PRELIMINARY REPORT
OF THE
JOINT SELECT COMMITTEE
ON ECONOMIC DEVELOPMENT

JANUARY, 1987

MEMBERSHIP

Rep Gregory G. Nadeau, Chair
Subcommittee Chairs:
Vendean Vafiades
John Melrose
Stanley Provus
Rep. Dan A. Gwadosky

Sen. Thomas H. Andrews
Sen. Thomas R. Perkins
Rep. Donald V. Carter
Rep. Donald F. Sproul
George R. Ezzy
Robert Baldacci
James Giffune
Conrad Grondin
Charles O'Leary
Leslie Stevens

STAFF
Grant Pennoyer, Office of Fiscal & Program Review
Ted Potter, Office of Program & Legal Analysis
...es Colgan, Finance Authority of Maine

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding:

1. There is no officially defined and centrally mandated state-wide economic development strategy and no formal coordinating mechanism by which economic development policies and programs are made consistent with each other and by which the policies and programs of other state agencies are made consistent with a state economic development strategy and state economic development programs.

Recommendations:

1. The Governor should Establish a cabinet level economic development committee, chaired by the Governor, to develop and oversee an economic development strategy for the state.

2. Establish a Department of Community and Economic Development to coordinate and implement state economic development programs.

3. Redefine, in statute the duties and responsibilities of the Maine Development Foundation to include education of the public and private sector on Maine's economy, development of new marketing ideas for Maine products, and promotion of maine as an investment opportunity.

4. Retain the Finance Authority of Maine as an independent agency.

Finding:

1. There is need for greater and on-going communication between state economic development officials and individual businessmen throughout the State. Many Maine businessmen, particularly small businessmen, need assistance with respect to doing business in the state and dealing with state agencies.

Recommendations:

1. The commissioner of the new department should expand the current plant-site visitation program established by the State Development Office which enables state officials to discuss business opportunities and problems with individual business people and to familiarize business persons with state assistance programs.
2. The commissioner should create a state-wide business assistance program to educate and assist business persons with respect to managing and operating a business and to facilitate and mediate business-state agency dealings and relationships.

3. Create within the Department of Community and Economic Development a Bureau of Marketing and Tourism to promote Maine products, Maine as a good investment opportunity, and Maine as vacationland.

C. Performance of the State Economy 17

Finding:

1. The Maine economy, like the national and international economies, is experiencing dynamic change including the decline of traditional industries such as manufacturing as well as severe foreign competition and dramatic differences in economic activity among various regions of the State. There is a need to develop new products and processes, exploit opportunities in world markets, and encourage research and development efforts.

Recommendations:

1. The commissioner should encourage the marketing of Maine products in foreign and national markets by contracting with the Maine World Trade Association and the Maine Development Foundation to continue its marketing activities on the condition that the State is satisfied with the work of the Association.

2. The Legislature should encourage the Science and Technology Board and the university system and colleges in the State to develop or assist in the development of new products and processes to keep Maine abreast of new technology.

D. Captial Formation and Business Financing 18

Finding:

1. Access to adequate capital, particularly high risk capital, continues to be a problem for small business.

Recommendations:

1. Establish a direct loan program to encourage small business development and business expansion especially in high priority development areas.

2. Encourage the investment of more seed capital to finance firms with good ideas for the production and marketing of goods by expanding the Pine Tree Partnership Program which provides grants for this purpose.

II. Education and Job Training

Findings:

1. Despite many recent improvements due to educational reform, there is still much more which should be done to better prepare Maine youth to meet the future challenges of the work environment.

Recommendations:

1. Increased emphasis should be placed on career guidance and career education. Expand and increase flexibility of vocational education programs. Encourage through incentive grants and innovative programs the use of competency-based evaluation.

Findings:

1. With the increasingly complex and dynamic nature of the workplace as we move to the year 2000, many of Maine's existing workers are not educated enough to adapt and the adult education or training services available to help them are not receiving their proportional share of financial support. There is also some duplication of effort and a lack of coordination among the many programs in this area.

Recommendations:

1. Increase financial support for adult education and other job training programs

2. Consolidate 3 advisory councils into one coordinating council to oversee job training and employment programs and equip the council with veto authority and spending plans.

3. Designate regional entities to integrate services but have all job training funds flow through these agencies.

C. Commission to Study Education's Relationship to Economic Development 25

Findings:

1. Despite the recent increased support of education, there still appears to be a lack of widespread understanding and appreciation of the relationship between excellence in education, educational expenditures and economic development.

Recommendation:

1. The Governor should create a task force to analyze this relationship, determine the amount of financial support required, and to carry out a marketing program to increase support of education by the general public.

III. Infrastructure and Telecommunications

A. Infrastructure Finance/Capital Planning and Budgeting 27

Finding:

1. Recent Federal Budget and Tax Reforms have left a significant void which must be filled by State and local resources to meet expanding infrastructure needs in addition to maintaining current infrastructure. Capital planning and budgeting in Maine has not been a legislatively mandated process.

Recommendations:

1. Legislatively mandate a capital planning and budgeting process

B. Traditional Infrastructure 32

Findings:

1. Major routes in the state are only adequate for existing traffic and several bottlenecks in existing corridors.

2. There is an estimated $1.5 billion unmet need for waste water treatment plants

3. There is a significant shrinking of Maine's railroad system, particularly branch lines which could slow growth in some regions.

Recommendation:

1. In addition to the capital planning process mentioned above, the Department of Transportation should alter its long-term planning process to incorporate the condition of and the direction which the state economy is going within its process.

Finding:

1. Technological advances in manufacturing processes in addition to the ever increasing number of hazardous materials found from other sources have brought the issue of the disposal of hazardous or special materials to the forefront.

Recommendation:

1. The state should assess technologies for and identify sites suitable for hazardous waste disposal and provide technical assistance to makers of these materials.

Finding:

1. A telecommunications is becoming increasingly more important to economic growth in Maine. Some issues which remain unresolved which could negatively impact growth include: certain taxes on the telecommunications and Maine's unclear policy toward competition.

Recommendations:

1. Reduce barriers to entry for telecommunications firms;

2. Legislature should give high priority to changing the method of taxation on telecommunications companies;

3. Require the University of Maine to work in conjunction with the MVTI's and the adult education community in the use of its $3.4 million grant to begin developing a telecommunications-based community college service.

IV. Economic Development and Regulation

Finding:

1. The current rule making process can be a roadblock to economic development at times because it lacks adequate legislative intent, goals and purposes with respect to the implementation of programs and activities. In some cases, the process is not responsive or knowlegeable of the needs and problems of the private sector. In addition, the process is cumbersome, lacks oversight, and fails to provide the regulators and the regulated interests with a single comprehensive and organized Code of Regulations which are consistent with each other.
Recommendations

1. Require, by Joint Rule of the Legislature, that legislation authorizing rule-making authority contain the goals and purposes to be achieved by the legislation and sufficient criteria to enable agencies to adopt rules that meet legislative intent and goals.

2. Require, whenever possible, that rules relating to natural resources and other regulated areas should establish performance standards by which the regulated interests can more easily define their projects for license purposes.

3. Establish a Maine Code of Regulations by requiring the Secretary of State to publish and update the Code.

Findings:

1. In many cases, the license/permit application process is too costly, cumbersome and lengthy. This process is also hurt by insufficient numbers of good quality regulatory personnel and a high turn-over rate among these persons. There is, at times a lack of communication between regulators and regulated interests which leads to neutral misunderstandings.

Recommendations

1. Provide more resources to departments and agencies of state government to fund more regulators and to pay higher salaries to regulators as a means to reduce the turn-over rate and attract more qualified persons to regulatory positions.

2. Provide assistance to businesses, particularly small business, by which the regulatory process can be facilitated. The use of performance standards should also facilitate the process.

Introduction/Background

During the 112th Legislature, the Joint Standing Committee on State Government recognized the need to evaluate State Government's role in economic development. The Joint Select Committee on Economic Development was recommended as the vehicle to evaluate Maine's economic development strategies and policies and report to the first regular session of the 113th Legislature.

Specifically, the Joint Select Committee was charged with studying the Maine economy to determine the most effective role for State Government in economic growth and the priorities for state economic development activities, particularly in light of the Federal government's changing role under the Reagan administration's "New Federalism". To establish a long-term strategy the Committee was also charged with evaluating the needs of small business and studying the findings and recommendations of the Joint Select Committee to Study the Shoe Industry.

To carry out this rather broad charge, the Joint Select Committee on Economic Development identified four major areas into which the Committee efforts could be divided. They included: economic development delivery systems and programs, education and job training, infrastructure and telecommunications and regulation and enforcement. Subcommittees were established to research these four areas supplementing the knowledge and experience of Committee members with additional or ad hoc members who were not official members of the Joint Select Committee.

These subcommittees compared practices of other states, gathered findings from recent reports, both within the state and from other states, and conducted hearings at Bates College in Lewiston and the University of Maine in Presque Isle. These hearings were designed to highlight the issues and/or problems facing economic development in Maine.

Each subcommittee reported to the full Committee in early December. Through December and early January, the full Committee met several times to discuss subcommittee reports to produce a Preliminary Report of the Joint Select Committee on Economic Development. Two public hearings have been scheduled to solicit comments to assist in preparing the final report. A preliminary report will be distributed prior to the two public hearings scheduled for the first week in February to be held in Portland and Bangor.

I. ECONOMIC DEVELOPMENT DELIVERY SYSTEM

A. Structure and Strategy

Findings:

1. There is no planned focus to economic development efforts throughout the State and no defined state policy for targeting state economic development resources. As a result, there is no means by which economic development programs and efforts of different agencies can be made consistent with each other or with an overall policy or strategy for economic development.

2. There is no formal mechanism to coordinate economic development policies and programs or the programs and policies of other state agencies that have an impact upon economic development. The current system is a decentralized one, and coordination of economic development policies and programs depends upon the extent to which each agency is willing and able to cooperate with the several other agencies of state government to develop and implement these types of programs.

   a. Each agency of state government which implements programs that have an impact upon economic development may cooperate and coordinate with another state agency, but this tends to occur on a limited or sporadic basis. Each agency has its own duties and responsibilities to fulfill, which consumes most of the time and resources of each agency, and the fulfillment of these responsibilities takes priority over coordination of activities with other state agencies.

3. There is a lack of coordination and centralization of information regarding the profile and activity of business in Maine. As a result, economic development efforts and planning may not reflect an accurate and comprehensive picture of the Maine economy.

Recommendations:

1. The Governor, by Executive Order, should create a cabinet level coordinating committee to prepare an economic development strategy for the State of Maine. The Governor should be the chairperson of this committee.

   a. The cabinet level coordinating committee, at a minimum, should consist of the Commissioners of the departments of Finance; Labor, Environmental Protection, and Transportation; the executive director of the Finance Authority of Maine; the chancellor of the University of Maine System, the executive director of the Vocational Technical Institute System, the Commissioner of the Department of Community and Economic Development and the director of the State Planning Office.

2. The Governor at the beginning of each First Regular Session of the Legislature should present to the Legislature, as part of the Governor's budget message, the economic development strategy that the Governor proposes to guide economic development efforts in the state. The Governor, in his "State of the State" Message should discuss his proposed economic development strategy.

a. The Governor and the Cabinet Coordinating Committee should work and consult with the Joint Standing Committee on Economic Development of the State Legislature in developing the strategy and evaluating programs.

3. The Governor and the coordinating committee, in developing an economic development strategy, shall consult with the private sector with respect to the components of the strategy.

4. The Governor and the coordinating committee should consider the following issues or factors while formulating an economic development strategy:

a. the opportunities, needs, problems, and conditions of the several different economic regions of the State and

b. the several different sectors of the Maine economy and the opportunities, needs, and problems facing these different sectors.

5. The Governor should provide staff sufficient to enable the Cabinet level committee to prepare a well-conceived economic development strategy.

6. That the economic development programs and services of the State be administered by a Department of Community and Economic Development. Serious consideration should be given to the following agency programs to be included in the department, and there may be other programs which should be considered for inclusion in the department.

a. the current programs of the State Development Office

b. the Community Development Block Grant Program of the State Planning Office

c. the Community Development Revolving Fund and Program of the State Planning Office

d. the local grants program of the Coastal Zone Management Program of the State Planning Office, but <u>not</u> the entire Coastal Zone Management Program, and

e. the Regional Planning Commission grant program of the State Planning Office.

7. The Joint Select Committee on Economic Development considered inclusion of several other programs, but further in-depth study of these programs is required before any final decisions can be made. For example:

a. Administration of the Coastal Zone Management Program, which is funded with federal money, may be prohibited by federal law and rules from inclusion in an economic development agency.

b. The activities of the Division of Community Services and its implementing agencies, the Community Action Agencies certainly have an impact on economic development, but their primary emphasis is services to low income people. These services and activities should be given appropriate attention by the Department of Community and Economic Development but not included under its responsibilities.

c. The Bureau of Parks and Recreation of the Department of Conservation, which works with municipalities on local recreational projects affecting tourism and local economies, impacts local economic development. Similar to the Division of Community Services, the Bureau of Parks and Recreation engages in activities that are more appropriate for its current structure than the Department of Community and Economic Development.

8. The powers and the duties of the Commissioner of the Department of Community and Economic Development should be the following:

a. The appointment of a deputy commissioner and bureau directors to serve at the pleasure of the commissioner.

i. Any unclassified persons/positions associated with current programs that are incorporated in the new department should remain unclassified, and the appointments should serve at the pleasure of the commissioner.

b. Periodic review of the functions and operations of the agencies and bureaus within the department to assure that programs and activities of the department are coordinated and constitute the best use of available resources.

c. Periodic review of the programs and activities of the department with the assistance of the cabinet level coordinating committee to ensure that these programs and activities are in compliance with the statewide strategy.

d. The reporting of successes and problems in the economic delivery system to the Cabinet level coordinating committee. This report would include problems encountered by businesses in dealing with state agencies that the commissioner is unable to remedy due to limited authority or resources.

e. The preparation and distribution of publications that:

i. Describe business assistance programs within the state available to Maine businesses,

ii. Describe the various economic development programs, and

iii. List and describe the various business licenses and permits issued by state agencies.

9. The policies and programs implemented by the commissioner, should include the following:

a. identification and development of specific economic opportunities in the State,

b. product development and marketing programs,

c. identification and promotion of Maine's assets that contribute to a positive climate in Maine.

d. coordination of development efforts of diverse groups and persons in all economic sectors and the consolidation of needed resources for economic development projects.

10. The duties and responsibilities of the Maine Development Foundation (MDF) should be redefined by statutory amendment to more accurately reflect the duties and responsibilities that the MDF currently undertakes and that are within the resources of the MDF. These duties and responsibilities should include the following:

a. Bridge the knowledge and communications gap between the public and private sectors.

b. Develop and propose new ideas to the Department of Community and Economic Development and to the Joint Standing Committee on Economic Development relating to:

i) The growth and development of the Maine economy.

ii) The marketing of Maine products and the development of new markets, especially foreign.

iii) Promotion of Maine as an investment opportunity.

c. Recommend changes to the Governor and Legislature in the economic development strategy and economic development programs to best meet the economic needs, problems, and conditions of the state.

d. Analyze various means by which other state agencies' activities may be coordinated with the state's economic development strategy and plan.

e. Conduct market studies and analyses.

f. Administer the import-export marketing program in conjunction with the Maine World Trade Association.

g. Support the Science & Technology Board's promotion of research and development and provision of innovative grants.

11. The Finance Authority of Maine should retain its independent organizational status.

Financing of new businesses or business expansions should be vested in a separate organization which can objectively review the proposals of the business applicants and their resources (including entrepreneurial ability). Programs for financing individual businesses should not be vested in an organization that also serves as an advocate of business and provides services to businesses.

a. The Finance Authority of Maine should continue to:

i) underwrite any state loan program administered by any state agencies,

ii) approve issuance of loans to qualifying enterprises,

iii) approve issuance of industrial development bonds,

iv) provide loans through the job-start program,

v) assist the Department of Agriculture in administering the Potato Marketing Improvement Fund, and

vi) administer the Pine Tree Loan Program.

B. Programs and Operation

Findings:

1. The private sector lacks information about business assistance services available to private enterprise through public and private not-for-profit organizations in Maine.

   a. This problem has begun to be addressed by the Joint Standing Committee on State Government which prepared legislation creating the Business Assistance Referral Office in the State Development Office.

2. State regulatory agencies, principally the Department of Environmental Protection, sometimes do not issue decisions in a timely manner which may have an adverse impact upon economic development and growth in Maine.

   a. There is a statutory limit of 105 days for a DEP or BEP decision which commences once the application is complete. In many cases, there are disagreements between the department and the applicant with respect to the degree of completeness of the application. The DEP is also understaffed and experiences a high turn-over rate.

   b. The Board of Environmental Protection has delegated approval authority for certain types of projects to departmental staff. While this has lessened the board's burden, it has not lessened the burden on the DEP staff or facilitated the application process.

3. There appears to be very little external and comprehensive assessment and evaluation of programs and agencies with respect to economic development and business assistance.

4. There is strong sentiment in the business sector for a business ombudsman or facilitator to assist with access to state agencies or with technical problems.

5. An expeditious response to changing job skills and job needs of businesses and new business is essential to the growth and development of the Maine economy. This response rate needs to be improved. The new Vocational Technical Institute System and the job training programs under JTPA should assist with resolving this problem.

6. There is need for greater and on-going communication between state economic development officials and individual businessmen throughout the State.

a. The State Development Office has implemented a site visitation program by which state economic development officials become acquainted with the individual businesses and businesspersons become acquainted with the resources and services of state economic development programs.

Recommendations:

1. Business Assistance Programs

There should be the following business assistance programs, with a special focus on small businesses:

a. A program by which competent regional and local planning and development agencies are certified by the Department of Community and Economic Development to administer or help administer state programs at the regional and local levels consistent with the State's economic development strategy. Resources should be provided to these agencies to provide these services.

b. A program by which small businesses are provided assistance and instruction in:

- loan applications,
- business planning,
- operating a business,
- filing and completing applications for business licenses and permits, and
- working with regulatory agencies.

c. The current site-visitation program conducted by the State Development Office should continue and be expanded.

d. A Business Ombudsman, Facilitation, or Mediation Program which:

i) Resolves problems encountered by business persons with other state agencies, regional, and local organizations.

ii) Coordinates programs and services for business among agencies and all levels of Government.

iii) Solicits input and suggestions from the private sector.

iv) Facilitates responsiveness to small business needs.

v) Reports to the Commissioner any problems or breakdowns in the economic delivery system including problems encountered by businesses dealing with state agencies.

2. Planning and Research Programs

Within the department there should be sufficient staff to undertake departmental planning and research. Strategic planning, economic forecasting, and macro economic planning should remain within the State Planning Office, but the information and results of the research of the State Planning Office in these areas should be provided to the Department of Community and Economic Development.

The planning and research activities of the department should be undertaken to:

a. Assist the department to fulfill its responsibilities and to respond to opportunities, needs and problems in the Maine economy.

b. Develop a profile of Maine business sectors and the Maine economy.

c. Analyze Maine's ability to compete in northeastern, national, and world markets.

d. Investigate and propose new ideas and technology for the state economy and Maine firms.

3. Promotion Programs: Bureau of Marketing (Promotion) and Tourism

a. There should be a bureau within the department to undertake promotion activities relating to tourism, Maine products, and Maine as a good location for new businesses and business expansions.

b. Tourism promotion is an important activity to encourage as it is an important source of income to the State. With a significant investment, a tourism promotion program can increase tax revenues and create important economic "spin-off" effects.

4. Community Assistance Programs: Bureau of Community Development

a. A Bureau of Community Development should administer the Community Development Block Grant Program and other community assistance programs. By coordinating the administration of community assistance and development programs there may be greater program impact and more efficient use of state resources.

C. Performance of the State Economy

Findings:

1. There is significant competiton with more heavily subsidized foreign firms located in nations with aggressive international trade policies.

2. The basic, traditional bulwarks of the Maine economy are experiencing significant change or decline including: textiles, leather, lumber, agriculture, etc.

3. There are regional economies within the State which are in economic decline.

4. The generation of new products and processes, particularly for firms in "declining industries" or firms faced with severe competition, is necessary for Maine firms to survive in a dramatically changing national and international market system..

5. There are inadequate facilities/services for businesses in rapidly growing areas of the State. While the southern region of the State is rapidly developing, the problems of rapid growth are emerging. Some small and medium sized businesses complain of the lack of available facilities, the high cost of real estate, inadequate sites for growth, transportation/highway problems, etc.

6. There are problems generating new viable enterprises, especially small businesses, and business expansions that have significant growth potential, particularly in areas outside the southern growth zone of the State.

7. There is a high unemployment rate among the unskilled population and persons without a high school education, particularly young single women with children.

Recommendations:

There are several recommendations mentioned in the previous sections that address some of the problems and needs with respect to performance of the economy.

1. A state economic development strategy should address the significant discrepancies among regional economies within the state and the decline of the traditional industries that are the bulwark of the State.

2. The generation of new products and processes through seed financing, the activites of the Science and Technology Board, and the research capability of the University of Maine system and Maine colleges may address the problem of the decline in Maine's traditional industries.

3. High unemployment among the unskilled, especially persons without a high school education will be addressed by investing more in remedial/literacy programs in the adult education program and through targeted employment training programs.

D. Capital Formation and Business Financing

Findings:

1. In 1983 the State consolidated financial assistance programs within a new agency, the Finance Authority of Maine. FAME has increased the financial assistance available to business in a number of different areas and attempted to focus its financing resources to meet identified economic development needs.

a. However, recent changes in federal tax legislation will greatly reduce the amount of Industrial Revenue Bonds, historically Maine's largest economic development program at over $200,000,000 a year. While FAME has initiated programs such as the SMART and SMART-E bonds to make up some of the ground lost because of federal tax law changes, more needs to be done to assist business finance, especially in the areas of low cost debt and equity capital.

2. Access to adequate capital, particularly high risk capital for small business, continues to be a problem.

a. The State has several business financing programs through the Finance Authority of Maine. In addition, federal community block grant program monies are provided by municipalities to businesses. The Maine Capital Corporation (MCC) invests venture capital and makes loans to firms that meet MCC specialized standards for investment. The availability of seed capital for business start-ups is very limited. Small businesses without much of a track record have a very difficult time securing high risk capital or low interest loans.

3. There are insufficient statutory performance standards for businesses which apply for loans and grants of some programs from public agencies. As a result, state and federal loans and grants may finance projects that do not promote overall state economic development priorities.

Recommendations:

1. The Legislature should establish a direct loan program for businesses that would offer low interest loans not available through other sources. Such loans could be especially effective in assisting businesses in those areas of the state or industries which an economic development strategy identifies as high-priority development areas.

2. The Department should consider establishing a program to provide direct seed capital to promising businesses. This could be done through an expansion of the existing Pine Tree Partnership program for new technology and product development or through a new program for direct equity investments in companies. Like direct loans, such an equity investment program could be particularly important in attracting additional investments in high-priority industries and areas.

E. Entrepreneurial Characteristics

Findings:

1. A number of business managers and owners lack business skills and information about changes and developments in the market place.

2. Entrepreneurs are reluctant to accept an "outside" equity investment in their firm, to conduct business in a different manner, to expand operations or to take other steps to expand their business opportunity.

3. There is also a lack of equity financing for many businesses that would accept this type of financing.

Recommendation:

1. The problems relating to lack of business skills and information and reluctance to accept "outside" equity investments by entrepreneurs can be addressed by the Department's business assistance programs and financing programs through FAME. Also, the business assistance programs can be provided through certified regional and local economic development agencies.

F. Perceptions of the Maine Economy

Findings:

1. Persons within and outside Maine have false or misleading information about Maine and the State economy resulting in a poor image of Maine and the State's economy.

Recommendation:

1. The Department of Community and Economic Development should address this problem through a public information program and the implementation of realistic components of the state economic development strategy..

II. Education and Job Training

A. Educating and Training the Workforce of the Future

Findings:

Despite all the positive steps taken to improve and enhance the elementary and secondary (K-12) curriculum in the state, there is still much to be done. There is a widespread consensus among Maine employers that new entrants to the workforce have been poorly prepared for the world of work both in terms of their educational skills and career guidance. The problems of truancy and dropping-out have not abated. Many Maine youth continue to have very low aspirations. There is also a lack of communication between the business and educational communities.

Recommendations:

Improve the ability of the elementary and secondary public education system to adequately prepare students for the transition to work and the career decisions and changes they will face through the remainder of their lives.

1. Increase each child's knowledge of the work environment, career options, and their own skills and interests.

    a. Increase the emphasis on career education, planning and guidance and begin career education earlier in each child's educational program.

    b. Schools should encourage better communication with business. Business should communicate its needs to teachers and students and expand their knowledge of the world of work and occupational choices.

2. Teachers should be encouraged to explore the world of work themselves through such programs as the "Educator-in-Residence" program, initiated by Maine Savings Bank to provide educators with the opportunity to learn about current business practices. This program was replicated and expanded by the Maine Development Foundation.

3. Upgrade vocational education programs and avoid stereotyping children in vocational education or other similar programs as "second-class" students.

    a. The State Board of Education should begin implementing some of the recommendations proposed by the paper, "New Directions for Technology Education", which focuses on expanding and reorganizing vocational education programs.

4. Encourage the use of competency based evaluation systems, particularly for vocational education programs. These types of systems are designed to provide a better measure of skills developed by a student and are better measures of the effectiveness of educational programs.

5. Encourage better use of Carl Perkins Vocational Education Act funds and the Innovative Grant Program to fund new and innovative programs or pilot projects related to improving the ability of the K-12 curriculum to adequately prepare students for work.

B. Education, Training, and Retraining the Existing Workforce

Findings:

Listed below are the findings deemed most significant to the discussion of the education, training and retraining needs of the Maine workforce as it exists today and as it will exist in the years ahead. These findings support two premises: a) the State of Maine has not adequately met its education and job training needs and b) programs to meet these needs are excessively fragmented.

1. Presently 238,000 adults in Maine lack a high school diploma with one in five adults being functionally illiterate. While 4,000 adults each year go on to secure a high school diploma, a roughly equal number of high school students become dropouts.

2. Ninety percent of today's workers will be in the workforce in the year 2,000. The nature of employment will change drastically by the year 2,000 as the economy continues its shift away from an industrial base to an information and service based economy requiring more flexibility and adaptability within the workforce.

3. Employers in Maine are becoming increasingly frustrated by an inability to locate and attract employees with adequate education and training. This problem is greatly intensified in areas of the state experiencing high employment.

4. The Job Training Partnershi Act (JTPA) program only serves approximately 5% of Maine persons eligible under the program. Similarly, the Welfare Employment, Education, and Training (WEET) program has 20% of AFDC recipients enrolled and only 13% actively participating.

5. The allocation of public funds to address the issues raised in the previous findings is miniscule. The University System operates on a budget of over $200 million. The demand for an employee with a college education is estimated at ten percent of the total workforce. Public school systems in the state collectively have a budget that exceeds $600 million. Of this amount, only $6 million is set aside for adult education. The Vocational Technical Institutes operate on a total budget of $27 million with a demand for graduates in specialized fields well in excess of capacity. JTPA in Maine spends approximately $12 million annually which falls far short of employer and client demands.

6. The relatively scant financial resources dedicated to the education, training and retraining needs of the workforce are scattered throughout state government. Coordination is lacking, duplication of effort is evident and a comprehensive, rational state policy does not exist. Three state departments, as well as the University and VTI systems, have a role in the use of the limited adult training and education dollar. At least ten separate policy-making and citizen advisory councils, committees, boards or commissions also have a role to perform in this area. Service delivery and administrative programs at the state level alone total fourteen. The current debate over the recently mandated USDA Food Stamp Recipient Training program highlights the problems faced in trying to coordinate the many programs.

Recommenations:

Expand and improve programs designed to educate, train and retrain the existing workforce. These programs are and will become even more important to economic development in the State and should receive higher priority status.

1. Increase state financial support of adult education and job training programs (Provide an additional $2 million for FY 1988-89 and $4 million for FY 1989-90.)

a. Provide additional funds for expanded or new community-based adult education programs, particularly to meet remedial education needs. Supplement the present adult education subsidy system with state incentive grants or seed funding on a matching basis to encourage more participation.

b. Provide additional state support for job training programs, supplementing existing Federal programs such as JTPA to reach more persons.

c. Provide additional state support to assist recipients under AFDC to enter training programs. Remove the disincentives to getting off welfare by providing interim health insurance, day care assistance, etc.

2. Increase the coordination among and integrate the several adult education, employment, and job training programs and thereby enhance the efficiency and the effectiveness of Federal, State, and local investments in the area.

   a. At the state level, consolidate the several advisory councils and coordinating committees into a single council.

      i) Combine the functions of the Maine Job Training Council, State Advisory Council (to the Commissioner of Labor), and Maine AFDC Coordinating Committee as specifically mentioned in the related Federal Acts.

      ii) Single state council should work toward integrating the planning and delivery of these programs with a long-term aim of establishing a single state agency responsible for adult education, employment, and job training programs.

      iii) Council should be chaired by a member from the private sector and be fiscally attached to the Department of Community and Economic Development .

      iv) Responsibilities of the council should include, but not be limited to:

         - Reviewing of adult education, vocational education, employment and job training programs and respective plans.

         - Identifying areas of duplication and methods to increase coordination.

         - Having veto authroity over funding plans prior to being submitted to the Governor.

   b. Regional agencies should be designated to receive and expend all job training funds within a region. Adult Education funds should continue to flow through the Department of Educational and Cultural Services.

i) Regions should be established within which these programs should be fully coordinated and integrated. Regions should be consistent with county boundaries and, to the maximum extent practical, should adhere to sub-state planning and economic regions currently prescribed by executive order.

ii) Those agencies designated by the Private Industry Councils (PIC's) under JTPA will be the agencies to receive and administer the integrated funds until their present contracts expire. Where the State is the service provider in a region under JTPA, a new agency will be designated by the PIC.

iii) The regional agencies should use their financial resources to purchase educational and training services from existing local public school adult and community education programs, JTPA programs, the VTI system and the University of Maine System. In the event these agencies are unable to meet the service needs, the regional agency should as a last resort be in a position to be direct prvider of services.

iv) The regional agencies should each year prepare and submit to their appropriate administrative entities an operating plan drafted in accordance with guidelines promulgated by the State Council which would be forwarded to the State Council for review and approval. The plan should specify goals, objectives, scope of work, time lines, staffing, budget and performance measurements.

v) The funding made available should be allocated on a formula basis that reflects need as defined by the State Council. The State Council should have the authority to reallocate funds should one region not utilize its entitlement.

C. Commission on Education for Economic Development

Findings:

1. Maine has just begun to understand the implications of strong support of education; both elementary, secondary, adult and higher education in the State. Education is extremely important to economic growth in the State and is also extremely important to personal growth and future earnings. However, many Maine people are uncertain of the importance of the ties between education and economic growth.

Recommendations:

1. Establish a Commission on Education for Economic Development to:

   a. Analyze the relationship of educational attainment and education expenditures to economic growth and educate the Maine public about the relationship; and

   b. Investigate the present funding situation, the amount and method, and determine the amount of investment required on a long-term basis and the potential sources of funding.

2. The commission should be provided with necessary resources to provide staff and conductresearch and seminars on this topic. The Maine Development Foundation shouldbe utilized to assist the staff.

3. The Commission should consist of 15 members to include the following:

- The Chancellor of the University of Maine System;
- The Executive Director of the Maine Vocational Technical Institute System;
- The Commissioner of the Department of Educational and Cultural Services; and
- The Commissioner of the Department of Community and Economic Development;
- 8 members of the Legislature, 2 each from the Joint Standing Committees on Education, Economic Development, Appropriations and Financial Affairs, and Taxation; and
- 3 members of the general public to be appointed by the Governor.

4. The Chairman will be chosen from those representing the general public.

5. The Chancellor of the University of Maine System, the Executive Director of the MVTIS and the Commissioner of DECS will each assess their needs in terms of programs and the required financial support. This information should be gathered and supplied to the Commission within 6 months after enactment of this proposal.

6. The Commission will simultaneously be analyzing the relationship between education and economic development.

III. Infrastructure and Telecommunications

A. Infrastructure Finance/Capital Planning and Budgeting

Findings:

The role of the federal government in infrastructure finance has been enormously important. The role is obvious in the direct grant programs which have paid up to 90% of highway construction. But the federal government has also picked up the tab for the infrastructure financed by tax-exempt state and local bonds, and as much as half of all general revenue funds to local governments have been used by local governments to pay for their infrastructure needs. However, the federal government is retreating from its infrastructure financing support on all fronts, leaving Maine state and local governments to rely increasingly on their own resources to meet expanding infrastructure needs.

1. Federal tax reform has changed the ways in which tax-exempt bonds can be used and has raised the cost of borrowing for state and local governments.

2. While the interest on state and local "private activity" bonds will continue to be exempt from state taxation, this interest is no longer fully exempt from federal income tax.

3. Population and economic growth are creating the need for expansion of such facilities as sewage treatment plants.

4. The loss of federal revenue sharing for local governments beginning in the current fiscal year will have a dramatic impact on local infrastructure maintenance and construction, especially for public buildings.

5. Capital planning and budgeting in Maine at both the state and local level has not been a Legislatively-mandated process, as it is in other states. Capital plans provide improved information about current and both short and long-term needs.

Recommendations:

1. A capital planning and budgeting process should be legislatively madated. Three major elements should comprise this capital planning and budgeting process for Maine: A 6 year Capital Plan, a biennial State Capital Budget, and Principles and Standards for Capital Budgeting and Planning. These three elements are described below.

Capital Planning and Budgeting is actually two distinct tasks: planning (long range analysis of needs and revenues) and budgeting (specific proposals for expenditures to be made in a given time period). In Maine, these tasks are currently performed by separate agencies; planning is done by the State Planning Office and by individual agencies; budgeting is done by the Bureau of the Budget within the Department of Finance. In other states, the capital planning and budgeting functions are performed by a single agency.

a. The Capital Plan would be implemented under the direction of the State Planning Office. The plan would be a long term assessment of the State's capital needs and the revenues available to pay for them. It would focus on a six year period (three biennia), and would be prepared and submitted to the Legislature every two years along with the Capital Budget. It would provide the policy context for the specific proposals made in the Capital Budget.

The Capital Plan would comprehensively assess both state and local capital needs and priorities to give as comprehensive a picture as possible of where public funds are and need to be invested. It would supplement, not replace, existing agency capital planning processes. Its principal elements would be:

- An inventory of capital assets held by state and local governments, including original costs, depreciation, age and condition, current values and replacement values. Capital asset types would be by the following major categories:
  - Roads and Bridges
  - Other Transportation
  - Educational Facilities
  - Public Buildings (offices, libraries, courts, etc.)
  - Publicly owned dams
  - Water & Sewer facilities
  - Other waste disposal facilities
  - Corrections facilities
  - Recreation and other facilities

- Long range economic and demographic trends likely to affect the demand for public infrastructure throughout the state.

- An analysis of the age structure of major classes of capital assets in comparison with standard "design lives".

- Schedules of major repairs and replacements, expansions, new facilities needed based on "best professional judgments".

- Estimate of operating and maintenance costs for new or expanded facilities and the costs to be incurred if new investments are not made (the costs of deferral).

- An analysis of recent trends and forecasts of revenues available to fund infrastructure improvements, including:

  General Obligation and Revenue Bonds
  General and Dedicated Taxes
  User Fees
  Federal Assistance
  Privatization

The most important role for the Capital Plan should be to identify major needs (by biennium), the principal choices to be made by the Governor and Legislature in deciding on State capital expenditures, and the implications of those choices for economic development in the state. It would identify major policy issues in both expenditures and revenues, and would highlight those issues that cut across severally different kinds of infrastructure types. It would not be a schedule of specific projects (though this might be included in some cases), but a framework for making infrastructure investment decisions.

Since "needs" and "priorities" are often a matter of perception, the Plan should be able to distinguish between priorities identified by agencies in their existing procedures, those identified by the planning agency based on its own assessment of economic and demographic trends, and those perceived by a broader public. For the purpose of securing comment from broader publics, the plan should be submitted in draft form for public review and comment. An independent "advisory board" might also be established to helpoversee the plan's development.

2. The State Capital Budget with priorities established by the State Planning Office would be prepared by the Department of Finance for the Governor biennially and submitted to the Legislature as Part 3 of the Budget. It would be a 2-year expenditure proposal for the State's own capital facilities and for those state expenditures that affect local capital spending. As with the capital plan, existing agency priorities and proposals would be the starting point, but the Capital Budget would permit the Governor and then the Legislature to look across all categories of expenditures to make decisions on priorities.

The Capital Budget would focus on those facilities to be supported with general revenue financing (whether debt or paid from current revenues). It would include summaries of the highway and other dedicated-revenue budgets to provide a summary of total capital expenditures over the biennium.

The Budget would identify:

- Major new facilities to be built
- Major upgrades and expansions of existing facilities
- Local aid program expenditures
- Significant repair and maintenance expenditures
- Implications for future operating and maintenance costs of decisions on expansion/new facilities (including the costs of deferal).
- Revenues to pay for proposed capital expenditure program.

  - Taxes
  - User Fees
  - Debt
    General oblication*
    Revenue
  - Other funding methods (e.g. privitization)

*The General Obligation Bond section would contain the Governor's proposal for the first year of the biennium and a preliminary proposal for the second year. The Governor and Legislature would continue to consider bond proposals in each session as needed.

For those expenditures proposed, the Budget document would also present an analysis of the costs and benefits of the proposed expenditures on a life-cycle basis.

3. The State Planning Office and the Department of Finance should share the responsibility for establishing Principals and Standards for Capital Investment Planning and Budgeting with the Economic Development Cabinet Level Coordinating Committee having final approval. Capital planning and budgeting must be conducted with a common approach to definitions, accounting procedures, and analytical techniques. The third element is, therefore, a "manual" that sets forth principles and standardizes approaches in the areas of:

- Definition (e.g. what is a "repair", what is an "upgrade" or "expansion"
- Accounting (a uniform system of accounts for use in capital budgeting in both state and local governments)
- Cost/Benefit Analysis (establishing the ground rules for conducting cost/benefit studies of alternative investments).

This manual would be the first product of the capital planning and budgeting effort, since future plans and budgets would depend on it.

4. In addition to declining resources, increased infrastructure demands (discussed in the following sections) will require new revenue sources. Some of the possible financing methods include:

a. The Legislature should seriously consider an increase in highway fund revenues (the gas tax, license and registration fees, etc.) to both maintain and expand the level of construction investment.

b. Major new investments in transportation corridors, such as new bridges in Waterville-Winslow and Portland-South Portland will have to be funded outside of the normal investment-cycle process simply because of the size of the needed investments, each of which would be equal to or greater than a normal year's budget for bridge improvements. While some federal funds may be available for projects such as the Million Dollar Bridge and the Carlton Bridge, additional funds in the form of bonding, tolls, or tax revenues will be needed. An investment plan setting forth the time frame and levels of investment needed should be prepared so that appropriate decisions about these projects can be planned for within the overall capital planning process. Legislation enabling the creation of special revenue authorities to own and operate these facilities should also be given serious attention if these needed projects are not to create undue strains on resources.

c. The federal Community Development Block Grant Program provides up to $9 million per year in assistance to communities for various forms of housing and facility development. The program is administered to specifically link public facility and economic development needs, and more than one third of the funds are being used for public facility development. The State should consider expanding this program through a direct matching expenditure.

d. Depending upon needs identified in a capital planning process, the State may wish to consider establishing a subsidized loan program to aid municipalities "catch up" with maintenance backlogs. Similar programs have been implemented in other states with some success. However, such a program should be implemented only after a more detailed analysis of needs is undertaken.

B. Traditional Infrastructure

Findings:

1. Less-developed rural areas of the state are served by good roads, but major routes to certain areas of the state remain only adequate for existing traffic. Upgrades, including widening of lanes, paving shoulders, and installing passing lanes are needed on much of the state's 2,000 miles of primary roads.

2. There remain unmet needs for both primary and secondary wastewater treatment plants. Twenty-one towns remain without primary treatment, and sixteen towns require additions to permit secondary treatment, according to the most recent Department of Environmental Protection sewage treatment investment plan. Total costs for these facilities will be $21.4 million for the current fiscal year (exclusive of sewer line and interceptor plans). While fifty-five percent will be paid by the federal government, this will still require over $9.6 million dollars from state and local governments in Maine.

3. There are a number of "bottlenecks" in the transportation corridors that cause significant delays and problems.

4. Declining federal support in real dollars, coupled with a flattened trend in gas tax revenue collections as mileage improvements for cars continue will mean that existing funding sources will be adequate only for current levels of maintenance, and that over time there will be a significant reduction in highway investment.

5. The railroad system in Maine is steadily evolving towards a major north-south trunk line with branch lines only to areas where paper mills are located. Other branch lines are steadily being abandoned.

6. A significant debate has emerged over the public and private sector roles in managing solid waste disposal and the related issue of increasing demand for using Maine to dispose of solid waste generated in other states. Maine has traditionally been served primarily by municipally owned and operated solid waste disposal sites, but the private sector has been making increasing investment in solid waste disposal facilities in Maine. While technology and environmental management needs are combining to permit increasing centralization of waste disposal, large areas of the state with small, remote populations may not have access to safe solid waste disposal at affordable costs.

7. Local governments, responsible for much basic infrastructure, are finding it increasingly difficult to make prudent decisions bout their infrastructure investments. Changing financing policies and State requirements make planning increasingly difficult for communities. Local governments often lack the staffing or technical capabilities to do effective infrastructure planning.

8. In rapidly growing areas of southern Maine, the strains on roads, water and sewer, and other infrastructure combined with the lack of adequate state and local planning and capabilities is providing a crude form of growth management. However, growth management accomplished through putting excess strains on existing infrastructure will only result in prematurely worn-out facilities and excessive costs for early replacement.

Recommendations:

1. The Department of Transportation (DOT) which has a comprehensive capital construction and improvement planning process should continue its long-term planning for capital projects with some changes in the process. The Department of Transportation should consider the condition of and the direction in which the state economy is going, and analyze how the transportation network and proposed capital projects affect the economy.

a. In its capital project planning process, DOT should include economic growth and development variables. To achieve this end, DOT should consult with the lead economic development agency and the other relevant departments for the criteria to be included.

b. DOT should work closely with local officials and determine how proposed capital projects will affect the municipalities, particularly their effect on the economies of the municipalities and the relationship of these projects with any other proposed future infrastructure investments.

c. Other transportation needs and major new investments in transportation corridors should be evaluated to determine the cost effectiveness and desirability of these investments as well as the levels of investment required.

2. The maintenance needs of current infrastructure assets cannot be meaningfully addressed outside of the context of overall needs for infrastructure investment. The creation of an active capital planning process is thus a key to reemphasizing the needs for adequate maintenance expenditures.

C. Demands for New Infrastructure Types

Findings:

Waste disposal has always been a basic infrastructure function, but it has become substantially more complex as it has become clear that certain wastes are hazardous to human health and must be disposed of in ways that avoid exposure of people to the wastes. The broad category of "special and hazardous" wastes includes not only the chemical by-products of manymanufacturing processes, but also contaminated hospital wastes, asbestos removed from buildings, used tires, and even such common items as used motor oil.

For businesses, disposal of special or hazardous wastes has become a major issue for a broad spectrum of manufacturing industries as technological advances have produced new kinds of materials. Hazardous waste management is intimately tied to the related issues of solid waste and sewage treatment, but the health and environmental issues raised by toxic wastes are significantly more complex.

1. How to clean up hazardous wastes that have already been improperly disposed and now pose a threat to health either directly or to essential water and land resources.

2. How to make provisions for the safe disposal of hazardous waste currently being generated or that may be generated as a result of future growth in the Maine economy. Comments at the public hearing suggested that companies attractive to Maine foreconomic development, such as electronics manufacturing, are also frequently generators of hazardous waste in some form. Maine could enhance its attractiveness to these firms if it had a program and/or facilities in place to handle hazardous wastes, through a combination of treatment and environmentally sound storage.

Recommendations:

1. A major effort should be made by the State to assess technologies for waste treatment and disposal, identify sites geologically suitable for disposal of the major types of hazardous wastes, and provide technical information and assistance to makers confronting these issues. There must be strong State leadership in this effort, although local and regional approaches to developing disposal facilities should be encouraged. The highest standards of technical analysis and a strong public information and participation focus must be the foundation of this effort.

2. The establishment of a specific institute to address technical, economic and public health aspects of hazardous waste disposal at the University should be considered. The Bureau of Public Administration could be a model or an umbrella agency for such a project.

D. Telecommunications

Findings:

The major challenge in state telecommunications is to adapt to the continuing evolution of a competitive telecommunications industry out of the largely-monopoly industry that existed before 1984. Substantial opportunities for economic development exist as the world's economy becomes more and more information-intensive and relies on the telecommunications network as the major "transportation" infrastructure.

The telecommunications industry itself is forecast to be the fastest growing industry in the United States over the next five years, and those business and professional services industries that will make the most use of new telecommunications technologies are forecast to be the fastest growing industries in Maine. Ways must be found to take full advantage of these opportunities, without causing large-scale disruption to the long-standing social goal of maintaining universal telephone service.

Maine's telecommunications network is gradually modernizing to take advantage of the most recent technological developments; recent decisions by the PUC have, in fact, quickened the pace. But several major issues remain unresolved:

1. Maine's basic policy towards competition remains unclear. While state law can be interpreted to support a competitive telecommunications industry, no clear policy has been formulated by the Legislature or by the PUC. The PUC has encouraged competition in some areas; for example, it has permitted certain central switching services sold by New England Telephone to be deregulated so that NET can compete with the private switches offered by AT&T and other vendors. But they have asserted review authority over mobile cellular radios, which has apparently discouraged some companies from seeking to locate in Maine. The appearance of inconsistent regulatory policies and the potentially large and complex legal procedures of utility regulation can serve as a barrier to new investment in telecommunications.

2. Taxation of the telecommunications industry in Maine continues to be based on the premise that the underlying economic structure of the industry is a monopoly. Maine imposes a tax of 7% on the gross receipts of telephone companies in lieu of property taxes and has recently imposed an additional tax of 5% on interstate long distance service. These taxes imposed on interstate long distance carriers will be fully paid by Maine ratepayers as a result of recent and pending FCC rulings. This will raise the cost of long distance telecommunications in Maine above that of other states, providing a disincentive

for companies that rely heavily on long distance phone service from locating and expanding in Maine. It will also provide additional incentives for large companies to set up their own telecommunications sytems, which would force up the rates for those who remain on the phone network.

3. State Government and the University are the largest telecommunications users in Maine. As such, their decisions affect the amount and types of technology available in Maine and their cost. Telecommunications also offers significant opportunities to improve delivery of services by both government agencies and the University.

4. The Public Utilities Commission has opened a major examination of competition issues. The "competition docket" will examine many of the central issues associated with the evolution of the telecommunications industry. A report is expected in spring, 1987.

5. A combination of increased return on investment permitted by the PUC and falling costs for such technologies as electronic switching, digital microwave, and fiber optic transmission lines has permitted NET to dramatically increase its investment in the Maine telecommunications network over the last two years. Current plans are that fiber optic cables will be laid from Kittery to Bangor by early 1987, and to have almost all NET switches electronic by 1992.

6. AT&T has filed a request with the FCC to assign the full cost of the recently-enacted sales tax on access charges for interstate long distance service to Maine ratepayers. This filing follows an FCC decision earlier this year to assign the full amount of Maine's gross receipts taxes on long distance companies to rate payers in Maine. The cost of these taxes will thus no longer be "exported" to long distance users throughout the country.

7. The University of Maine System has initiated development of a comprehensive telecommunications sytem to link its campuses and other sites around the state to improve delivery of "community college" programs. The University has received a $3.4 million grant from the federal government to begin constructing the system, which will eventually link all University campuses with VTI's, the Maine Maritime Academy, and other locations.

8 The Department of Administration and the Chancellor's Office have begun developing a joint planning process for their telecommunications facilities as a result of recommendations made in the 1985 Governor's Telecommunications Task Force Report.

Recommendations:

1. The development of competition in the telecommunications industry holds great promise for the economic development of the state as costs are lowered and new services are made available. Increased competition should be encouraged, particularly through a reduction in barriers to entry (regulatory and otherwise) for companies wishing to offer new services and lower prices. Upon completion of the PUC's competition study, the Governor and Legislature should review the outcome of the investigation and consider ways to encourage competition in the telecommunications industry.

2. The Legislature has established a sunset provision for the 5% tax on interstate access charges established in 1986. This tax should be allowed to sunset on January 1, 1988.

The Legislature should give a high priority to changing the method of taxation on telecommunications companies. In a competitive telecommunications industry, this tax cannot be applied in an efficient manner.

The relatively high level of gross receipts tax in Maine is a disincentive to further telecommunications-based economic development and a burden to existing companies that may seek to avoid paying the tax by bypassing the network entirely. This kind of development may be especially important to more remote areas of the state where distance serves as a barrier, but telecommunications can effectively eliminate the distance barriers.
The FCC decision on gross receipts taxes on interstate service is likely to be only a harbinger of changes that will also affect the intrastate phone service market. Major common carrier companies (AT&T, MCI, Spring) now pay the gross receipts tax, but the declining costs and increasing sophistication of telecommunications (and data processing) technologies will make it possible for more companies to establish their own systems. This will create the need for the state to substantially expand the application of the gross receipts tax (a significant administrative burden for the State and taxpayers) if revenues are to be kept constant or to apply the tax only to common carriers, putting them at a significant competitive disadvantage.

3. The University of Maine's telecommunications-based community college proposal presents a major opportunity for the State to develop its telecommunications infrastructure. The University has received a $3.5 million federal grant to support construction of the system, and is expected to proceed over the next five years. There may be administrative issues over the use of the system to deliver the most effective and needed forms

of education and training throughout the state. The University should be sure to seek out the advice of the VTI's and the adult area community education sector to make sure the most pressing educational needs are met. If this input is utilized fully, the telecommunications system will be a key to meeting whatever expanded education and training needs are identified, and its development should be encouraged to the maximum extent practicable.

The benefits of the telecommunications system proposed by the University can only be maximized, however, if the technologies employed are capable of adaptation as the rapid pace of technical development in the telecommunications field proceeds. The University should be strongly encouraged to examine the technical and economic characteristics of a University-built system and seeking proposals from different vendors who may provide alternative technologies at lower cost.

The University should also assure that the facilities it establishes are optimally used to meet the educational needs of the State and, to the extent possible, other public sector telecommunications needs. This should be done through the joint State-University telecommunications planning program recommended by the Governor's Task Force on telecommunications in 1985.

4. The development of a competitive telecommunications network requires a restructuring of phone rates that will tend to decrease long distance rates and increase local service rates over time. As this occurs, the long-standing social goal of universal service may be threatened. The FCC, Public Utilities Commission, and Governor's Task Force on Telecommunications have reviewed the needs for a universal service assistance program. The Legislature should consider establishing a specific policy and program to assist low-income citizens to cntinue having access to the phone network.

5. The professional economic development community in Maine should enhance their awareness of the capabilities of modern telecommunications technologies for marketing and other business development activities. This should be a high priority especially for those agencies engaged in assistance to small businesses.

IV. STATE REGULATION AND ECONOMIC DEVELOPMENT

There is generally a consensus in the public and private sectors that it is necessary to preserve and protect the public interest and welfare and, at the same time, allow for economic growth and development.

The regulatory process, the means by which the public interest and welfare are preserved can allow and encourage econommic growth through the adoption of rules that more clearly reflect legislative intent, recognize the needs and problems of both the regulators and the regulated, and clearly address the issues and purposes that make the rules necessary.

Economic growth and development and preservation of the public interest can be achieved by greater communication and understanding between regulators and the regulated. By providing to the regulated, the information that can help them undertake their proposed projects in compliance with state law and rules the State can provide its citizens with economic opportunity and prescribe their welfare.

A. The Rule-making Process

Findings:

1. Formulation of rules

    a. There is very little clear legislative intent by which state agencies formulate their rules.

    b. There is inadequate input from all parties (Regulators, Regulated & Legislators) concerned with respect to the formulation of rules.

    c. Regulators give financial and economic impact of rules inadequate consideration.

    d. Regulators often lack an understanding of business and the impact of regulation on business.

    e. A common goal is lacking between the Legislature which approves a new law/program and the state agencies which adopt rules to implement the law/program.

    f. There has been a geometric increase in the numbers of rules without review of existing rules and deletion of obsolescent rules.

2. Rules Proposal and Adoption Process

    a. The Administrative Procedures Act is too structured, and the lack of flexibility in the APA prevents the formulation of the best rules.

b. The rule-making process is not direct and lacks accountability.

c. There is insufficient opportunity for regulated interests to point-out to the regulators the weak points or problems with rules prior to their adoption, particularly those rules that are adopted following a public hearing.

3. Codification of Rules

   a. There is no Code of Regulations to which regulators, regulated interests and other interested persons may refer. As a result, regulated interests may be unaware of all agency rules that pertain to them. Newly adopted rules may conflict with previously adopted rules. Rules of one state agency may conflict with rules of another state agency with respect to similar or the same issues.

4. Monitoring rule-Making Process

   a. There is no single person or organization responsible for monitoring the rule-making process to ensure that state agencies fulfill the requirements of the Administrative Procedures Act and that the comments and statements of interest groups affected by proposed rules are adequately addressed by the agencies proposing the rules.

Recommedations:

1. Formulation of Rules

   a. Legislative responsibilities

      i) Require by Joint Rule that laws be more carefully drafted with respect to the authorization of rule-making authority to include criteria upon which the rules are to be based.

      ii) Require by Joint Rule that goals and purposes be included in laws establishing programs or services which require rule-making authority.

      iii) Provide for more direct legislative input in the formulation of rules to more clearly define legislative intent with respect to the administration and implementation of rules.

      - State agencies should meet at least twice annually with legislative committees to review the agencies' regulatory agenda. These sessions would include exchanges of ideas and concerns between the executive agency and the substantive Legislative Committee.

- The Select Committee on Economic Development supports the proposal of the Joint Standing Committee on State Government in its study of the Legislative Veto which proposes a law that incorporates the provisions of the Executive Order relating to regulatory agenda.

iv) Require by Joint Rule that every bill or resolve which authorizes an agency to adopt rules should include a notice that rule-making authority is being authorized.

v) Require by Joint Rule that every bill or resolve which authorizes rulemaking may not appear on the consent calender.

b. Executive Agencies' Reponsibilities

i) Wherever possible, rules relating to natural resources and other regulated areas should establish performance standards by which affected groups can more easily define their projects for license application purposes. New criteria or changes in standards should not be applied to any pending application until the new criteria or standards have been incorporated into the appropriate rules in accordance with the provisions of the Administrative Procedure Act.

- This task requires amendments to state laws regulating private activities. The performance standards would be the products of public hearings.

ii) Require agencies to demonstrate how proposed and adopted rules meet the goals and intent of the Legislature.

iii) Require that prior to adoption of a proposed rule, the estimated fiscal and economic impact of the proposed rule be described along with the estimated degree of impact upon affected groups.

- In developing proposed rules, state agencies should try to estimate or describe the fiscal and economic impacts of the proposed rules and develop accurate impact data to the most feasible extent through the APA process.

iv) Agency statements addressing public comments should be more detailed. Agency statements should explain why proposals made to the agency are accepted or rejected. These statements should be available to the Legislature and through the Secretary of State's office prior to adoption of a rule.. The statements should be published (i.e., EPA Preamble Style).

2. Rules Proposal and Adoption Process

a. Evaluate the current Administrative Procedure Act to determine how effective the APA is and how the process can be made less complicated and less time-consuming.

i) The study would be conducted by the Joint Standing Committee on State Government.

b. Improve communication between the regulators and the regulated in order to facilitate the rule-making process and to establish high quality information and evidence to be used in the adoption of rules.

3. Codification of Rules

a. The Secretary of State's office should codify and index all rules. Consideration should be given to contracting with private sources for the codification. The Secretlary of State should:

i) periodically review rules for inconsistencies, duplication, and obsolescence,

ii) evaluate agency compliance with statutory requirements relating to rulemaking, and

iii) report findings to the Governor and Legislature.

B. Implementation and enforcement of rules

Findings:

1. Regulators

a. Some regulators often lack sensitivy to needs and problems of regulated interests.

b. There is a historical adversarial role between regulators and the regulated interests which is created by the statutes that define the regulatory process..

c. Regulators often lack an understanding of business.

d. There is an inadequate number of "quality" regulators with the expertise needed to implement the regulatory process.

e. There is a retention problem with respect to good "quality" regulators.

2. License/Permit Application Process

a. The license/permit application process in some cases is too cumbersome, too costly, too lengthy and lacks accountability.

b. The license/permit application process guidelines are too amorphous. Applicants and intervenors do not understand what they need to do.

c. The response time is too long. The time frame for denying licenses/permits should be considerably shortened.

d. There is no legislative oversight of the regulatory process following legislative approval of a law/program.

e. The license/permit application/process is an adversarial process that leads to misunderstandings and lengthy delays.

3. Regulated Interests

a. Regulated interests fear law suits as a result of decisions made under vague regulatory guidelines.

b. Regulated interests do not understand the needs and problems of regulators.

c. Regulated interests fail, in many respects, to provide sufficient information on their applications which lengthens the process and leads to misunderstandings and lack of cooperation.

4. Monitoring the Implementation and Enforcement of Rules

a. There is no single person or organization vested with the responsibility to oversee the regulatory process to ensure fairness to both the regulated interests and the regulators.

Recommendations:

1. Regulators

a. Improve the quality of the regulators and the retention of "high quality" regulators in order to insure that effective, fair, and just rules are adopted and implemented. To accomplish this objective the Civil Service Policy Review Board should examine the issues listed below and any other issues that relate to this objective and report its findings with necessary implementing legislation to the Second Regular Session of the 113th Legislature no later than February 3, 1988.

i) Provide the salaries necessary to attract highly qualified persons to regulatory posts who are knowledgeable and experienced in the field in which they are a regulator.

ii) Provide career paths to retain "high quality" regulators.

iii) Authorize Commissioners to provide merit increases to persons who have performed in an outstanding manner. This will encourage other agency personnel to work in a conscientious manner.

iv) Require that project managers and other types of persons assisting regulators have the necessary qualifications to carry out their duties in a highly professional and conscientious manner.

v) Require that regulators and persons assisting regulators keep abreast of current theories, practices, and knowledge in the areas of regulation in which they are involved.

vi) The Commissioners and directors of state agencies should be required to formulate administrative and management policies with respect to the agency for which they are responsible. The commissioners and directors shall require, at least annually, that the performance of all personnel in their agencies be evaluated as required by civil service law. This evaluation shall include employee conformance to administrative policies. Any person whose performance or whose conformance to department policies is not satisfactory shall be disciplined as the commissioner or director deems necessary and in conformancy with any applicable collective bargaining which apply to the errant employee.

b. Provide regulatory agencies with sufficient resources to expeditiously and efficiently respond to persons and organizations with proposals requiring agency approval.

2. License/Permit Application Process

a. Evaluate annually the current license/permit application and rules enforcement processes to determine how effective they are, their strengths, their weaknesses, and the necessary steps to improve the processes.

i. The substantive committees of the Legislature, would conduct the evaluations and propose any needed changes in the current processes.

b. A public information/education program with respect to the regulatory process should be funded. This program should serve as a forum by which Regulators are made aware of the needs, problems and operation of business and the regulated are made aware of the needs, and responsibilities of the regulators.

3. Legislative Review of Agency Programs and Rules

a. Evaluate the current legislative review of programs and rules of state agencies to determine how effective the review is, its strengths, its weaknesses, and the necessary steps to improve the review.

i) The Legislative Council would provide for this review.

V. Issues Requiring Further Consideration

A. Workers Compensation

Findings:

- Portions of the business community continue to view Workers Compensation costs as being very high and a barrier to economic growth in Maine despite the reforms passed by the 112th Legislature. This issue was much important and too large to be covered effectively by this committee.

Recommendations:

- A process similar to the Speaker's select committee should be continued. This process would involve all interested parties, business, labor, and the Legislature.

B. Liability Insurance

Findings:

- The significant increases in liability insurance premiums or the inability to obtain insurance at any cost have impacted municipalities, small businesses and other sectors of the economy. This "insurance crisis" has an impact throughout the economic because of these costs. This increases the demands on municipal finances and the costs of doing business in the private sector.

Recommendations:

- The Commission to Examine the Problems of Tort Litigation and Liability Insurance in Maine is in the process of studying this issue.

C. Agriculture

Findings:

At the Committee's public hearing in Presque Isle, three priorities emerged. There is a specific need for:

1) Imporved transportation facilities in rural areas;

2) A greater commitment to education; amd

3) Greater support for Agricultural research and development programs.

Recommendations:

The Committee has already addressed the first to priorities mentioned above. However, addtional State resources should be applied to research and development capability in the agriculutural industry, largely through the University of Maine. The Committee was informed that specific legislation was being introduced toward this end. The Committee will review that legislation when available.