

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE
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**BUDGET ADDRESS
OF
GOVERNOR ANGUS S. KING, JR.
January 28, 1997**

Mr. President, Madam Speaker, Mr. Chief Justice, Members of the 118th Legislature, and fellow citizens of Maine.

Last year at this time, I began my remarks with the following words: "We are living in revolutionary times. I believe we are in the middle of the greatest change in the way people work and organize their lives since the Industrial Revolution. This current 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.

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

"The good news is that location--our historic disadvantage--is no longer an insurmountable problem. But the bad news is that everyone else in the world wants our jobs.

"But what does all this have to do with the State of the State (I said last year)? The answer was--and is today--everything. Because what the state of this state was really all about in 1996--and now 1997--is our ability to adjust to this revolution, to meet its challenges, seize its incredible opportunities, and improve the quality of our lives in the 21st Century."

And as of today, we are doing just that. And let's start with the best news of all.

Tonight, there are more people with jobs in Maine than ever before in the history of this state. After the long slide of the early '90s, we have now replaced every job lost in the recession and are adding new jobs every day. Our unemployment rate--4.2%--is the lowest in seven years--a full point below the national average, and although there are still areas that are hurting--and that's where we have to concentrate our job creation efforts-- there are parts of the state where the greatest obstacle to business expansion today is a shortage of qualified workers.

That's good news.

As of tonight, our team at Economic and Community Development are working with 35 different companies on projects representing \$1.6 billion in new private investment in Maine and over 5,000 jobs statewide, from the community and employee takeover of the Gerber plant in Fort Kent to the

expansion of the expansion at National Semiconductor in South Portland--what was to have been a \$600 million-450 job facility has now grown to \$830 million and 600 jobs. One of the keys to making this happen is the tremendous success of the reforms in workers comp. Since 1993, rates are down almost 35% and where we had one company in the field four years ago, now there are 89.

And that's good news.

And by the way, three days ago, National Semiconductor agreed to sell its entire Fairchild division, including its existing South Portland plant--next door to the new one--to a group of investors and employees, creating a brand new company, Fairchild Semiconductor, with facilities in Utah, Malaysia, the Philippines, and Santa Clara, California--but the headquarters will be right here in Maine. At the stroke of a pen, Fairchild becomes the fifth largest company headquartered in Maine--and I don't know about you, but I love the idea of folks in Silicon Valley reporting to South Portland.

That's really good news.

And here's one of the best-kept secrets of the Maine economy--the development of a vital, growing, and significant bio-tech industry. We now have over 50 firms scattered across the state--ninth in the country--and one of these firms, IDEXX, is among the ten largest biotech companies in the world. This sector increased revenues 30% in 1996, has created over 700 quality jobs, and--right now--is as important to the Maine economy as potatoes and fisheries combined.

That's good news.

And the good news isn't confined to the big guys; since last Spring, over 1500 small business came to Blaine House Conferences on Small Business across the state--picking up tips on everything from marketing to coping with regulation and telling us what we can do to help. This is where the real growth is--at places like Academy Optical in Presque Isle, Atlantic Precision Products in Biddeford, Bethel Furniture Stock, Graphic Color Services in Waterville, and it's based on the imagination, vision, and just plain guts of people like Phil Chabot at Always Blooming in Lewiston, Sanford Kelley at Pleasant River Canning in Jonesport, or Karen Burke at Sunrise Homecare in Machias.

And our traditional resource based industries are moving to modernize, cut costs and improve productivity to meet the challenge of the global market as well. For example, in agriculture, this past Fall we implemented an idea first suggested almost fifty years ago--the mandatory inspection of all potatoes leaving the state--to insure consumers across the country that "Maine Grown" will always mean consistent quality. In this one act, this administration served notice on Idaho that we mean to fight for and retake the Boston market.

In addition, just a month ago, a dramatic expansion of our cranberry capacity was announced--a \$36 million investment to develop almost a thousand acres. This project, when complete, will give Maine 3% of the cranberry acreage on the planet, create new jobs in Washington County--where we need them the most--and put us in a position to develop high quality food processing jobs as well.

And for Washington County--and all of Maine, that's good news.

And we in government aren't doing so bad, either. For example, last Fall, a little before noon on a Friday morning, an oil tanker hit one of the piers of the Million Dollar bridge between Portland and South Portland and began spilling what turned out to be 178,000 gallons of oil. The bridge was out of commission, the port was closed, and fishing and lobstering were at a standstill.

What happened next was a model of preparedness, good decisions, leadership, and professional dedication. Within minutes, the ship was boomed off, skimmers were deployed, and a team which over the next several days numbered almost 700, was in place--on the water, on shore and in the air. Chris Estes, a DEP employee was on his day off, and was on his way to the Maine Mall, heard about the spill and went straight to the site to pitch in. Commander Burt Russell of the Coast Guard was in charge, with support from our DEP, Marine Resources, Inland Fisheries and Wildlife, Transportation, the Casco Bay Baykeeper, and a dozen other private and public agencies.

The result was something I still find unbelievable: of the 178,000 gallons spilled, 141,000 gallons were recovered, a 78% capture rate in a field where 15% is considered good. These folks turned what could have been a catastrophe into a problem; serious, but nothing like what it could have been.

And about that bridge, what was expected to be a month's outage--with traffic consequences that would that would make the drive through the Boston tunnel seem like a walk in the park--turned out to be less than 72 hours, because our folks at DOT made it happen. I know they had a can-do attitude, because they finished

the repairs before I even caught up with the paperwork.

Commander Burt Russell, Joe Payne, the Baykeeper, DOT's Tom Doe, Alan Fisher from Cianbro, Joe Fessenden of Marine Resources, Dave Sait of DEP and members of the spill team are with us tonight and I hope you'll join me in thanking them--and the thousands of other unsung state employees like them--who work hard every day on behalf of all the people of Maine.

That's good news.

In a year of trauma and tragedy, the people at our Department of Mental Health, Mental Retardation, and Substance Abuse Services, hung in there, and have turned the corner in Maine's 20 year effort to develop a real community based system for the treatment of people with mental illness. In mid-1996, the Department--working with local and State police and a whole range of local organizations--found and assessed more than 2200 former AMHI patients, and those assessments are now forming the basis of services to people in need.

And tonight, for the first time ever, the Department has a consent decree compliance plan approved by the court and indications from the judge that the contempt order we've been under for the last two years will be lifted--and as of last week, AMHI is off the Federal watch list its been on for almost a year. In my office, we've quit talking about closing AMHI and are focused on one goal--the creation of the best community-based mental health system in the nation.

And thanks to Melodie Peet and her team, that's good news.

In education, just two weeks ago, Maine schools were ranked in the top 10 nationally, and our kids are consistently in the top ranks in elementary reading and math. But we can do better, and the next step is to adopt a set of clear, consistent, and high standards for our students and their schools, the Maine Learning Results, which will be before you later this winter. This step, coupled with support for professional development and assessment of whether the standards are being met promise the greatest step forward in Maine education in more than a decade.

What else is working in Maine? We now have the third lowest rate of teen pregnancy in the country and we have shown the greatest reduction in this category--and also in teen abortions--in the nation over the last five years.

Last year there were 127 adoptions of children in state custody, the highest number in 13 years. The numbers of Maine families on welfare is the lowest right now it's been in this decade, and is still falling.

As a result of the long-term care initiative the legislature passed last year, we've eliminated a waiting list of 400 and doubled the number of people receiving home care services, while reducing administrative costs by 20%. We've made Alzheimer's services available to more than 500 families, and doubled the capacity of residential alternatives to nursing home care.

Two weeks ago, we launched the Communities for Children initiative--an intensive effort to focus available resources on what works for kids and partner with our towns to share successful models for preventing the loss of our children to drugs, crime, or simple alienation.

And on top of this, it's all happening while the size of state government is getting smaller. In fact, the number of employees in state government tonight is at its lowest level since 1982.

More services, lower administrative cost, greater productivity--that's good news.

And we've had some success on the environmental front, as well. Last Spring, I announced a goal of eliminating dioxin discharges into Maine's rivers--getting us to the point where we can eliminate fish advisories and where fish found below our paper mills show no greater concentrations of this dangerous chemical than those upstream.

Last week, after months of work by all parties, a new license was issued by our DEP to Lincoln Pulp and Paper on the Penobscot which, according to the Federal EPA--the EPA, mind you, "imposes the most stringent terms for dioxin ever imposed anywhere in the country". This is national environmental leadership and it happened through working together and staying focussed on the goal.

Under the terms of this permit, this mill will produce less than 1% of the dioxin currently being produced in Maine in woodstoves--or, to put it another way, less than 1/20th of one eyedrop a year. And we are going to go further. Within the next week, I will be introducing a bill that will ratchet up the standards on all Maine mills over the next four years, to the point that all dioxin discharges will be eliminated. But my bill will do this by setting the goal--the standard (no dioxin), not--as some would suggest--by dictating the technology that should be used to get there.

And that's good news.

We're reducing paperwork; where once every company in Maine had to file two forms and send two checks for income and unemployment tax withholding, they soon will only have to file one. That's 180,000 government forms, gone. And, we will be introducing a new short tax form for many business

taxpayers, which will reduce their paperwork from four pages to less than one, from 107 lines of information to 10; 25,000 pages of forms, gone.

And I have instructed the folks at the Bureau of Taxation, at Inland Fisheries and Wildlife, and at Parks to work together on a system where people can order a parks pass or renew their hunting and fishing licenses right on their tax forms, pay with part of their refund and have the license sent right to their home. Thousands of unnecessary trips and a whale of a lot of hassle, gone.

And that's good news.

But is it all good news? Of course not. As I mentioned, there are regions of the state which are not enjoying the economic growth we're seeing in southern Maine, and too many of our citizens are being left behind as the demands of the workplace change. We've got some serious problems to address and important decisions to make. And sometimes these issues and decisions will be in conflict--if we're not careful, resolving one can make another worse.

In no case is this dilemma more stark than in the situation we now find ourselves in with regard to the next biennial budget. One side of the aisle has--correctly--identified serious problems we need to address--adequate funding for education, child health, the research capacity at our university; while the other party has identified--correctly--the crucial role which tax reduction must play if we are to maintain--and accelerate--the economic progress we have enjoyed in the last several years.

To my colleagues on both sides of the aisle, I propose a solution to this seemingly irreconcilable dilemma, a solution that recognizes our state's recent budgetary history, builds upon the experience of our sister states, and holds the promise of meeting all the priorities you have so correctly identified. The solution? PATIENCE. We simply can't do it all this year. You can't eat a hippopotamus in one sitting.

One of the most common criticisms of our political system is that it has no long-term vision; everything is done in response to a two-year election cycle. You want to point to solid accomplishments during your term here--just as I do--programs put in place, taxes cut, constituents pleased. But sometimes circumstances demand that we wait, move incrementally, let events catch up to our ambitions.

Nowhere is this more true than in the budget.

For the reality is that we are just now, finally, escaping from the budgetary hell of the early nineties. During that time, the reversal of our revenue fortunes was so dramatic and so fast, that a whole host of expedients--most of us called them gimmicks--were

necessary to squeak by: furlough and shutdown days of all of state government, deferring maintenance, pushing payroll checks into the next fiscal year, a scheme of taxing hospitals to draw down Federal money, raiding the highway fund for general fund expenses, even selling the bottom 10 miles of the turnpike to ourselves. All of these had the same effect--to shift costs to the future, to delay paying the bills until some later date.

Well, the future is now, and we, in this room, are the ones who have to deal with it. Of the increases in overall spending in my first budget and the one before you today, at least two thirds is due to paying the old bills and straightening up our books. Two years ago, the state had about \$5 million in its savings account--the rainy day fund--enough to operate state government for about a day. With the help of a stalwart Appropriations Committee, we're now close to \$50 million, and ended the last fiscal year with the first positive cash balance since 1990. Not as exciting as tax cuts or new programs, but necessary, if we're ever to get our fiscal house in order.

When I ran for Governor, the most common refrain I heard, from people all across the state, was "get up there and run it like a business" and that's exactly what we're trying to do. And that means, first, pay the bills, second, concentrate on increasing productivity so you can compete in the market-place, and finally, maintain your infrastructure. And it also means making the crucial distinction between what we want and what we need.

But what does being patient have to do with solving this dilemma? What's the plan to get us from the current budget purgatory (see, it's not quite so bad as a few years ago) to the sunny skies of tax cuts and more money for education, or roads, or health care for children?

Time and economic growth are the answer. [GRAPH]. Here's growth and here's time; and here's where the economists predict our revenues are headed--up by about 5% a year (including inflation, by the way--the real growth is about half this). The first key step is to keep this line going up--to keep the economy growing, and anything we can do to make this steeper--make the growth faster--we should do.

The next line is the growth of government expenditures--and the crucial--and hard--step is to keep this line under this one--to a slower rate of increase than new revenues based upon economic growth. Over the next two years, for example, my budget proposes growth of about two and a half percent a year, which is well below inflation when you consider that most of the increase is absorbing the cost of the repeal of the hospital tax and match. If we can maintain that difference--keep government growing at a rate below

what's happening in the real world--out in here, there are new dollars to spend and room to cut taxes.

The concept is simple: if your income goes up 100 dollars a year and you can hold your expenditure increase to 50, you end the year with more money in your pocket.

But why is it so important to cut taxes? Because it is one of the keys to keeping this line pointed up. I am absolutely convinced that high taxes are now the biggest drag on the expansion of the Maine economy.

We are tenth in the nation in state and local taxes as a percent of personal income, but we're 36th in income. In every national survey of taxes, we're near the top. And it matters.

Jefferson once observed that the states should be "laboratories of democracy" where different approaches could be tried and we could see in the real world what works. And we don't have to look far to test Jefferson's theory. For right across our border is one of the great experiments in low taxes in the western world. Just as we are near the top of the tax burden pile, New Hampshire is at the bottom. Because our two states are so similar--in geography, culture, demography, natural resources, and climate--it is hard to escape the conclusion--although I'm sure some will try-- that their tax environment is a major part of the spectacular success they have had in rebuilding their economy over the last five years.

Can anyone seriously argue that it's just a coincidence that the states with the lowest taxes in the nation also have the highest per capita incomes and the highest rates of job creation and personal income growth? New Hampshire is in the top seven in both categories, by the way; we're in the lower third, but gaining. It may not have been so important in the past age of more "rooted" economies, but in this day of incredible mobility--of people, money, ideas, and businesses--state and local taxes can play a crucial role--for good or ill.

By the way, I'm not saying we should blindly copy New Hampshire--they've got their own set of problems; it goes without saying that Maine is superior in most every way; but recent economic history seems to indicate that maybe they're onto to something with this low taxes stuff, and it wouldn't hurt us to pay a little attention.

So what's the plan to reduce this burden in Maine? How do we cut taxes without disrupting important services and without simply shifting costs to another level of government, namely, our towns? As I've already outlined, I think the plan is pretty straightforward, and involves four steps:

First, we have to do everything we can to grow the economy--keep this line going up--an aggressive economic development strategy, targeted tax incentives where necessary, promotion of international trade, promoting tourism, close attention to costs like workers comp, encouraging local initiatives, an effective and timely regulatory process--all the things we are doing, and more, and which seem to be working;

Second, we have to hold down spending to something significantly below the rate of economic growth. This is the key and if history is any guide is also the hardest to accomplish. We need look no further back than the eighties, where, in a period of incredible economic growth, we still managed to grow government at an even faster rate. Why? Because there are very few--if any--bad government programs and there is no end to needs that can and often should be addressed.

The past two weeks have made this case dramatically in each day's headlines: the magnet school, the University, the Hospice Council, technical colleges, local school districts, medical students. A week or so ago, a reporter came into my office with the observation that I was "being shellacked in the Appropriations Committee". I would submit that being shellacked is the price of making real cuts, and if somebody isn't being shellacked when all this is over, we're just playing games up here.

And this process will continue, with every program or group making a compelling case, each saying, "cut the other guy, not me". But there is no other guy...no other guy who can absorb the necessary cuts silently and without disruption to important services to our people.

But if we can do this--and notice I'm not saying no growth--just slower growth--then we get out here, to where there are real additional revenues and room for greater cuts in taxes.

So step three is tax cuts, targeted to do the most good, benefit the most people, make the most sense. My guides to tax cuts are, first that they should truly lower the overall tax burden in Maine, not just shift it to the towns--we're not doing anybody any favors by beating our chests up here about one tax cut or another which simply results in increased property taxes. Putting money in one pocket and taking it out of the other ain't tax relief; second, that tax cuts should not shift the burden to the working poor; third, that they should alleviate our over-reliance on the property tax; and finally, that they should ease the volatility of our tax system which now swings wildly with slight variations in the economy.

And finally, step four is to put some kind of mechanism in place that makes sure it really happens--

not just when we are here, but when others fill these seats who will suffer the same temptations and who might find it harder to resist than we. It's no accident that virtually every democracy in the world is running a deficit right now--it's human nature: spending is a lot of fun, especially if it's other people's money.

And so, what is necessary is something which will force us to keep this line down and prevent simply shifting the burden down to the towns. What I am proposing is a firm target for all taxes--state and local--that will provide the discipline to force us--and our successors--to say that hardest of all words for people in our jobs: No.

This is real tax reform. And I will be introducing legislation to do just this in the next several weeks. Working with the municipalities, we will biennially establish an overall target for taxes in Maine as a percentage of personal income, allocate the taxing capacity under the limit between levels of government, and gradually work to reduce the bite that taxes take from Maine people. Tonight I am setting a realistic goal of reducing Maine's overall tax burden by 20%--from 12.5% to less than 11% by 2001. Every tenth of a point reduction puts \$25 million into the pockets of Maine people.

But the budget isn't all we do around here; there are things we can do to improve the lives of our citizens which don't necessarily involve major new programs or lots of new money, but instead are based upon focussing our resources and concentrating our efforts.

One area is criminal justice. Right now, we have one of the most expensive corrections systems in the nation, and yet, we are not doing much more than warehousing people. The money is going into largely antiquated facilities which are expensive to run, leaving communities and victims with little long-term assurance that anything is being fixed. It used to be the joke that we could send our inmates to Harvard for less that it costs at Thomaston; now, at almost \$32,000 a year, they could go to Harvard and have enough left over to take their probation officer to the Super Bowl.

And so I have asked Commissioner of Corrections Joe Lehman to begin the process of taking a comprehensive look at all of our correctional facilities to see whether a replacement plan can be developed that will pay for itself in operational savings and allow for meaningful rehabilitation as well.

We need to lock up the dangerous, violent criminals, and we will do that. But at the same time, we are proposing a new model for community corrections called restorative justice--a model where the community and the victim have a direct role in determining how low risk offenders on probation can most appropriately pay their debt to society.

As I mentioned above, one of the key issues in keeping our economy moving is insuring that our workers have the skills and knowledge they need to compete. That's why I have asked Commissioner of Labor Val Landry to develop simple structure for delivering job training programs. Twenty separate funding sources and a dozen governing boards just doesn't make sense; it's a crazy quilt of programs and regulations that serves neither workers nor Maine's businesses well. My instructions to Val are to make it simple, make it accountable, and make it work.

Another example is marine resources where the challenge is to preserve 22,000 jobs in our oldest industry, while at the same time, laying the groundwork for new growth. The keys are streamlining, synergy, and science and the result is Jobs From the Sea.

First, streamlining--we have to establish a new relationship with the federal government and our neighbors to ensure that the regulation of our coastal waters is consistent, effective, and sensible. It makes no sense, for example, that New Hampshire fishermen can take oversize lobsters that our people have to throw back for breeding.

Second, synergy. We have to work together; there are now 14 marine research institutions operating in Maine and we have to be sure that they are talking to each other, and to the guys in the boats. We must make our Department of Maine Resources a catalyst for change and see that they have the capacity to lead.

And third, science. The vast expanse of the Gulf of Maine is a field as fertile and productive as the plains of the Midwest. There are almost 2,000 species of plants and animals growing there; we now use about 75. The key to unlocking this treasure--and spinning off jobs in fishing, bio-tech, aquaculture, and research itself--is science, and the place to focus that science is Maine. I propose that by the year 2002, we create the leading cold-water research capability in the world right here, with the new school of marine science at the University of Maine as the hub, but with a far-flung virtual laboratory stretching from Calais to Kittery,

Jobs From the Sea are within our grasp; the challenge now is to reach out and make them happen.

And finally, I want to tell you about an old friend of mine named Henry Jones--that's his real name. I met Henry more than twenty years ago when he was my roommate in the hospital. I was there for surgery--I had a rare form of cancer called malignant melanoma. Going in, I had about a fifty-fifty chance; I was lucky, they got it, it hadn't spread.

Henry was a great guy in his early sixties--he had a sharp sense of humor, was observant--especially of the nurses--and was terrific company for me, at a pretty hard time. What Henry didn't have was a voice; in fact, he had no throat at all, just a set of bandages in the front of a neck that was nothing more than his spine and some wiry muscles. Every day, he ate something that looked like chocolate milkshakes that went through a tube directly into his stomach. We'd joke about the taste of a steak, mashed potatoes, or ice cream.

He'd lost his voice, and his throat, and eventually his life to cancer. And he'd smoked all his life. There's not much doubt that what really killed him was the cigarettes.

And we'd talk. Or rather I'd talk and Henry would respond with a little sign language and scribbled notes. And one day we talked about where we were and what had brought us to that point. It got pretty serious. And then he handed me a note. "Make a promise", it said. I had no idea what was coming, but the look in his eyes made it clear I didn't really have much of a choice.

Then came the next note. "When you get out of here, if you can do anything to keep somebody from ending up like me, promise you'll do it."

Well, here I am twenty three years later and that dreaded, damnable disease still stalks the land. And in Maine, it's having a field day. The saddest fact--the worst news of the year--is that we are first--first--in the nation in the proportion of our young people who smoke. I won't bore you with all the implications of this--health care costs, lost time, the incalculable loss when a child or friend goes before their time. But one figure about Maine's addiction haunts me.

Every year, 2300 of our people die prematurely--unnecessarily--because of smoking. That's a small town a year wiped out--Bingham, Limerick, Mars Hill, Monmouth. It's a slow-motion killing machine, and we just can't stand by and let it happen.

We can't make 'em illegal; we're too far down the road for that. But we can sure as hell make them more expensive, especially for our kids. For it's then--when you're a teenager, that the addiction starts and, once started is so hard to stop.

So what I'm proposing tonight is to double the tax on a pack of cigarettes from 37 to 74 cents a pack and use a small portion of the proceeds to mount a serious campaign to help keep people, especially kids, from starting in the first place.

The rest of the money we should give back to the people; this proposal should not become a fundraiser for state government. If we keep the money--for

whatever worthy purpose (and I've heard many suggested)--we're breaking faith with the people and flying in the face of everything I've said tonight about the budget and lowering the tax burden in Maine.

I propose that we do this--give the money back--in two ways: first, raise our personal income tax exemption to match the federal level, which will put about twenty-five million dollars a year into the pockets of individual Maine taxpayers. The second proposal will surprise you; we can eliminate 150,000 taxpayers from the rolls entirely--young people, part-time workers, the working poor--at a cost of two and a half million dollars. We can do all this by making cigarettes more dear; and in the process save some lives in Maine, a whole town at a time.

After 14 operations, Henry Jones died on March 31, 1976, two years after I met him. It was my thirty-second birthday.

Henry, I don't know where you are now, because you were an ornery old cuss. But wherever you are, tonight, I kept my promise.

Thank you all and God bless the State of Maine.