

MAINE STATE LEGISLATURE

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STATE OF THE STATE ADDRESS
OF
GOVERNOR ANGUS S. KING, JR.
January 23, 1996

Mr. President, Mr. Speaker, Mr. Chief Justice, Members of the 117th Maine Legislature, and the people of Maine.

We are living in revolutionary times. I believe that we are in the middle of the greatest change in the way people work and organize their lives since the Industrial Revolution. The revolution is the globalization of the economy.

Where once we did business down the street or across the state, trade and commerce now spans states, regions and national borders. In Brewer, Maine is a company--Brewer Automotive Components--which is a joint venture between German and Japanese companies which manufactures ball-joints for Toyotas made in Georgetown, Kentucky. NYNEX's on-line yellow pages is based in France and when you call Swissair for a plane reservation, the phone rings in Pakistan.

In Tokyo, this black-faced L.L Bean watch is as fashionable as a Rolex and everyone watching us tonight has products in their house from at least a dozen countries.

And this revolution is good news and bad news for Maine.

The good news is that location--our historic economic disadvantage--is no longer such a problem. You remember the maps when we were kids--Maine was way up here in the corner.

Now, instead of being at the end of the line, we're in the middle of the global economy--closer to Europe than any other part of the U.S. and able to sell our goods and services into markets from Ireland to Indonesia.

That's the good news. The bad news is that everyone in the world wants our jobs and they are hard at work--right now--to get them.

Ten days ago I had in my office a representative of a German company who is looking for a site in this country for a manufacturing facility. He started here because they already have a distribution center in southern Maine. But he was going from here to Virginia and then on to North Carolina. And Virginia has a full-time person in Germany, by the way, looking for opportunities like this.

Last Friday I spent the day in western Maine and visited five solid Maine businesses--Pleasant Mountain Moccasins, Bridgton Knitting Mill, Howell Labs, Oxford Aviation, and Oxford Homes. All are doing well and all are exporting from Maine. But the thing that struck me at the end of the day--and sent a shiver down my spine--was that not a single one of these businesses has to be here. Every one could move--closer to suppliers, to a warmer climate, or simply because a new owner likes it better someplace else.

And just as a not so gentle reminder of our vulnerability, two of our flagship companies--L.L. Bean and BIW--announced cutbacks on the same day last week.

In other words, the global economy brings opportunities for sure, but it brings challenges and stiff competition as well. Someone said to me recently that we are entering a period of no-holds-barred Darwinian competition. And you all remember Darwin: survival of the fittest.

And this competition is not by any means limited to our businesses. The State of Maine itself is in direct competition with South Carolina, Texas, Tennessee, Singapore, and Finland just as sure as Ford is in competition with General Motors. When a top official at National Semiconductor called me at home one night last summer to tell me that Maine was going to get the plant, he added, "I've got to tell you that I'm in Texas today and had to tell Governor Bush that we've decided on Maine. He wasn't very happy". I said "isn't that a shame".

But what does all this have to do with the State of the State? Everything. Because what the state of the state is really all about in 1996 is what is the state of our ability to adjust to this revolution, to meet its challenges, and to improve our quality of life for the 21st century.

Because if we don't meet this challenge--and now--our standard of living will decline just as sure as we're sitting here, and our children will be the first generation in American history to be worse off than their parents.

But is this all about business? What about education, the environment, social services, the elderly? I've been accused of having a one track mind when it comes to economic development.

I guess I'll have to plead because everything comes back to having a good job. Quality education, a healthy environment, efficient social services, care for our elderly. Nothing works unless the economy works. Ask the sheriff in any Maine county--there is a direct and unmistakable correlation between alcoholism, domestic abuse, youth violence--and unemployment. Nothing works unless the economy works.

Our budget didn't go down the tubes in the early nineties because taxes were suddenly cut; the bottom fell out because 35,000 people lost their jobs. And the schools, the university, social services, everything suffered. The simple truth is that no society ever taxed its way out of a recession; a vigorous free-enterprise economy is the engine of all social progress.

So where are we with respect to this economic challenge and what else must we do to meet it?

In the past year, we've made some real progress and Maine is starting to win our share of the daily battles that will determine our fate.

Workers comp--long the bane of the Maine economy is not only under control, it's coming down. In the last twelve months, general rates have dropped as much as 30% and there is now fierce competition between insurance companies for Maine business.

By the way, I take no credit for this development--it was the work of a revamped system brought into being by many of the people in this room...and by the efforts of Maine businesses and their workers to give safety the priority it should have had from the start.

In 1995, we began the phase-out of the property tax on machinery and equipment which in a stroke leveled the tax playing field with many other states and has, I believe, been a significant factor in the investment of almost a billion and a half dollars in the Maine economy in the past six months.

We have begun the process of improving Maine's regulatory process to make it more timely and more predictable. A crucial moment in the National Semiconductor decision came when we were asked how long the permits for the new plant would take. When Commissioner Ned Sullivan from the DEP said 30 to 45 days, the largest single industrial investment in the history Maine was a big step closer. Why? Because when that plant is on-line, it will generate revenues at the rate of \$15 million...a week. And it doesn't take an economist to figure out the value of a 45-day permitting period rather than nine months or a year.

By the way, when all was said and done, the permits were delivered in 21 days without compromising environmental standards, and I think

Ned Sullivan and his team at the DEP deserves our thanks.

What else have we done this year to get ready for the challenge bearing down on us?

We've made a good start on winding down the gimmicks which have plagued our budget. Furlough days, shut down days, and the payroll push are all gone; we're now putting aside proper reserves against taxes we may never collect; we've started a modest capital maintenance program; and we're all determined to restore the highway fund.

Nobody's even talking about increasing taxes and we're better than halfway through the difficult process of reorganizing and downsizing every agency of state government. And we will save Maine taxpayers the \$45 million through productivity initiatives that was promised...I guarantee it.

We developed a plan to bring the state into compliance with the Clean Air Act without an intrusive auto emissions program. And - by pushing our neighbors to the west --- we have moved Maine into a national leadership position on clean air issues.

We've developed a long-term economic strategy, and the Legislature's Economic Growth Council, chaired by Sen. Chellie Pingree and Kevin Gildart of BIW, has put together a list of benchmarks to guide our policy and measure our progress.

But perhaps most important, we've done all this--and a lot more--with a civil tone and with respect for each other and the people we represent. In hard times, we've made it work, and I'm proud of that.

So where do we go from here? What's the next stage of getting ready for the challenge of the global economy?

In my view, the most important single determining factor as to whether we're going to make it is...education. The days when a strong back was all you needed to get a good job are long gone and more and more over the next dozen years decisions about where companies locate and grow will depend upon the quality of local education.

Lester Thurow, the MIT economist, once did an analysis of why the United States got so rich over the last 100 years and came up with four advantages that we had that were scarce in the rest of the world: capital, technology, natural resources, and an educated work force. And now the world's playing field has been leveled for the first three.

Capital can move in the blink of a banker's eye: push a button and a million dollars can be in Mexico in a matter of minutes.

A new technology developed today in New York can be faxed to Hong Kong and be in production before the end of the week.

And natural resources can move as well. Japan has the world's most productive steel plant and no iron ore whatsoever.

So that leaves education. Education is going to make the difference for us...one way or the other.

By the way, I don't view education strictly in terms of business--that it's nothing more than a glorified job training program. It's much more than that, and is in fact at the heart of our people's ability to enjoy the life a strong economy makes available.

Now right about here would normally come the pitch for lots more money. But not tonight, because I don't think money is the issue. Sure every school district in Maine could use more money from the state and there's no doubt that increased funding would help, but we all know that it's just not there, and it's not the only answer.

I believe that if we want to make a real leap in the quality of Maine education, we have to look beyond money to how we think about the public education process itself. For too long, we have tried to define quality by what we're putting into the system--particularly money--instead of by what we are getting out. This just doesn't make sense and will never get us where we want to go.

And the 116th Maine Legislature agreed. For more than two years ago, the Legislature created the Task Force on Learning Results which has involved thousands of Maine people--parents, teachers, students, and citizens--in an historic effort to define what it is we think Maine kids should know and figure out a way to measure whether they know it.

In other words, standards and accountability. And two weeks ago this Task Force reported one of the most important documents in the history of Maine education: a specific, testable set of academic standards that can and should apply across the state and will, for the first time give us a measuring stick for determining how our kids--and their schools--are doing.

This report is at the heart of the legislation we will be submitting this week to move Maine education into the 21st century.

But it's the work of the classroom teacher that will be critical to the success of this initiative. For this reason, I am proposing to reallocate \$2 million to train teachers on implementing the new learning standards.

We must look for savings in other parts of the educational system. We will propose incentives for consolidating business functions among school districts. We just can't afford the luxury of school administrative units reinventing the administrative wheel with separate transportation offices, payrolls, accounting and lunch programs. Commissioner Wayne Mowatt has set out a vision for education in the State of Maine that includes high performance by all students, and active involvement of parents and community - all of which would be achieved in a cost efficient manner through the reallocation of current resources.

Linking these standards to the new technology made possible by the passage of last Fall's bond issue immediately jumps Maine to the forefront of American education and, more than any other single thing we can do, will insure our future and that of our children. The telecommunications bond issue passed by the voters will assure that each high school has interactive video channels and each Maine school will have immediate access to the Internet - literally throwing open our schoolhouse doors to the world.

But it's not the only thing we can do. There are also lots of little things, which when added together, can make a real difference in our ability to be a catalyst for the growth of the Maine economy.

And I think it's time we focused on a special sector of that economy--small, existing Maine businesses. Too often when politicians talk of economic development, the emphasis is on recruiting large new businesses from out-of-state, when the real growth potential is right under our nose.

90% of our businesses have fewer than 20 employees and that's where big businesses usually start.

National Semiconductor was a home run, but home runs don't happen every inning.

It's going to take a lot of singles and doubles to build the Maine economy, to lift incomes and lives from Kittery to Fort Kent.

I like stories like Bodacious Bread in Waldoboro which has gone from 8 workers to 16 in a year. Or Andronox in Lisbon Falls, which makes these beautiful boxes; they began in May of 1994 with the husband and wife owners and one employee; today they are up to a dozen, and are headed for 20 by June.

We'll keep pressing for the homeruns, but small business will keep the men--and women--on base.

So I want to begin a new campaign here tonight, a campaign aimed at the thousands of entrepreneurs in Maine and their associates -- a campaign called "Plus

One" -- because that's all it will take. If every small business in Maine hired one additional person tomorrow, our unemployment rate will go to....zero.

So how do we make "Plus One" happen? Maine's small businesses need better access to capital, incentives to create new jobs, help in exporting beyond our borders and information on suppliers and markets.

So do we create a new bureaucracy or another government program to accomplish this? No.

We can't afford it. And in the modern era, it just isn't necessary.

But here are some steps we can take, working with the private sector, to make it happen.

Here's the "Plus One" campaign, in a nutshell:

1. Technology. Computers are now as essential to running a small business as the telephone and we have opened a dialog with Maine's banks on providing special financing terms for the purchase of computers and computer-related equipment. I know that \$3,000 is a lot of money when you're just starting up--I was there seven years ago tonight--but there is no better first investment you can make.

The next step is the development of an "America on Line" for Maine--a business network that will make information instantly available on finance, export opportunities, in-state suppliers, state regulations, and business assistance. One such network is already on-line and at least one more is coming shortly.

(By the way, as I outline these proposals tonight, the details--on education, small business, and long-term care--are available in printed form here in the State House, and, as of late this afternoon, are available to everyone in Maine on the Maine Home Page on the Internet.)

And here's where the state can help--we're putting our regulations on-line and forms as well.

And speaking of forms, here are two that every business in Maine knows well. One is the quarterly filing required for withholding tax--to the department of taxation. The other is for the quarterly filing of unemployment tax--to the department of Labor. Eight forms a year for 36,000 Maine businesses--288,000 pieces of paper that you have to fill out and we have to process.

Well, we're combining them into one form to be filed in one place. This one's going to be history...and that's 144,000 fewer headaches for Maine businesses.

And this is just the beginning. This week 98,000 Maine families will get special tax forms that will

allow them to file their tax returns in ten minutes over the phone and get their refund quicker to boot. During 1996, the people at Taxation will be expanding this TeleFile system, aggressively pursuing Electronic Funds Transfer for refunds, and offering tax filing from your personal computer. By 1997, we can expect to see paperless returns for sales tax, income tax, and employer withholding. These initiatives will dramatically improve efficiency, ease business burden, and lower the cost of tax administration. But why stop there? Why can't we renew our hunting, fishing, and driving licenses over the phone or by computer? I love this stuff, and I intend to make it happen.

2. After technology, international trade. The simple fact is that 5% of the world's population lives in North America--which means that 95% of the world's market is someplace else. And if our businesses are to grow and prosper, they've got to get there.

It's already happening. UNUM, L.L. Bean, Idexx, Key and Fleet Banks, BIW, Gates Formed Fiber, Great Northern Paper, Irving Tanning are deeply involved in international trade. But what about my friends at Andronox, James Taylor Furniture, the Maine Bucket Company, Columbia Falls Pottery, or JimBob Enterprises in Rockland?

We've got to find a way to help these entrepreneurs get into the world market. Right now, Maine's international trade is about two-thirds the national average. If we could just get to the national average--and I think we can go much further--it would add thirty-five thousand jobs in this state, coincidentally, exactly the number of people who are unemployed tonight.

To put it into perspective, our neighbors in Quebec export \$5,000 worth of products and services per person, per year. In Maine, the comparable figure is \$1,250...a ratio of four to one.

The first step is the implementation of the recent report of the International Advisory Committee--an unprecedented partnership between the public and the private sector to put all our international trade assets--the Maine World Trade Association, Maine Training and Education Partnership, and the Trade division of DECD--under one roof to give us a real capability to provide information and assistance to any business in Maine that wants to enter the world market.

And part of this process is to link Maine businesses into cooperative marketing groups--the Maine TradeNet--using a model which took Denmark from the bottom of the exporting heap to one of the highest trade surpluses in the world in less than a decade.

3. I've talked about technology and trade. Now regulation. First and foremost, there is no need nor we will we ever compromise our environment on behalf of the economy. But our regulatory process can be prompt, predictable, and responsive! My goal here is simple: the highest feasible environmental standards--and the highest quality environment--in the country, along with the smoothest, most efficient process. We can do it and we are well on the way to that goal.

The DEP is now working on a five-point plan for environmental excellence for small business, which includes:

- a. A compliance assistance program growing out of legislation passed last year under the sponsorship of Representative Tom Poulin, whereby a company that voluntarily comes forward and requests assistance with an environmental problem can be excused from enforcement as long as the problem is corrected in 90 days.
- b. An expanded Small Business Technical assistance program;
- c. An expansion of the successful Pollution Prevention program aimed at reducing the creation of pollution in the first place, rather than dealing with it only when it leaves the pipe.

When we create an atmosphere of trust and cooperation--rather than confrontation, when we focus on finding solutions instead of problems--good things happen--for the environment as well as business.

4. Next, capital. There is no greater problem for a start-up business than finding the first \$25,000. Great ideas and great people can't do it without the money to pay the first month's rent, buy the computer, the used table saw, and a supply of wood.

So here's what we propose: a new revolving loan fund of \$5 million to be administered by FAME for the sole purpose of providing risk capital--on a matching basis--to small businesses, coupled with a \$6 million revolving loan fund earmarked for infrastructure improvements in the fields of agriculture and aquaculture. Together, these funds will fill a big gap in the ability of many small Maine businesses to get off the ground.

And by the way, any new bonding we propose will follow the 90% rule--no new borrowing in excess of 90% of bonds we are retiring.

5. Next, an idea from Representative Dick Simoneau--a tax credit for the creation of jobs in small business. We already have such a credit now, but you only get it if you create 100 jobs at a pop. Not much help to the little guys. This credit would only be

available to businesses with less than 50 employees and would be scaled to provide an incentive for jobs which pay better wages and benefits. Remember "Plus One"--we want to make it easy to hire that next person, because when it happens, we all benefit.

And finally, to implement all of the above, on May 30, the Blaine House Conference on small business will convene here in Augusta to get the ideas out and develop a detailed small business agenda.

But what's the goal of all of this? It's simple: Never again should a young person have to leave Maine to find a decent job!

But even as we strive to create new jobs, improve the quality of our workforce, reshape state government and improve productivity, we cannot forget those who need our help.

Even in the toughest economic times in our history, Maine people have always looked out for their neighbors.

Today, many of our neighbors need ongoing care and help.

Maine has a growing population of elderly people, and many of them need some form of long-term care or assistance.

This ranges from round-the-clock monitoring to occasional help in preparing their meals or getting dressed in the morning.

For too many of our elderly their only option is to leave their homes and their communities where they have lived for years and move -- sometime miles away -- to a nursing home.

The emotional strain this causes is exceeded only by the financial one to themselves, to their families and ultimately to the state.

Like the woman in Scarborough, who wrote to her children last December to tell them that even though their parents had enjoyed good health, had worked well into their sixties, and had managed to save a considerable nest egg, their children should not expect anything for an inheritance. Because their father had ended his fourth year in a nursing home and the family's entire life savings were gone.

Fortunately, the Maine Medicaid program is there for families like this one who can no longer afford to pay for nursing home care.

But the real tragedy is that this family and so many others depleted their life savings when it could have been avoided, if there had been adequate, safe, and less costly alternatives to a nursing home.

Human Services Commissioner, Kevin Concannon, has an innovative plan to develop adult family care homes -- small residential settings of five residents or fewer for patients who in the past might have been admitted to nursing facilities but who can be safely cared for in these smaller settings, settings that typically cost one-third to one-half less than a nursing home.

Specifically, we will offer legislation that will facilitate the development of boarding care beds in various parts of Maine and additional community-based home care services. We will also offer direct support for patients in nursing homes who no longer meet nursing home criteria and who have not received assistance since 1994. We also propose to provide financial incentives and expedited approval to nursing homes that will quickly convert nursing home beds to residential care.

Further, we will propose increasing support for day and respite care programs for patients with Alzheimer's and other dementias; and increase recruitment, training and support for community volunteers to help monitor the adequacy and the safety of care for our elderly and frail senior citizens--who are cared for in foster homes, boarding homes, nursing homes and soon-to-be adult family care homes.

Finally, I want to address an issue that is critical to another vulnerable group of Maine people. Mental Health Commissioner Melodie Peet is moving forward to shape our mental health system for the 21st Century.

Our challenge is to build an effective, supportive system of community based care while preserving the essential elements of our acute care facilities. Today, 60 percent of our mental health budget supports our mental health institutions where only five percent of our patients are served. We must design a system of care that equitably provides for all clients of the Department of Mental Health.

In order for the state to meet its legal obligations under the three consent decrees that govern our institutions, it is essential for the Commissioner to proceed as quickly as possible while involving all appropriate parties. Therefore, she will convene a representative group of consumers, providers and other stakeholders in the mental health system to hammer out a consensus on this difficult and highly charged issue by early summer. Although difficult, we cannot let this decision linger. We're going to face it, decide and move on.

But what about the cost of all this--new initiatives in education, small business, and long-term care? The first answer is that the proposed additional costs are modest--that was one of my requirements for an idea getting this far. But more important, in every

case, any new expenditures required are to come entirely out of savings and redeployment of existing resources. There's not a dime's worth of new taxes here, there's just more bang for the existing buck.

But I can't complete a report on this year's state of the state without acknowledging the passing of Senator Margaret Chase Smith and the retirement of Senator Bill Cohen. Margaret Smith was the embodiment of quick wit, integrity and grit. The Maine spirit made manifest.

Integrity is at the heart of Bill Cohen's character, as well, along with extraordinary intelligence and grace. He's the only politician I've ever heard quote Archibald MacLeish in a TV interview or Aesculus on the floor of the United States' Senate.

To those of us plying the political trade, they showed us to how to do it right. To both--and I know Margaret is somewhere paying attention--I offer the profound thanks of the people of Maine.

And now I want to close my remarks by addressing some comments to the people outside of this room--those watching or listening on this cold, snowy Maine night. In Calais and Caribou, Scarborough and Belfast, Portland, Rumford, Lewiston.

This is a tough business. Criticism and controversy always seem to make better copy than conciliation and progress. But as we look to Washington and the failure of our national government to perform its most basic duties, it should make us all appreciate what we have here.

We're no angels, but what you have in this room are a collection of Maine people doing their best as God gives them the light see it. And we're making it work. Not simply or in a straight line--the people who set up this crazy, inefficient, cumbersome and altogether wonderful system didn't intend it that way--but slowly and with plenty of time for tweaking to get it right.

We're sometimes opponents, but never enemies; we differ on the means, but rarely the ends; and we're grateful to you for giving us this extraordinary opportunity.

Good night and God bless the State of Maine.