

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND EIGHTEENTH LEGISLATURE

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**STATE OF THE STATE ADDRESS
OF
GOVERNOR ANGUS S. KING, JR.
FEBRUARY 2, 1998**

Mr. President, Madam Speaker, Mr. Chief Justice, Honorable members of the 118th Legislature, and citizens of Maine-

Silently. Silently, the huge cloud of warm air drifted north and east from the American Midwest, finally coming to rest over Quebec and northern New England.

Maine was to be put to the test.

Silently, the mist and rain began to fall through colder air and turned to ice in Scarborough, Skowhegan, Gardiner, and Lewiston; Machias, Bangor, Augusta, and Bridgton. For the first time any of us could remember, it was warmer at the top of Mount Washington than at the bottom.

Maine was to be put to the test.

The grey days continued: Tuesday, Wednesday, Thursday, and the trees started to give way, and with them, the narrow strands of copper and aluminum that we now more fully realize stand between us and the New England winter.

Maine was to be put to the test.

Branches fell like cannon shots in the cold night air and our small towns and country roads took on a blasted and desolate look. And with the branches came more of the wires--twisted, cut off, dead, and in some cases deadly--and poles, too, by the thousands.

Maine was being put to the test.

By Friday morning the lights were off over a huge swath of the state, from northern York County to southern Aroostook, from Rangely in the west to Machias downeast. And more ominously, in most cases, the heat was off as well. That night, almost two thirds of our people were without power, and it was getting colder.

Maine was being put to the test.

And then, something else happened, not so silently this time: a wonderful, transcendent, once-in-a-lifetime thing--in coffee shops and shelters, in kitchens and neighbor's spare rooms, on the radio and in churches Sunday morning--we rediscovered who we are--or most want to be--as a people. Ingenious, self-reliant, neighborly, creative, tough, funny, spontaneous, caring.

The staff of a small talk radio station in Bangor struggled up an icy hill to get fuel to a crippled transmitter, and the Voice of Maine earned its call letters for real; in a Portland restaurant Saturday night, we gave a CMP line crew a standing ovation; we learned how to wire in generators, then taught our neighbors; we took in friends--and sometimes strangers--as the cold came on. We doubled up on child care, checked on the older gent next door, swapped outage stories, manned shelters, chatted with the line crews, gave away coffee and thousands of donuts.

Maine was passing the test.

As the days dragged on, the stories still came, of compassion, struggle, fun, and heroism, shared over an amazing network of gossip, rumor, radio, and the vivid images of TV news that linked us in the truest sense. For that glorious moment, we were truly one people--almost one person--in our shared experience of fear, frustration, compassion and triumph.

And as the whole world now knows, Maine had truly passed the test.

Those who got us through would fill this building, but I've asked a few to join us here tonight to accept our thanks and those of all our people:

From CMP, President David Flanagan and Brent Phinney, a lineman from Bridgton;

From Bangor Hydro, linemen Ralph Murphy and Charles Payne

From the Department of Defense and Veterans Affairs, General Earl Adams and Senior Master Sgt. Bob Gagne of the Maine National Guard From the Department of Transportation, representing all the state workers who performed above and beyond the call of duty, Greg Inman, a plow driver from South Paris;

Ralph Cutler a cable splicer from Bell Atlantic;

From WVOM, owner Jerry Evans;

From the Red Cross, volunteer Suzanne Anderson;

From the Salvation Army, Erin Carter;

Stan Labbe, a shelter volunteer from Litchfield;

And Rick Grant, a rescue worker from Monmouth whose own home tragically burned down during his work for storm victims.

Yes, we passed the test, but the ice storm isn't the only one we face; in the longer term, we're up against other tests--not so immediate and dramatic, but no less daunting or important. The fundamental test, of course--faced by individuals and societies everywhere--is progressing and prospering in a world of intense and unrelenting competition. Meeting this test--day-by-day, business-by-business, job-by-job--is the basis of everything we want to do as a people.

But there are some important lessons we can learn from the storm--especially the crucial importance of preparation and how much we need each other.

Except for northern Aroostook and southern York, every part of Maine was hit--and nobody cared where a line crew called home. Anybody with a bucket truck was a Mainer. What we experienced wasn't two, four, or six Maines--it was one Maine, struggling and ultimately overcoming together.

But day-to-day, it's not like that. There are divisions, not so much north-south or east-west, but more in the economic differences between high growth urban areas and the counties farthest from the I-95 corridor. I hate the term the two Maines, but we can't ignore the income and opportunity disparities between Portland and Palermo, Scarborough and Skowhegan--or the number of kids from Aroostook now in Cumberland County.

I said last year that my ultimate goal as Governor was to make it so that none of our children should have to leave Maine to find a decent job.

I'm modifying that tonight; our young people shouldn't have to leave Rumford, Houlton, or Machias either, for a chance at a good job and a decent life for their families.

There was a time when our rural economies were strong and towns like Wilton and Millinocket hummed with the sound of commerce and invention. Thirty years ago, Millinocket was one of the most prosperous towns in Maine and over a thousand people worked at Bass Shoe in Wilton. Events of this past week have underlined the increasing fragility of those economies and should serve as a final wake-up call that, in these areas at least, economic development business-as-usual just won't cut it.

And so tonight, I'm announcing OneMaine, a comprehensive initiative to rebuild the economies of rural Maine -- not as a copy of Portland, but on terms derived from the strengths and qualities already there. We have a combination of competitive advantages found nowhere else: one of the largest spruce forests in the world; one of the most productive water bodies in the world, the Gulf of Maine; the most varied, spectacular, and sought after natural landscape east of the Mississippi; and one of the safest places to live in the United States. Upon these four advantages we can build a vital economy for ourselves and future generations. I will spell out this program in detail and look forward to working with you and your rural development task force just reported this morning -- and all the people of Maine -- on additional ideas to make it happen. This will not be easy or without bumps in the road, for we are talking about nothing less than a reversal of a fifty-year trend and remaking of an entire economy. But we have no choice but to try.

Here are the key elements of OneMaine:

1. Invest in research, science and technology to unlock the secrets of the sea and to develop valuable new products from our forest. To this end, I am proposing a bond issue for Jobs from the Sea and to support research and development -- research and development that can immediately be translated into Maine jobs.

2. Invest in our environment and renewable natural resources. An improving environment is a cornerstone of a vital economy -- through clean, clear lakes and rivers that support millions of dollars of seasonal activity, fisheries that will one day be free of advisories warning us of toxic poisoning and public land accessible to all our citizens.

3. Focus the resources of the Technical Colleges and the University of Maine System--which have campuses strategically located in the very areas we're talking about--on supporting the development of local economies. The University has begun this process with what they're calling the Greater Maine Initiative; the technical colleges are proving everyday their ability to work with businesses and communities across the state. These powerful local institutions can and should become key players in the revitalization of the areas that they serve.

4. Focus our economic development efforts, particularly in business attraction, on growth industries that don't depend on geography. This means telecommunications, and we already know it works. Take a look at what MBNA has done for Belfast -- and get ready to see the same thing in Aroostook, which will gain almost 600 new customer service jobs this year at Loring and Presque Isle.

And we can use the power of telecommunications directly. I've asked DECD to create a new web page as a business-to-business network with direct access for any business on the internet to get everything from state regulations to resource directories, on-line forums, event calendars, and a one-stop business license center.

And why can't we match jobs and job seekers on the internet? The answer is, we can, and by this spring, the Maine Talent Bank will be on-line and someone looking for work will be able to knock on employers' doors electronically, 24 hours a day, 7 days a week.

5. Focus our transportation resources to support rural development. We can talk about fancy economic development ideas all we want, but good roads are probably still the most important thing we can do for Calais, Ashland, or Oxford Hills. So we're accelerating our commitment to the reconstruction of the Airline, and Route 11--which I experienced in all its bumpy, narrow-shouldered glory in an 18-wheeler just last week--as well as Routes 26, and 16.

And it's time to notice that there is a city of three and a half million people--called Montreal--almost due west--not north--of here. And, as the crow flies, Bangor is as close to Montreal as it is to Boston. The problem is, the crow would probably follow 95 to Boston, but he sure wouldn't take the current route to Montreal. An east-west highway is a long-term vision. And right now we must focus on the immediate needs of Route 9 and Routes 2, 201, and 27. Now is the time to think about Maine as the logical cross roads of east-west as well as north-south trade in an economically powerful eastern Canada-northern New England region.

6. Let's put some money where our mouth is--we've got a program now called ETIF where the state returns back to new businesses a percentage of their state income tax withholding for new jobs created. The percentage is currently 30% in low unemployment areas and 50% in areas of higher than average unemployment. Since these are new jobs we're not counting on for revenues, I propose that the percentage refund be increased to 75% where the local unemployment rate is more than twice the state average. Unfortunately, many of the rural areas we're talking about would qualify--but this would be a powerful incentive aimed right at the heart of the problem.

7. And finally, we've got to support a local economic development infrastructure and leadership. As I travel the state, I've found that the essential element to making a local economy grow isn't tax incentives or industrial parks; it's local leadership, pure and simple. Local people have to decide that they're going to take

the future of their towns into their own hands and make it happen. But volunteers need support as well, and that's where many of our rural areas could use some help. Portland has a full economic development team, but in Washington County, a wonderful person named Diane Tilton is it for professional staff, and she wasn't full-time until two years ago.

But how do we pay for this out of an already stressed state budget? Here's an idea:

In the next year--subject to environmental approvals--two of the largest construction projects in the history of Maine will run major natural gas pipelines through the state. It so happens that those lines will run through a great deal of unorganized territory where property taxes accrue to the state; we now estimate that this will produce some \$600,000 a year in new revenues. I propose that this money be dedicated to rural Maine in the form of continuing support for economic development in those regions--so the pipeline can carry not only gas, but jobs as well.

We shouldn't have any illusions that these steps will instantly solve a problem that has plagued Maine for generations; but these ideas and others we can devise together can at least begin the rebuilding of OneMaine, a process of change and revitalization, a process that we must get started. I know that government doesn't create jobs--creative, daring, hard working people do that. But what government can do is clear the way, provide the information, crack open the doors of opportunity for all our people, in all parts of the state.

The storm taught us the overriding importance of working together, of reaching out to one another; it taught us that when the chips are down, we are one people. What I am proposing here tonight is that we hold on to that idea and make it a reality in June as well as January, in Franklin as well as Freeport.

But I mentioned another lesson from the storm--that one of the keys to our success was preparation. The National Guard did not spring into existence, fully trained and well organized during the first week of January; the county emergency organizations and the Red Cross had had days and weeks of training and preparation before we even knew what form an emergency would take.

And so it is with the larger test of building economic success--preparation is the key. And another way to say preparation is education.

There is not the slightest question in my mind that the difference between societies in the 21st Century--who wins and who loses--will be defined almost entirely in terms of education.

In the last three years, we have focused single-mindedly on one goal--fostering the creation of jobs in Maine, and, buoyed by a growing national and regional economy, we've had some success.

But just jobs is not enough; we've now got to turn our attention on the quality of the jobs we gain. And that's where education comes in, because the good jobs--higher pay, good benefits, long-term opportunity--all require more skill than strength, more study than sweat.

We have it within our grasp to have the best system of public education in the nation. This is not an idle promise; it is an achievable goal. Our fourth and eighth graders last year were first in the nation in Math; our eighth graders first in science; two years ago, our fourth graders were first in reading. And according to a recent article in Forbes Magazine, we're getting the best educational bang for the taxpayer's buck. And we have adopted a set of learning standards that will form the basis of the next step--real preeminence.

But what I want is not just progress--I want a breakthrough. I want to break away from the pack--so that when someone in another state says how they're doing, they'll say, "we're doing great; we're first in the nation, except for Maine, of course". In fact, let's quit comparing ourselves just to other states; I want to know how we're doing against the real competition: Belgium, Singapore, Switzerland, and Japan. What I have for Maine kids is Great Expectations--that they can learn, they can excel, they can lead. Great Expectations.

How do we make this jump? Let's start at k-12. It involves money, but not just money--we're making a big mistake if we equate quality schools simply with higher budgets. That's why I start with the Learning Results we passed just last year--defining our expectations in concrete terms, setting standards, measuring progress, and demanding accountability. Implementing the Learning Results--a huge task now underway all across the state--has to be our highest priority. These are the heart of our Great Expectations.

Technology has to be part of the picture. The internet is nothing more--or less--than the greatest and most accessible library ever built on the planet. Information is available in any language, at any time, on any topic, in any form, at the click of a mouse. Data that once took a Ph.D. days to collect can now be found by an eighth grader in minutes, and the kids love it. And this is another area in which we have a head start. We are the first state in the country to have 100% of our schools--elementary and high schools--wired to the net. In this coming year, we will be deploying the most advanced fiber-optic based interactive television system in the nation--so students

at our rural high schools can have the same rich curriculum as their friends in the suburbs.

Great Expectations.

We've now got the wires; the problem now is the computers. We don't have enough of them, and many that are in the schools don't have the speed or power to take advantage of the internet. But that's about to change. In cooperation with a group called the Detwiler Foundation, I'm announcing tonight a program to double the number of high speed computers available to our kids--at a cost that will be lost in the rounding of most education budgets. This is beautiful; here's how it works: almost every Maine business has obsolete computers on their hands--with practically no value; they donate them to the program where they are shipped to the Maine Correctional Center in Windham. Inmates who are being trained in computer service then upgrade them to Pentium chips, and off they go to school districts across the state.

The best estimate is that if we can recycle only 10% of the obsolete machines currently sitting in the storerooms of Maine businesses, that will be enough to double the number of computers in our schools. And this project is underway--the Libra Foundation in Maine has pledged the funds necessary for the inmate training and--this just happened over the weekend--I'm delighted to announce that three of Maine's premier companies--all of whom have been real champions of education in Maine--have stepped up to offer computers--UNUM, L.L. Bean, and Hannaford Bros. Tonight I'm asking all businesses in Maine - large and small - to do the same.

Great Expectations.

But there's another missing piece in Maine education--the gap we have between high school graduation and kids going on to the next level. We have one of the highest high school graduation rates in the country but not enough of these students take their education further. This is a complicated problem involving aspirations, money, and the culture of education in Maine. But I'm convinced one of the ways to crack it is mentoring--devising a way to reach out to kids in their early high school years with encouragement, support, and information about their options.

Great Expectations.

So let's do it; in practically every town in Maine there are local service clubs--Rotary, Kiwanis, Lions, and others. If these clubs could each adopt a high school class and work with the guidance department to hook up with the students to provide advice and encouragement, we can get some of those kids who aren't so sure onto the right track. At the same time, let's tap the enthusiasm of our college students to go

back into their communities and spread the word--that education matters and will make a difference. Let's have trained local business people give seminars on how to fill out those dreaded financial aid forms.

And in every high school, let's have an aspirations coach--one teacher who's extracurricular responsibility is to push, prod, and cajole the kids on the margin--the ones with the ability but who lack the ambition, confidence, or money to take the next step. We have coaches for football and drama, basketball and the high school paper; why not coaches for the most important game of all?

Great Expectations.

Will it work? Well, I know a guy who grew up in a small town in Maine, with a single mom, not much money, and no expectations about college. He went to Lisbon High. A teacher spotted him, saw talent, coached him and pushed him to try for the University of Maine. They cobbled together the financing--a little scholarship, some loans, work at the local mill, and he made it through. Became a teacher, lived in a trailer in Hampden, did some writing on the side.

Stephen King. His genius may have emerged inevitably on its own, but just maybe, without that teacher, it would have stayed locked up and Maine and the world would have been the poorer.

Great Expectations.

And yes, there has to be money as well. For the past eight years, we have been caught in a budget squeeze that has strained the resources of the state, and by extension, of towns and school districts across Maine. It's time now to play catch-up to relieve some of the pressure on our schools, and on our beleaguered property taxpayers as well.

And so I join those in this room who have proposed using a portion of the nonrecurring surplus to give a significant increase in general purpose aid to local schools in the fiscal year starting this summer. In addition, I propose allocating an additional \$20 million to a revolving loan and grant fund earmarked for school construction, according to the recommendation of the task force on school construction--chaired by Jim Rier of Machias-- which just reported. As with our prisons and this building itself, it seems to have fallen to our lot to pay a lot of past-due bills on neglected infrastructure. Not very exciting, not much political appeal, but necessary -- and we'll do it.

But for too long the discussion on education in Maine has stopped at grade 12; the new economy demands that we have Great Expectations for our job training programs as well as our University and Technical Colleges. On the job training, we're bringing new focus to what has been a fragmented

system. Last year at this time, we had nine job training councils and hundreds of pages of regulations. We now have one council to operate statewide and I'm delighted to announce that one of the most talented executives in Maine has agreed to head it up, Buzz Fitzgerald, former president of BIW.

I intend to be a champion of our public higher education institutions. If Maine is to live up to its potential, if "Great Expectations" will drive our prosperity, we need a high performing collection of universities and technical colleges. At present, there is much debate about our University System, and critics abound. Working closely with the Chancellor, the President of the Maine Technical College System, and the Commissioner of Education, let us create a 'seamless' education system where leaders in education and their institutions work as a team, not as competitors.

I will be a champion for these institutions, and I ask you to join me in that mission.

And finally, the surplus. And we should start by pinching ourselves and celebrating this happy turn of events, just for a minute. We will have our differences on how it should be allocated--which taxes to cut, which bills to pay--but what a great problem--what a great opportunity.

I approach this issue first by dividing the money into two separate piles--one-time and on-going, and the distinction is important. The total amount of the surplus is really the total of three years of surplus. The fiscal year that ended last June, this fiscal year that we're now in, and the next fiscal year that starts this July. Next year's surplus is really what we have to work with for on-going tax relief; if we allocate more--to either tax relief or spending--we have to pay for it.

It's as if Aunt Minnie died and left us a hunk of money in two forms--one big pot of cash and a trust fund that will pay us income year after year. If we're smart, we'll use the pot of cash to pay down or avoid debt, make some capital investments that will pay off in the future, and put the rest into savings. With the trust fund payments, it's OK to change your life style--either by cutting back on other revenues--working fewer hours, for example, or, in our case, cutting taxes--or by living a little higher on the hog--a bigger house, or, again in our case, more spending.

But if you adjust your lifestyle as if Aunt Minnie's cash is going to come in year after year, you're in for trouble, as I'm sure many folks who have hit the lottery have learned to their dismay.

So the big question is what we do with the on-going money, the surplus we can count on in future years. Everybody agrees that it should go for tax

relief, but which tax should we cut? Which cut would get the most money back to the most Maine people and make the most sense in the long run?

My first candidate was the sales tax. Everybody in Maine pays it, and when it was raised from 5 to 6 percent back in 1991, our predecessors promised that in good times it would come back down. That promise is a strong argument, and it's one I take very seriously. Restoring confidence in government is one of my major goals in this job and I can think of no better way to do it than to meet this commitment.

But we made another promise, as well; at least I did when I ran for office. That promise was to be smart about the people's money, to run this place like a business--and especially, to be prudent about the future and try to look beyond the next election or the next year. And that's what worries me about the sales tax.

If we knock off the entire penny, the cost is \$120 million a year, which immediately raises the question of where we get the difference between that amount and the approximately \$80 million we have to spend. Secondly, even if we could put together a penny sales tax cut that would work, it would be a tight squeeze, leaving no room at all in the state's revenue picture for any slowdown in the Maine economy. The simple fact is that our tax structure in Maine is extremely volatile--it swings widely--up or down--with the slightest change in our underlying economy. And we have no way of knowing right now where we are on the curve--if we are still on the way up, all well and good: we could cut the \$120 million and not miss it as the economy continued to grow.

But what if it doesn't? What if we are at the top right now and problems in Asia, a sudden drop in the stock market, an oil shock, or who knows what else, sends us into even a mild recession? Then we're back where we started six years ago--huge deficits, gimmicks, and having to go back to the people to push the sales or some other tax back up. Not exactly a scenario to inspire renewed confidence in government.

Another problem with the sales tax is who gets the benefit; although the bulk would go to Maine people, at least 15%--almost 20 of the 120 million--would go to out-of-staters. It strikes me as more sensible to try to target our cuts directly and unambiguously to benefit Maine people. Why go into hock to benefit people from away?

And what's the most annoying tax in Maine? What's the tax people complain about most in the kitchens and coffee shops anywhere in the state? It's the property tax--that hits young families and the elderly, that's regressive, that's just plain hard to pay.

And so I have concluded that the best answer is a combo tax cut--raise the personal exemption on our income tax to match the Federal level and exempt the first \$7,500 of valuation of primary residences in Maine from the hated property tax, usually referred to as the Homestead Exemption. This double barreled tax cut would cost \$82 million a year, would focus the benefits exclusively on Maine people, is affordable, and certainly doesn't preclude further cuts--in the sales tax or otherwise--if the good times continue to roll.

The clincher for me was when I had the research people in taxation do some calculations of the practical effects of the sales tax cut vs. the combo cut I am proposing. Here are the results: for a median income Maine family earning \$38,000, the sales tax cut would provide \$120 of benefit. The combo cut, on the other hand, puts almost twice as much money in their pockets.

I understand the attraction of the promise and that the sales tax cut is simple, straight forward and has real symbolic value. But if our goal is to provide the most tax relief to the most Maine people in the most sensible and fiscally responsible way, hitting both the income and property tax just seems to make more sense.

But what about the rest of the money - Aunt Minnie's one-time pile of cash? First, let's put some aside--my proposal is \$20 million to the Rainy Day Fund, to build up a real savings account for any possible downturn. Secondly, let's pay some bills, and I suggest we start with a \$20 million contribution to a school renovation revolving fund to begin the process of paying for some serious health and safety problems in our schools. Third, let's make some investments that will result in lower costs later on. My first candidate is \$40 million to rebuild the deplorable facilities at the Maine Youth Center. This is a classic case of pay me now or pay me a lot more later. This would save \$20 million over the life of 10-year bonds, not to mention the savings if we can keep more of these kids out of the adult system.

OneMaine, Great Expectations, and a double-barreled tax cut - a lot on the table for one night's work. And there is much I haven't mentioned - corrections, where we are faced with the rebuilding of the entire outdated and expensive system and have a plan to do so, social services including the elderly and our most vulnerable kids, the environment, including forests, toxic use, and clean air, and a host of others.

Indeed, we have many tests ahead. But let's put an official end to at least one: while the relief efforts continue, tonight the Guard can stand down and the state of emergency I proclaimed almost 4 weeks ago is now at an end.

STATE OF THE STATE ADDRESS

SELECTED ADDRESSES TO THE LEGISLATURE

Maine most assuredly passed a test this winter and the people of Maine showed what they are made of; just as surely, we will face other tests in the future.

Bring'em on.