if Maine businesses cannot compete ... because we choose not to act.

Let me share with you a parable I heard recently about a goat, a crow and an oak tree.

Each day, the crow sat high among the branches of an oak tree and watched as a little goat came from the pastures of a nearby farm to forage among the roots of the tree for nuts. Over the months, the goat grew large on the acorns it found among the roots of the tree, but as it foraged it exposed more and more roots.

One day, the crow called down to the goat as he dug around the base of the tree. "You must be careful, my friend," the crow said. "In your zeal for acorns, if you expose too many of this tree's roots, the tree will die."

The goat looked up at the crow. "Silly crow, I don't care if the tree dies. All I want are the acorns."

Well, we ought to care if the tree dies — because frankly, the life of Maine's economic tree is in danger.

For too long, too many have believed that they could increase the burden on Maine businesses and Maine taxpayers without endangering our prosperity. But now, just as the goat in the parable had threatened the life of the tree, we have threatened the well-being of the people of our State.

Our first obligation to the citizens of Maine remains restoring the vitality of our economy — to send a clear message that Maine is encouraging businesses to create jobs.

RESTORING VITALITY TO MAINE'S ECONOMY

That is why I began the process in December, by conducting two job summits — to hear firsthand from Maine businesses about the obstacles they face in creating jobs. And that is why the Speaker, the President and I appointed a bipartisan Jobs Commission to find ways to create jobs in Maine. We hope their conclusions will help us reach consensus on how to create more jobs for our citizens.

From our past efforts, we know there are at least three areas that need to be addressed: a basic health insurance option; revisions to streamline Maine's regulatory burden; and additional reforms to our workers' compensation insurance system.

Last year, I proposed a "Basic Care" health plan without costly mandates for employees of small businesses. While more than 20 states have passed similar plans, ours died last year in committee. We will try again this Session.

Other legislatures stood up to the special interests. This Legislature didn't. This year, that has to change.

And in regulatory reform, this Legislature has more unfinished business. We need to ensure clarity, consistency and promptness in our environmental regulations, so our citizens can depend on our system to act on their permit request in a reasonable time.

You have legislation pending before you that can streamline the process, and I will introduce more. We can not afford to delay any longer.

And once again, I will propose to bring our workers' compensation insurance costs in line with other states.

We need to protect our workers — but we must break up the feeding frenzy by those lawyers, health care providers and others who are driving up the costs of our comp system.

Men and women of the Legislature, the day of reckoning is here. When Maine's employers pay more than twice the national rate — and Maine injured workers receive only forty cents of each premium dollar — we simply can not afford more delays in constructing a fairer, less-costly and more efficient system.

Some of you may remember the example we used last spring involving the Boston Bruins. If the Bruins pay a player \$80,000, in Massachusetts they pay workers' compensation insurance premiums of \$4,500. But if they send that player to their Maine Mariners farm team, they pay him the same salary, but have to pay Maine workers' comp insurance premiums — and those premiums would be \$13,000! Three times more for the same person, same salary, same sport, same risk. No wonder there are rumors the Mariners are thinking about leaving Maine.

And the disparity just got worse. Lawmakers in Massachusetts — where like Maine, a Democratic majority in the Legislature faces a Republican governor — recently agreed to make reforms to their comp system that will reduce costs by 25 percent.

Their new law reduces the length of time most injured workers can collect benefits to 364 weeks, compared to Maine's generous 520 weeks. Massachusetts will reimburse injured workers for 60 percent of their average weekly wage under the new law, down from 66 2/3 percent. And the new law cuts attorneys fees and revamps the Massachusetts Workers' Compensation Commission to further reduce costs.

The question this year is whether you are up to the task of reforming comp in order to save jobs for Maine workers — or whether you are content to let even more jobs flow to states like Massachusetts.

The Maine workers' compensation insurance system is costing us jobs. Some have called for yet another Blue Ribbon study of Maine's workers' compensation insurance system. We have already had Blue Ribbon studies; one was completed just last year.

We know what the problems are. Now is the time for solutions. If we care about jobs for Maine workers, we can not afford to wait any longer.

BUILDING INCENTIVES FOR JOB CREATION

In addition to fixing comp, we must go even further to provide incentives for businesses to invest and create jobs here in Maine.

We need to expand our Investment Tax Credit to provide an incentive for businesses to invest in new plants and equipment — in new technology for Maine workers.

We must create a Jobs Tax Credit to encourage businesses to expand employment opportunities for our citizens.

And I will be establishing a Jobs Team to troubleshoot for businesses struggling with government red tape and speed up the permitting process.

In addition, we have identified construction projects pending before State agencies so we can accelerate their permits this construction season and help create jobs. And I have asked State agencies to identify new construction and repair projects that could begin during this construction season as well.

We want to work with you to develop these projects as a bond package for voters to consider this spring so we can benefit from the jobs created this year. Combined, these efforts will pump additional money into the economy and put people back to work.

This Legislative Session will be watched closely by Maine voters, Maine businesses, and those considering business opportunities here in Maine. It is important — vitally important — that we send them a message that we are serious about improving the climate for creating jobs.

When this Session ends, the message must be clear. That message must be: We are serious about creating jobs, and we are taking steps now to remove obstacles to job creation. If we fail to take action, jobs that would otherwise be created in Maine will go elsewhere. And we will have failed at the most important task before us: creating opportunities for our citizens to provide for their families.

There is no less at stake.

RULING OUT REVENUES FROM NEW TAXES

But all of our attempts at job creation will be for naught if we fail to bring our budget under control without raising taxes. Our problem — contrary to what we all hear in Augusta — is not that the State spends too little money. We are among the highest taxed states in the country.

Rather, our problem is that we must learn to live within our means. So let me state clearly to you and to all of our citizens: I will not support raising new revenues in this Session either by raising current taxes or removing tax exemptions. Nor will I support raising new revenues through video gambling. We must instead insist on strong, responsible solutions to our needs, and avoid the persistent demands of the special interests to increase State spending.

Let's be straight with voters: If we remove tax exemptions — enacted by your colleagues in previous legislatures — we are imposing new taxes and costs that people do not currently pay. We would be raising taxes. Maine taxpayers at current rates are already on their knees, crying "Uncle!" It is irresponsible to place a penny's extra burden on their backs.

Nor will I join those of you who are looking to embrace video gambling as a "quick fix" to our declining revenues. Turning to video gambling today would change the landscape of Maine — would alter the character of our towns and cities forever. I will not support video gambling, and I will veto any attempt to make it a part of our revenues.

Rather, we must examine the full scope of our government, and look for ways to do the job better. And that is what we will do in our budget revisions for FY 1993, which I will outline on Friday.

The gap between revenues and requested expenditures will be \$115 million. Because of the recession, we will also require supplemental spending of \$52 million for 1992 and 1993 to cover the increased number of people who are eligible for our human services programs.

CUTTING STATE BUREAUCRACY

The budget I will present to you continues to cut State bureaucracy. If our budget revisions pass, we will have reduced the number of General Fund employees in the Executive Branch by 1,203, or 15.4 percent since March of 1990.

I must point out that our actions are in stark contrast to the actions of the other branches of government. The Judicial branch over the same period has eliminated 11 employees, or only 2.8 percent. Remarkably, the Legislative branch to date has not laid off even one staff member during these tough times. And while salaries for my appointees have been frozen and cut, other branches of government have continued to give increases.

We can not continue with a system that allows this type of inequity, or allows some employees to earn more than their supervisors. State government, like every business in our state, must be able to respond to substantial economic pressures. And this is why I have ordered a review of our entire personnel system.

As I said earlier, I will outline our budget revisions in more detail on Friday, but I want to give you some of the highlights tonight. To begin with, we have carried forward the 1992 cuts within the budget package you passed last month, for savings of about \$70 million for 1993.

In that package we have been able to limit cuts to General Purpose Aid to just \$10 million, and make no further cuts to state municipal revenue sharing. My decision reflects the concern you in the Legislature and citizens across our state have expressed about the property tax burden.

To protect communities from further cuts, we will refinance a portion of our outstanding bonds. Many of you have taken advantage of today's lower interest rates to refinance your home mortgages. We have decided to do the same to lessen the burden on local property taxes.

CONTRACTING OUT STATE SERVICES

We will continue our efforts to contract out more services at our State mental health facilities, and care and treatment services at our juvenile correctional facilities, for savings of \$6.2 million.

We will make the Public Health Lab in the Department of Human Services self-supporting, with resulting savings of almost \$1 million.

We will follow through on our proposal to get the State out of the liquor business by closing additional State liquor stores.

RESTORING ACCOUNTABILITY TO ENTITLEMENT PROGRAMS

I am also proposing to make substantial reforms to control the burgeoning cost of our human services entitlement programs.

My budget includes eligibility changes in Aid for Families with Dependent Children program that will encourage personal responsibility and focus AFDC on the citizens who need it most.

Specifically, we will no longer increase benefits for single parents who have additional children while on AFDC, and we eliminate the "gap" that allows clients to continue to collect benefits — even after finding a job. It's unfair that some welfare recipients make more in benefits than our working people. We need to find ways to break the welfare cycle — not perpetuate it.

Our budget also asks State employees to contribute to our reductions. I will freeze merit pay increases for 1993, and ask all State employees to contribute an additional one percent to reimburse the State for contributions to their retirement plans.

Maine State employees are working almost a month less, yet are being paid the same salary this year that they earned last year. This reduced work schedule is crippling State programs our citizens depend on. So I will again call on our State employees to return to a more appropriate and efficient work schedule for the coming year.

REORGANIZING STATE GOVERNMENT

We have also continued to try to improve the way government delivers services, and build on the restructuring I began last fall. I will propose to reorganize several State departments this year.

We will reorganize our current Departments of Human Services and Mental Health and Mental Retardation into a Department of Health and a Department of Children and Families.

I am also proposing an independent Maine Transportation Authority to set a comprehensive transportation strategy managing our rail, highway and ferry systems. Our proposal will expand revenue bonding powers while providing better integration between the Turnpike Authority and the Department of Transportation.

We also need to improve the way government does business. Tonight, I call on you to adopt the recommendations of our Special Commission on Government Restructuring.

I intend to implement the Restructuring Commission's proposal of "Total Quality Management" for State offices. We must do more to engage our employees in improving the way government functions, and we must treat taxpayers as customers, and not just a source of revenue. Our role as government officials is to serve the public — not to expect them to serve us.

REDUCING THE SIZE OF THE LEGISLATURE

And as difficult as this will be for some of you, we must also accept the recommendation of the Restructuring Commission to reduce the size of the Legislature. I believe it will bring not only additional budgetary savings, but also improved responsiveness. Maine does not need a legislature that is third-largest in the nation — and among the most expensive.

Nor, quite frankly, do we need the more than 2,000 laws contemplated by this body each biennium. Let's agree, tonight, to consider only those bills that are most important to our State — bills for which this Second Session was designed. Surely we can limit debate this Session to these most crucial issues, complete the State's business — and meet your leadership's target of adjournment by March 27th, just over two months from now.

SETTING MILESTONES FOR MAINE

While our budget problems can demand all of our attention, we must force ourselves to focus on the future as well. Toward this end, Friday I will be creating a new goal-setting initiative called "Milestones for Maine", and forming a Task Force to review the work of the Commission on Maine's Future, and develop, through an extensive process of public hearings, a wide range of outcome goals for our State — and milestones for achieving those goals over the next eight years and beyond to our bicentennial.

By setting milestones now, we can enter a new millenium and a new century for our State — with clear goals and a vision for our State's future.

CONCLUSION

This has not been a conventional State of the State address. When I took office five years ago, I told you I wanted to make Maine the very best place in America to live, work and raise a family.

That is still my goal. And Maine is a great place to live and raise a family. But we must restore Maine as a great place to work — and to create jobs.

I began this evening by framing the tasks this Legislature must address. And I want to again repeat the questions you must ask for every bill, every vote you consider this Session: "Will this help to maintain or create jobs in Maine?" "Can we afford it?"

These are drastically different questions from those you have asked in other Sessions. The economist John Kenneth Galbraith once said that politics is the art of choosing between the disastrous and the unpalatable. As unpalatable as these choices may be for many of you, they pale in comparison to the personal anguish you will cause if you fail to act.

And the choice we face is stark: one sets the course for recovery; the other promises only continued economic stagnation. When you return to your community this spring to face your family, friends and neighbors, you will have to again face the reality of our economy. And the decisions you make this Session will determine whether on your return, Maine people have begun to go back to work.

Our very economic future rests in your hands. Your votes this Session will determine whether Maine families have the opportunities they deserve.

I'd like to close by reading a letter from a 15-year-old girl who wrote me recently. Her name is Allison. She writes, "I was born in Waterville, Maine, 15 years ago. My whole family except my mother, father, sister and I, all live in Morrill, Maine, still. I love Maine very much and would love to live there. Unfortunately, there are no jobs available for my father."

This Session, you and I can give Allison's Dad an opportunity to return to Maine and find work. We can prove to the thousands of unemployed workers in our State and the thousands more who are frightened about losing their jobs, that we in government can do the job the voters sent us here to do.

To those of you in the Democratic Party, I ask you to work with me and your Republican colleagues. We all need to set aside partisan politics.

Working together, I know we can put Maine back on course. And Maine people deserve no less.

Thank you.