STATE OF MAINE
123rd LEGISLATURE
FIRST REGULAR SESSION

TIME FOR CHANGE

Final Report
of the
Committee on
Future Maine Prosperity

January 2008

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PREAMBLE

This report is all about change. The Committee's findings suggest the clear need for Maine to embrace an ambitious, consistent, long-term plan to lower our tax burden, streamline our government, innovate our economy, invest in our future, enhance our Quality of Place and much more. The report also embraces several changes in the legislative process, designed to move existing joint standing committees away from the "silos" that often hinder comprehensive solutions.

This report contains numerous recommendations for specific action to be taken by the 123rd Legislature. The primary vehicle for this action is an omnibus "joint order" included on Page ii of this report. This multi-component joint order will direct various joint standing committees to report out legislation to advance Maine toward a more prosperous future. In addition, the Committee is also supporting legislation entitled "An Act to Encourage Prosperity by Establishing a Government Efficiency Commission and Tax Relief Fund," which is included on page iv of this report.

The Committee chose to support an omnibus joint order, in addition to specific legislation directed at reducing government spending and taxes, that would recognize the expertise of the joint standing committees to flesh out the details of specific legislation and include Maine's citizens in the development of this legislation through the public hearing process. The Committee's approach is designed to embolden and empower the relevant joint standing committees to do far more.

Drawing on the expertise of the joint standing committees, the contributory public process and the resulting legislative products from the various committees, we further recommend the construction of an omnibus bill designed to address the multiple dimensions through which the Legislature can advance prosperity in Maine. The bill would consolidate together the substantive pieces from each joint standing committee into a unified bill to advance prosperity that parallels the multi-component features of the original joint order.

Committee members plan to stay actively engaged with the issues addressed in this report by working with the joint standing committees to bring about the kind of bold new legislation that is needed. The goal is meaningful change. The Committee is committed to making this happen, while engaging the expertise and historical knowledge and public process of the legislative body as a whole.

STATE OF MAINE

In House_____

Whereas, the Joint Select Committee on Future Maine Prosperity was directed by Joint Order, HP 1018, to develop a comprehensive plan to achieve sustainable prosperity in the State, and

Whereas, the Committee has worked during the interim to explore recent reports regarding Maine's economy, as well as received information from many involved citizens from both the private and public sector with expertise in many key areas of Maine's growing economy; and

Whereas, the Committee was directed to submit its findings and recommendations to the Second Regular Session of the 123rd Legislature, and

Whereas, that report contains recommendations for legislative action; now therefore be it

ORDERED, the Senate concurring, that the Joint Standing Committee on Taxation and the Joint Standing Committee on Appropriations and Financial Affairs shall report out, to the House, legislation that provides comprehensive tax reform focusing on lowering income tax rates and on new spending restraints at state, county and local levels, coupled with measures to ensure that state spending restraints are not avoided by moving any additional spending items out of the spending limitation formula ("off the books"); and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Taxation shall report out, to the House, legislation to encourage more Maine residents to maintain their residence in the State through mechanisms that may include lowering the income tax or estate tax; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Business, Research and Economic Development shall report out, to the House, legislation that addresses the realignment of the assignment of existing business development specialists within existing resources at Department of Economic and Community Development to work with emerging clusters to support their growth and enhance collaboration and sharing of resources while ensuring adequate support for the Small Business Development Center; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Education and Cultural Affairs shall report out, to the House, legislation that provides mechanisms to increase access for Maine people to all levels of post-secondary education with the goal of increasing capacity and lowering tuition costs; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Insurance and Financial Services shall report out, to the House, legislation that addresses the following: a) insurance market reform that may include the following: restructuring guaranteed issues and community rating; reinsurance; a high risk pool; and any other approaches that may reduce premiums while protecting consumers and stimulating competition in the insurance market; and b) how "health excellence rewards" (as premium credits or cash-back for health promotion participation) may be used to improve health care in Maine.; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Health and Human Services shall report out, to the House, legislation to find efficiencies within MaineCare while maintaining this valuable safety net system; and to address the impact of income "cliffs" which work as a disincentive to people improving their work situation; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on Appropriations and Financial Affairs shall report out, to the House, legislation that implements a Maine Reinvestment Program Fund, where the returns on funds invested in economic development are later held within the fund for continued investments in Maine's economy; and be it further

ORDERED, the Senate concurring, that the Joint Standing Committee on State and Local Government shall report out, to the House, legislation to revamp efforts to undertake comprehensive planning, by refocusing on planning that links tribal, municipal, regional and State goals and creating more efficient transportation infrastructure, supporting economic development and enhancing quality of place. Emphasis should be placed on encouraging municipal planning to take into account regional issues and opportunities and encouraging statewide planning, including planning undertaken through the Land Use Regulation Commission, to better reflect regional issues and opportunities.

An Act To Encourage Prosperity by Establishing a Government Efficiency Commission and Tax Relief Fund

PART A

Sec. A-1. Commission created. The Maine Government Efficiency Commission, referred to in this Part as "the commission," is created to identify government expenditures that can be eliminated or reduced by consolidating governmental entities, increasing efficiency in the provision of services and eliminating duplication.

Sec. A-2. Membership: chair. The commission consists of 9 members, appointed as follows:

1. Two members of the general public, appointed by the President of the Senate;

2. Two members of the general public appointed by the Speaker of the House of Representatives;

3. Two members of the general public appointed by the minority leader of the Senate;

4. Two members of the general public appointed by the minority leader of the House of Representatives; and

5. One member appointed jointly by the other 8 members who shall serve as chair and who may vote only in the event of a tie.

The appointing authorities shall make all reasonable efforts to select members who are generally considered experts in the fields of business, finance or government operations and who are supported by the other appointing authorities, the general public and other interested parties who are not appointing authorities. Members may not have any vested interest in state government such as representation of labor unions, recipients of state funds or beneficiaries of state programs.

Sec. A-3. Appointments; convening of commission. All appointments must be made no later than 30 days following the effective date of this Part. The chair shall call the first meeting of the commission within 20 days of the completion of appointments.

Sec. A-4. Duties. The commission shall:

1. Analyze state and national reports, including background papers prepared for the Brookings Institution, that identify areas of state and local spending in which Maine costs are high relative to other comparable states; and

2. Identify areas of spending in state and local government, especially spending on administration, that could be reduced by consolidation, elimination of duplication, increases in efficiency or by other means, excluding reduction in services or programs, with the goal of identifying at least $75 million in spending reductions that are projected to be continuing annual savings.

3. Develop a plan for restructuring government at all levels so that Maine's overall tax burden will within 10 years fall into the middle of the range of other rural states with similar geographic and demographic characteristics.

Sec. A-5. Staffing. The commission may enter into a contract with a private organization or consultant to provide administrative and research assistance in carrying out the duties of the commission if outside funds to support such staff are received pursuant to section 8. The Office of Program Evaluation and Government Accountability, the Department of Administrative and Financial Services, the Department of Education and the policy institutes of the University of Maine System shall provide such assistance as is requested by the commission, to the extent possible within available resources.

Sec. A-6. Compensation. The members of the commission are entitled to receive reimbursement of necessary expenses for their attendance at authorized meetings of the commission.

Sec. A-7. Report; implementing legislation. No later than January 2, 2009, the commission shall submit a final report that includes its findings and recommendations, including suggested legislation and an estimate of the reduction in spending that would result from adoption of each recommendation, for presentation to the First Regular Session of the 124th Legislature. The commission shall introduce legislation related to its report to the First Regular Session of the 124th Legislature at the time of submission of its report. Legislation submitted to the Legislature by the commission must be subject to a straight yes or no vote, except that only revenue-neutral amendments may be considered.

Sec. A-8. Funding sources. The commission shall seek outside funds to fully fund all costs of the commission. Contributions to support the work of the commission may not be accepted from any party having pecuniary or other vested interest in the outcome of the matters being studied. Any person, other than a state agency, desiring to make a financial or in-kind contribution must certify to the commission that it has no pecuniary or other vested interest in the outcome of the study. Such a certification must be made in the manner prescribed by the commission. All contributions are subject to approval by the commission. All funds accepted must be forwarded to the commission along with an accounting record that includes the amount of funds, the date the funds were received, from whom the funds were received and the purpose of and any limitation on the use of those funds.

PART B

Sec. B-1. 5 MRSA §1518-A is amended to read:

5 § 1518-A. Tax Relief Fund for Maine Residents

1. Tax Relief Fund for Maine Residents. There is created the Tax Relief Fund for Maine Residents referred to in this section as "the fund, which must be used to provide tax relief to residents of the State. The fund consists of all resources transferred to the fund under this section, section 1536, all savings identified by the State Controller from legislation enacted based

on recommendations of a government efficiency commission established during the Second Regular Session of the 123rd Legislature and other resources made available to the fund.

2. Nonlapsing fund. Any unexpended balance in the ~~Tax Relief Fund for Maine Residents may~~ fund does not lapse but ~~must be~~ is carried forward to be used pursuant to subsection 1.

3. Transfer from revenue growth. Beginning with fiscal year 2009-10, at the close of each fiscal year, the State Controller shall transfer to the fund any revenue received by the State for the fiscal year being closed that exceeds the amount of revenue received for the previous fiscal year, adjusted by the growth limitation factor calculated under Title 5, section 1534, subsection 2.

4. Income tax reduction. Amounts contained in the fund must be used to reduce individual income taxes. The State Tax Assessor shall present legislation annually to reduce income tax burden pursuant to this section. This legislation must use any amounts contained in the fund to reduce income taxes until a top rate of 4.5% is reached.

SUMMARY

Part A of this bill establishes the Maine Government Efficiency Commission recommended in the report of the Brookings Institution entitled "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places" and directs the commission to identify as a goal at least $75,000,000 in government expenditures that can be eliminated or reduced annually by consolidating governmental entities, increasing efficiency in the provision of services and eliminating duplication. The commission is also directed to develop a long term plan for restructuring government at all levels in order to reduce the State's overall tax burden within 10 years, so that Maine will fall into the middle of the range of other rural states with similar geographic and demographic characteristics. The commission must submit its report to the 124th Legislature by January 2, 2009. Legislation to implement the commission's recommendations must be subject to a straight yes or no vote, except that only amendments to the legislation that are revenue neutral will be allowed.

Part B requires the transfer to the Tax Relief Fund for Maine Residents, beginning in fiscal year 2009-10, of any growth in revenues over the previous year adjusted by the growth limitation factor and all funds attributable to savings from the enactment of recommendations of the Government Efficiency Commission. The State Tax Assessor is required to present legislation annually to use amounts in the Tax Relief Fund for Maine Residents to reduce the individual income tax burden until a top rate of 4.5% is reached.

Executive Summary

The 123rd Legislature established the Joint Select Committee on Future Maine Prosperity. Joint Study Order H.P. 1018 charged the **Committee to develop a comprehensive plan to achieve sustainable prosperity in the State, to develop recommendations for future legislative action to expand the State's economy over the long term and to identify and address threats to the State's quality of life.** (See Appendix A for Joint Study Order H.P. 1018; Committee Membership list is attached as Appendix B.)

The Committee was formed at the conclusion of the first session of the 123rd Legislature with the appointment of 16 members and was authorized to hold 5 public meetings in Augusta. The Committee held its meetings on September 25, October 10, October 23, November 13, and December 11, 2007, and also held 2 subcommittee meetings on November 6 and November 28, 2007. (See Appendix C for Meeting Agendas and Summaries.)

The following general themes emerged from the Committee's work and they serve to guide its recommendations:

- *Maine must demand an unwavering commitment to prosperity from its leaders in government and the private sector. That leadership must advance the vision of providing the opportunity for all Maine citizens to achieve a better quality of life. That vision and commitment must guide the State in its future policy decisions as it continues into the globally competitive economy.*
- *Maine must emerge as a center for innovation. Though the focus may be placed on Maine's most promising industry sectors and clusters, we must be innovative in all that we do, within all business sectors and also within government and the nonprofit sector. This is essential to stimulate job creation and economic growth.*
- *Maine must strategically improve its business climate in order to move its economy forward and should embrace policies that focus on maintaining and growing Maine businesses, as well as attracting new businesses to the State.*
- *Maine must capitalize on global trade opportunities that are available because of the State's proximity to Canada, Europe, Asia and other global markets. Maine's geographic location is an extremely valuable asset and strategic investments in our transportation infrastructure will allow Maine to fully benefit from expanded national and global trade opportunities.*
- *Maine must do more to reach out to Maine's federally recognized tribes in all areas addressed by the Committee. Opportunities should be explored in the areas of encouraging innovative development in the creative economy, the environment and tourism. Action must be taken to include the tribes in legislation for future creative economy projects as well as inclusion in future tourism legislation. Tribes need to be considered and consulted in the same way as municipalities to provide maximum benefits to both the tribes and the State as a whole.*

Accordingly, the Committee makes the following recommendations:

RECOMMENDATIONS ON BUSINESS CLIMATE:

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

1. **The Committee recommends that the Governor issue a directive to all state agencies that states the importance of the following:**
   - **In order for Maine to move forward on the road to prosperity, Maine's regulatory agencies must reinvent themselves and how they interact with Maine businesses. Regulatory agencies and their employees must strive to provide a consistent, efficient and effective regulatory environment for businesses. It is critical that all agencies work to improve relationships with the business community. It is not a matter of choosing between regulation and promotion. Regulations should be enacted, written, and enforced in a manner that achieves their intended goals while minimizing unnecessary and unproductive conflicts and redundancies for those impacted. We need an effective partnership between State agencies and the business community. Regulatory agencies should work diligently to promote a new attitude that replaces sometimes adversarial relationships.** ***(See Appendix E for the draft letter to the Governor.)***

     The Committee further recommends that the Joint Standing Committee on Business, Research and Economic Development share with the Governor any recommendations it develops from its review of the annual report of the Maine Regulatory Fairness Board, to ensure that both branches of government are reaching for the same goal. This outreach to Executive and Legislative stakeholders can be achieved in a manner the Committee deems most effective. ***(See Appendix F for the draft letter to the Joint Standing Committee on Business, Research and Economic Development.)***

RECOMMENDATIONS ON EDUCATION AND WORKFORCE DEVELOPMENT:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that the Legislature continue to support the Opportunity Maine income tax credit program for students pursuing higher education and are committed to staying in Maine once graduated.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. **The Committee recommends that the Joint Standing Committee on Education & Cultural Affairs convene an informal group of legislators with members of the Joint Standing Committees on Business, Research and Economic Development and Labor to meet with the leaders of the State's post-secondary educational institutions to discuss the following: (1) how the State's institutions of higher education are working to help meet the needs of Maine's growing industries and the State's growing need for a skilled workforce; and (2) ways in which the State could foster collaborative efforts between the business sector and Maine's post-secondary education community to develop workforce training and development programs that will meet the current and future needs of Maine's citizens and industries. (*See Appendix G for the draft letter to the Joint Standing Committees on Education and Cultural Affairs, Business, Research and Economic Development and Labor.*)**

3. **The Committee recommends that the Joint Standing Committee on Education and Cultural Affairs consider mechanisms to increase access for Maine people to all levels of post-secondary education with the goal of increasing capacity and lowering tuition costs. *(See Page ii for the draft Joint Order to implement this recommendation.)***

RECOMMENDATIONS ON TRANSPORTATION:

- General Recommendations

1. **The Committee recommends that the State support and invest in multi-modal transportation that includes rail, marine, air, roadways, multi-use trails and other modes of transportation for commercial, personal and vacation travel.**
2. **The Committee recommends that Maine capture the benefits of Maine's advantageous geographic location in the global economy.**
3. **The Committee support investments in transportation infrastructure improvements and increased trade relationships that capitalize on Maine's unique and valuable geographic location in relation to global trade markets with Canada, Europe and Asia.**
4. **The Committee supports transportation and land use policies that encourage compact, clustered development, discourage sprawl, enhance access management and the increase of pedestrian use and promote coordination between transportation and land use planning.**
5. **The Committee supports policies that increase the State's transportation capacity in areas such as the East-West highway**

system, as well as the North-South highway completion, as critical to encouraging prosperity in the northern regions of the State.

6. The Committee supports the efforts of the ConnectME authority and recognizes the importance of information technology to Maine's future prosperity and, in the context of transportation, the importance of transporting data at globally competitive speeds to and from our locations here in Maine to the rest of the world. As I-95 led to economic development along the Interstate Highway corridor route, the new-age "IT-95" will provide even greater economic development possibilities as it becomes another of our roads to the world.

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

7. The Committee recommends that the Maine Department of Transportation (MDOT) work with Maine's four federally recognized tribes when obtaining pertinent federal transportation funds. MDOT should strive for greater collaboration with the tribes. It is essential that the partnership between Tribal Government, State Government and Federal Government be fully, faithfully and honestly utilized. The relationship that exists between the tribes, the Bureau of Land Management and the Bureau of Indian Affairs should be regarded as an important asset particularly when considering transportation infrastructure improvements for Maine's tribes. The MDOT can play a significant role as Maine's tribes work to improve their economies. *(See Appendix H for draft letter to the MDOT.)*

RECOMMENDATIONS ON ENERGY POLICY:

- *GENERAL RECOMMENDATIONS*

1. The Committee recommends that Maine policy makers recognize energy production as an economic development opportunity and provide leadership in energy production and innovation.
2. The Committee recommends that Maine focus its energy policies on the following: energy conservation; renewable resources, including streamlining permitting processes to facilitate use of renewable resources; and measures to encourage the development and use of low-carbon and carbon-neutral energy sources, including cap and trade policies to reduce emissions.

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

3. The Committee recommends that the Governor submit legislation to the 123rd Legislature during the Second Regular Session detailing the elements of a comprehensive energy policy for the State of Maine for consideration by the Joint Standing Committee on Utilities and Energy and adoption into law by the Legislature. *(See Appendix E for draft letter to the Governor.)*

RECOMMENDATIONS ON INNOVATION:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends continued, sustained investment in innovation through a competitive, collaborative process;**
2. **The Committee recommends that all joint standing committees of the Legislature refer to the Comprehensive R&D Evaluation report when considering innovation investments and state R&D programs;**
3. **The Committee recommends that Maine increase the overall investment in the State's R&D (including both public and private investments) to reach the benchmark of 3% of Maine's Gross Domestic Product by 2010;**
4. **The Committee recommends that the Legislature continue to support the Maine Technology Innovation Cluster program and assess the results.**
5. **The Committee supports the work of the Maine Innovation Economy Advisory Board;**
6. **The Committee recommends that the Legislature support the Maine Economic Growth Council's role in developing a strategic plan and budgetary recommendations to the Governor that support the goals of the Innovation Economy Action Plan;**
7. **The Committee recommends that state government work with higher education, private research facilities, medical institutions and other pertinent groups to build the communications infrastructure necessary for internet and information technology capacity that is second to none.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

8. **The Committee recommends support for a "Fund of Funds" for investment in activities that bring a return to the State and can be reinvested; (*See Appendix F for the draft letter to the Joint Standing Committee on Business, Research and Economic Development supporting LD 1215, An Act to Attract New Capital for Innovative Businesses through Equity Investment in Maine)*;**
9. **The Committee recommends the assignment of existing business development specialists at Department of Economic and Community Development (DECD) to work with emerging clusters to support their growth and enhance collaboration and sharing of resources. The Committee encourages this realignment; within existing resources and with the understanding that DECD ensures adequate state resources to match federal and other resources, as required by the SBA, in continued support the Small Business Development Centers. *(See Page ii for the draft Joint Order to implement this recommendation.)***

RECOMMENDATIONS ON QUALITY OF PLACE:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that policy makers build upon Maine's special character to create economic advantage by preserving open space, protecting traditional downtowns as well as working landscapes and waterfront, and enhancing business and residential land use policies.**
2. **Because no person can feel prosperous in any place—regardless of its quality they are not safe in their own home, the Committee requests that the Maine Economic Growth Council consider adding a new measure to the annual Measures of Growth Report that is related to domestic abuse incidents in Maine. (*See Appendix I for the draft letter to the Maine Economic Growth Council.*)**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

3. **The Committee recommends that the Governor submit to the 123rd Legislature during the Second Regular Session legislation to implement the recommendations of the Governor's Council on Maine's Quality of Place for consideration by the appropriate joint standing committees. *(Please see Appendix E for the Letter to Governor.)***
4. **The Committee recommends that the Legislature revamp efforts to undertake comprehensive planning, by refocusing on planning that links tribal, municipal, regional and State goals, creating more efficient transportation infrastructure, supporting economic development and enhancing Quality of Place. Emphasis should be placed on encouraging municipal planning to take into account regional issues and opportunities and encouraging statewide planning (including planning undertaken through the Land Use Regulation Commission) to better reflect regional issues and opportunities. *(See Page ii for the draft Joint Order to implement this recommendation.*)**
5. **The Committee recommends that the Joint Standing Committees on Agriculture, Conservation and Forestry, Business, Research and Economic Development, Natural Resources, Marine Resources, Taxation and other relevant committees consider policy changes within their jurisdiction that will enhance economic opportunity through Quality of Place, including but not limited to: (1) creating an economic development strategy that builds on the special assets of Maine Tribes in close cooperation with the Tribes; (2) vigorously expanding capacity for statewide, regional and local comprehensive planning; (3) developing a statewide building code; (4) ensuring permitting processes that incorporate regional and**

statewide land use priorities while minimizing regulatory time and costs; (5) providing tax credits for historic rehabilitation; and (6) funding the acquisition of land or rights to land to protect vulnerable resources and to enhance public access and public support for private business activity that seeks to enhance economic development based on Quality of Place. The Committees should seek legislation to implement their recommendations, as appropriate. The Committee also encourages these committees to combine their expertise and resources and address these issues together, where appropriate. ***(Please see Appendix J for the Letters to Joint Standing Committees.)***

RECOMMENDATIONS ON HEALTH CARE:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends embracing the goal of becoming the healthiest state in the nation, and that Maine's research and medical facilities be encouraged to seek federal grants to make the State a "laboratory" and center for excellence in health care.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. **The Committee recommends that the Legislature explore insurance market reform that may include the following: restructuring guaranteed issues and community rating; reinsurance; a high risk pool; and any other approaches that may reduce premiums while protecting consumers and stimulating competition in the insurance market.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***
3. **The Committee recommends that the Legislature explore how "health excellence rewards" (as premium credits or cash-back for health promotion participation) may be used to improve health care in Maine.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***
4. **The Committee recommends that the Joint Standing Committee on Health and Human Services report out legislation to find efficiencies within MaineCare while maintaining this valuable safety net system; and further recommend that the HHS Committee address the impact of income "cliffs" which work as a disincentive to people improving their work situation.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***

RECOMMENDATIONS ON GOVERNMENT SPENDING AND TAXATION:

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

1. **The Committee recommends that the Joint Standing Committees on Taxation and Appropriations and Financial Affairs work together to report out legislation that addresses comprehensive tax reform focusing on lowering income tax rates and on new spending restraints at state, county, and local levels, coupled with**

measures to ensure that state spending restraints are not avoided by moving any additional spending items out of the spending limitation formula ("off the books"). *(See Page ii for the draft Joint Order to implement this recommendation.)*

2. The Committee recommends the creation of an independent Blue-Ribbon Commission to identify ways to streamline and restructure government for greater long-term efficiency with the goal of identifying by January 2, 2009 for the consideration of 124th Legislature, at least $75 million in budget spending reductions to apply to tax relief, as well as providing a plan for restructuring government at all levels so that Maine's tax burden will within 10 years fall into the middle of the range of other rural states with similar geographic and demographic characteristics. *(See Page iii for the draft Legislation to implement this recommendation.)*
3. The Committee recommends that the Joint Standing Committee on Taxation report out legislation to encourage more Maine residents to maintain their residence in the State through mechanisms that may include lowering the income tax and/or estate tax. (NOTE: This effort could be part of a comprehensive tax reform plan, as described in Recommendation #1.) *(Draft Joint Order to implement this recommendation is included at the beginning of this report.)*
4. The Committee recommends that the Joint Standing Committee on Appropriations and Financial Affairs should ensure that the $500,000 in annual state-municipal revenue sharing funds provided in current law for the Fund for the Efficient Delivery of Local and Regional Services be maintained and results of this program be monitored and reported back to them. *(See Appendix K for the draft letter to the Joint Standing Committee on Appropriations and Financial Affairs.)*
5. The Committee recommends that the Joint Standing Committee on Appropriations and Financial Affairs should consider and report out legislation that will require the Governor to include in the biennial budget document a long-range plan for state government expenditures and revenues. *(See Appendix K for the draft letter to the Joint Standing Committee on Appropriations and Financial Affairs.)*

RECOMMENDATIONS ON LEGISLATIVE PROCESS:

- *GENERAL RECOMMENDATIONS*

1. The Committee recommends that Maine's legislature think and act beyond traditional committee jurisdictions and become more proactive, so that public policy will truly serve the State's long-term needs.

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. The Committee recommends that Appropriations and Financial Affairs (AFA) consider comprehensive or dynamic fiscal notes that

evaluate economic impact of legislative proposals beyond the direct revenue impact. (*See Appendix K for the draft letter to Appropriations and Financial Affairs.)*

3. **The Committee recommends that the Legislature adopt the Maine Reinvestment Program Fund, where the returns on funds invested in economic development are held within the fund for continued investments in Maine's economy. *(Draft Joint Order to implement this recommendation is included at the beginning of this report.)***
4. **The Committee recommends that the Legislative Council, working with committee leadership, identify measures joint standing committees can take to work collaboratively in creating policy that supports the vision for prosperity. In addition, the Committee recommends that Legislative Council develop a process for using the Measures of Growth for consideration of legislation. *(See Appendix L for the draft letter to Legislative Council.)***

I. INTRODUCTION

A. Charge & Challenge

The 123rd Legislature established the Joint Select Committee on Future Maine Prosperity. Joint Study Order H.P. 1018 charged the Committee to develop a comprehensive plan to achieve sustainable prosperity in the State, to develop recommendations for future legislative action to expand the State's economy over the long term and to identify and address threats to the State's quality of life. (See Appendix A for Joint Study Order H.P. 1018 and Appendix B for the Membership list.)

The Committee was formed at the conclusion of the first session of the 123rd Legislature with the appointment of 16 members and was authorized to hold 5 public meetings in Augusta. The Committee held its meetings on September 25, October 10, October 23, November 13, and December 11, 2007, and also held 2 subcommittee meetings on November 6 and November 28, 2007. (See Appendix C for Meeting Agendas and Summaries.)

The Committee faced a daunting challenge. How could any group, over such a short period of time, ever hope to develop a comprehensive plan to achieve sustainable prosperity in the State, as well as specific recommendations for legislative action?

Early on, the Committee realized that it would have to operate deliberatively and somewhat differently if it was to fulfill its charge. It decided to pursue the following approach:

1. Draw upon the valuable work and recommendations of several recent reports. The Committee's work was informed by the reports of several groups including: the Brookings Institution's report entitled Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places ("Brookings report"); the report of the Governor's Council on Jobs, Innovation and the Economy; the final report of the 122nd Legislature's Joint Select Committee on Research and Economic Development and the Innovation Economy (REDIE); the 2006 Comprehensive Research and Development Evaluation performed by the University of North Carolina at Chapel Hill; and the Office of Program Evaluation and Government Accountability's Report on Maine's Economic Development Programs. (See Appendix D.)

2. Hear presentations on key topics by people who have been thinking about these issues for years. Over the course of the Committee's meetings, the Committee benefited from the knowledge and expertise of many involved citizens from the private sector and from State Government with expertise in many key areas of Maine's growing economy. The Committee received presentations from over 20 presenters on a range of subjects.

3. Focus on holistic strategies and approaches that go beyond what the standing legislative committees generally do. The Committee chose to concentrate on "big picture" and interdisciplinary issues that are often too broad for the standing legislative committees to address. For instance, the Committee organized a panel of presenters on "Transportation, Economic Development, and Land Use Planning." These three topics are intrinsically linked, yet are

seldom addressed in that way within the Legislature. The Committee did the same when it looked at how education, various work force issues, and the "innovative economy" interrelate. From the beginning, the Committee's goal was to reach beyond the limits of traditional committee jurisdictions.

B. Poised for Action

Throughout the course of the Committee's work, the following question was frequently posed: Other states in the nation are economic leaders - Why not Maine? Despite its many challenges, Maine has the potential to become an economic leader in the Northeast region and nationally. It is a state with vast natural resources and world-renowned Maine products, with a people well known for their creative "Yankee ingenuity." Maine has a quality workforce with a strong work ethic; a great advantage to businesses nationwide. We must capture the benefits of our location in the region, as well as nationally and move beyond parochial interests. Strategies to achieve long term prosperity for the State must incorporate and foster an energetic and positive attitude throughout the State about its potential for growth in traditional and emerging sectors of the economy. We must recognize our valuable regional differences, working in a collaborative effort in all regions of the State along with the federally recognized tribes, to bring prosperity to all of Maine.

The Committee appreciates the fact that Maine has had many visionary leaders with bold ideas for advancing Maine, but regrettably the State has been unable to sustain a long-term vision for prosperity. Consequently, too many of Maine's past economic development initiatives have been funded "a mile wide and an inch deep" resulting in diluted, rather than targeted and strategic, investment benefits. Likewise, efforts to enhance our unique environment and Quality of Place have often been implemented in piecemeal fashion, and have seldom been linked directly to economic development initiatives.

To put it another way, Maine has done some good work, but that work has often been fragmented and short lived, without the necessary focus and sustained support for investments critical to the long-term success of our economy. At the same time, the State has not had any shortage of studies on the issue – leading to what the Maine Development Foundation has coined as the State's "analysis paralysis."

The Committee believes that the time is now to engage the Legislature and the people of Maine in a non-partisan plan of action that will move Maine forward. It is essential that government and the private sector work together to achieve the goal of maximizing economic prosperity while securing the best quality of life for all Mainers.

As the Brooking Institution has stated, Maine is poised for an era of prosperity if it takes "bold action" to maximize the use of its limited resources with investments in Maine's growing innovation economy and achieves government reform with strategic streamlining initiatives. The Committee has worked diligently to identify a plan of action that will help bring Maine closer to achieving these ambitious goals.

But in other ways, the Committee's work has gone well beyond the Brookings report. First, the Committee has confronted the issue of prosperity directly, specifying what it means for Maine, which is broader than just economic vitality. Second, the Committee has outlined some "big-picture" recommendations that serve two critical purposes: a) informing near-term policy solutions; and b) guiding ongoing policy work. Third, the Committee has outlined specific recommendations for enactment in the remaining months of the 123rd Legislature, as well as changes in how the Legislature does its business.

With this work as a foundation, the Committee strongly believes that Maine has never before been in such a strong position to move forward with an innovative, creative, and comprehensive plan for making Maine more prosperous.

C. Prosperity, Innovation, and the Need for Change

The Committee defined prosperity as achieving for Maine people a better quality of life including financial, professional, and personal comfort and security, which is coupled with optimism for the future.

In the Committee's view, prosperity hinges on the positive interplay of three related elements:

- People and Community
- Quality of Place
- Economic Vitality

Any realistic plan to make Maine more prosperous must address all three elements, because the three are interconnected and interdependent. For instance, any effort to boost economic development would likely prove misguided if it does not directly serve Maine people, or could ultimately prove shortsighted if it denigrates our "Quality of Place" on which so much other economic activity and personal satisfaction depends. Likewise, any effort to preserve our natural landscape or traditional downtowns will have limited value if it does not also create new economic opportunities that enhance people's lives.

One lesson from all of this is cautionary: we need to be careful and strategic in what actions we take, because even the best-intentioned work in one area (economic development activity) can have negative impacts in another (denigrating the local environment in a way that hurts some other economic activity). But another important lesson is that these kinds of interconnections can create powerful opportunities: we may be able to improve one element by enhancing another. In fact, some of the most cost-effective and successful strategies to advance Maine may well be those that help advance more than one element simultaneously.

As one example of this kind of synergy, consider strategies that support farming. Maine agriculture is an important existing industry that is poised for growth and therefore perhaps worthy of state investment purely from an economic development perspective; but any properly crafted effort to boost farming can do so much more. It can help retain the working landscape

that defines the character of much of rural Maine; it can serve as the major local economic engine for many rural towns; it can provide an economic check against wasteful sprawl and it can ensure continued local access for hunting, snowmobiling and other forms of outdoor recreation enjoyed by Mainers and visitors alike. Thus, enhancing the economic activity of farming can also help preserve our landscape, enhance our communities, and provide recreational and tourism opportunities.

Similar arguments can be made about working waterfront and working forests, which also have clear and direct links to both Quality of Place and personal and community well-being. Nor is it difficult to see powerful connections between Maine's special environment and the many industries that rely upon the "Maine brand," including tourism, retail and manufacturing.

The linkages are there, as are the opportunities to advance multiple goals simultaneously. Yet, we have not acted to take advantage of these opportunities in any strategic and systematic way.

Part of the problem is that these kinds of opportunities cannot easily be pursued by business or government acting alone. They are not purely either business or governmental issues. They require a collaborative approach. The Committee believes that long-term prosperity demands the combined action and energy of government, business and the non-profit community.

Another part of the problem is with government itself. Government is not particularly adept at seeing these connections, let alone acting upon them. One reason is that government is organized into "silos." At the state level, this is true in both the structure of state departments and legislative committees.

Moreover, any large bureaucracy, whether in government, education, or business, is vulnerable to working at cross purposes. This is the classic situation where "the right hand doesn't know what the left is doing." Suppose at the same time that one state agency is encouraging business expansion another is promulgating new regulations that make expansion more difficult. For example, the State helps fund the extension of a new line sewer past farm fields, driving up property taxes and increasing development pressures on existing farms; at the same time resources elsewhere in the state budget are being expended to help expand agriculture and preserve farmland from development pressures.

The cry is often sounded that government needs to be more efficient. The Committee believes that streamlining government to increase efficiency and reduce the tax burden is an important part of creating a more prosperous Maine. But that alone is not enough. Maine cannot cut its way to prosperity. Because prosperity hinges on the three elements outlined above, government has a critical role to play. Future prosperity will depend on crucial infrastructure, community well-being, personal security, environmental health, and other factors that are often under the purview of government and that require active government involvement and investment. In order for government to play this role successfully, it must begin to act differently.

The Committee sees "innovation" as a centerpiece of any effort to make Maine more prosperous. Innovation is often viewed far too narrowly, as a goal only for high-tech businesses. But innovation can be applied anywhere, within any business or nonprofit, as well as within all levels of government. Innovation is simply about trying new or creative approaches. That is exactly what is needed if Maine is to realize its full potential.

The Committee strongly believes that Maine must innovate in the following ways:

- **Government** needs to re-think its role in Maine. It needs to run more efficiently, but it also needs to run differently, seeing and acting upon new connections.

- **Businesses** have an important role to play in the success of Maine's economic future and it will be critical for Government to engage the business community in a collaborative and responsive effort that will improve Maine's business climate and grow Maine's economy.

- Like business, **private non-profit organizations** have an important role to play in helping the State move forward. In particular, some non-profit organizations are well-positioned to facilitate creative collaborations with government and the business community and others can serve unique roles not available to businesses and government.

- In addition, all of these sectors need to commit to work with each other, directly and substantively, to further develop and implement the kind of long-term vision that the Committee's work begins.

- Maine must do more to reach out to Maine's federally recognized tribes in all areas addressed by the Committee. Opportunities should be explored in the areas of encouraging innovative development in the creative economy, the environment and tourism. Action must be taken to include the tribes in legislation for future creative economy projects, as well as inclusion in future tourism legislation. Tribes need to be considered and consulted in the same way as municipalities in order to provide maximum benefits to both the tribes and the State as a whole.

The Committee recognizes that success on the road to prosperity can only be achieved if everyone is traveling in the same direction in a collaborative effort. The State must establish and nurture partnerships that overcome local, state and regional barriers and work in a collaborative manner to ensure that we make the most of our future efforts to bring prosperity to the State of Maine.

The following general themes emerged from the Committee's work and they serve to guide its recommendations:

- *Maine must demand an unwavering commitment to prosperity from its leaders in government and the private sector. That leadership must advance the vision of*

providing the opportunity for all Maine citizens to achieve a better quality of life. That vision and commitment must guide the State in its future policy decisions as it continues into the globally competitive economy.

- *Maine must emerge as a center for innovation. Though the focus may be placed on Maine's most promising industry sectors and clusters, we must be innovative in all that we do, within all business sectors and also within government and the nonprofit sector. This is essential to stimulate job creation and economic growth.*
- *Maine must strategically improve its business climate in order to move its economy forward and should embrace policies that focus on maintaining and growing Maine businesses, as well as attracting new businesses to the State.*
- *Maine must capitalize on global trade opportunities that are available because of the State's proximity to Canada, Europe, Asia and other global markets. Maine's geographic location is an extremely valuable asset and strategic investments in our transportation infrastructure will allow Maine to fully benefit from expanded national and global trade opportunities.*
- *Maine must do more to reach out to Maine's federally recognized tribes in all areas addressed by the Committee. Opportunities should be explored in the areas of encouraging innovative development in the creative economy and in environmental and other tourism. Action must be taken to include the tribes in legislation for future creative economy projects as well as inclusion in future tourism legislation. Tribes need to be considered and consulted in the same way as municipalities to provide maximum benefits to both the tribes and the State as a whole.*

The Committee believes that in order for Maine to move forward, we must recognize where we are now, understand how we arrived here, decide where we want to go, develop a plan for getting there and maintain that plan with consistency and determination. The Committee further believes that Maine needs to take deliberate, strategic steps if it is to become more prosperous. Prosperity will not just come to us. Rather, Maine must chart its own course. Doing so requires courage and commitment at all levels.

This report is an important but single step in that direction. Much more is needed.

II. FINDINGS AND RECOMMENDATIONS

A. Business Climate

Many Maine businesses are successful and, in spite of the State's sometimes complex regulatory environment, many businesses stay in Maine due to their strong ties to the area and Maine's quality of life. However, many business owners often voice their concerns over the State's business climate, citing regulations that are overly burdensome for small businesses and pointing to an overly aggressive regulatory enforcement effort that creates an unnecessary and oft times expensive burden on businesses in Maine.

Members from the business community often point to Maine's negative reputation both within the State and nationwide, which is reflected in national reports such as the *Forbes Special Report on the Best States for Business*. The 2007 *Forbes Report* ranks Maine 48th in its review of the best states for business, which bases its rankings on such factors as business costs (index based on cost of labor, energy and taxes), labor (measures educational attainment, net migration and projected population growth), regulatory environment (measures regulatory and tort climate, incentives, transportation and bond ratings), economic climate (reflects job, income and gross state product growth as well as unemployment and presence of big companies), growth prospects (reflects projected job, income and gross state product growth as well as business openings/closings and venture capital investments), and quality of life (index of schools, health, crime, cost of living and poverty rates).[1]

Maine's low ratings in several of the key areas that the business community has identified as important factors in relocation and expansion decisions (e.g. workers compensation, health insurance costs, and complicated and time-consuming environmental and other regulatory requirements) are often cited as reasons why more businesses do not relocate to Maine and why many valuable businesses have left the State. Other factors cited by businesses include the lack of a sufficiently trained workforce, especially in technical fields, as well as the high energy costs and insufficient investment capital in the State. According to the Brookings report, tax rates and burdens may have "... only moderate documented impact on individuals' and businesses' behavior;" however, tax rates and burdens become "important reference points both within and outside the state- reference points that can become key facts in a self-fulfilling narrative about a state's business climate and residential attractiveness."[2] In addition, the Committee heard from several prominent members of the business community who articulated that Maine's business climate does not foster confidence from Maine business owners, and those businesses that do succeed in Maine do so despite the many significant regulatory hurdles they face and the unfavorable tax structure.

According to the 2007 Measures of Growth report, Maine's cost of doing business in 2004 was 8.7 points higher than the national average cost of doing business and Maine ranked in

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[1] Forbes. 2007. "*Forbes Special Report on the Best States for Business.*" Available at: *www.forbes.com/2007/07/10/washington-virginia-utah-biz-cz_kb_0711bizstates.html*

[2] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p.87.

the top ten nationally for costs of doing business from 1995 to 2004.[3] This measure impacts the decisions of businesses that are evaluating the desirability of relocating, expanding or leaving the State of Maine. Improving Maine's business climate and reducing the cost of doing business in this State must be achieved in order to help move Maine's economy forward.

Recognizing Maine's continually low business climate ranking in national reports, the Committee finds that the State must improve its business rating over time. A reasonable and predictable business environment would encourage our valuable Maine companies to stay in Maine, while also attracting new investment into the State. In addition, the State should encourage its agencies and departments to adopt a scale-appropriate regulatory structure that would help ease the regulatory burden on small businesses and tailor regulation to the size and scale of the business. By engaging in strategic efforts to improve Maine's regulatory and business climate, the State can reduce the cost of doing business in Maine and foster economic growth.

RECOMMENDATIONS ON BUSINESS CLIMATE:

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

1. **The Committee recommends that the Governor issue a directive to all state agencies that states the importance of the following:**
    - **In order for Maine to move forward on the road to prosperity, Maine's regulatory agencies must reinvent themselves and how they interact with Maine businesses. Regulatory agencies and their employees must strive to provide a consistent, efficient and effective regulatory environment for businesses. It is critical that all agencies work to improve relationships with the business community. It is not a matter of choosing between regulation and promotion. Regulations should be enacted, written, and enforced in a manner that achieves their intended goals while minimizing unnecessary and unproductive conflicts and redundancies for those impacted. We need an effective partnership between State agencies and the business community. Regulatory agencies should work diligently to promote a new attitude that replaces sometimes adversarial relationships.** ***(See Appendix E for the draft letter to the Governor.)***

    The Committee further recommends that the Joint Standing Committee on Business, Research and Economic Development share with the Governor any recommendations it develops from its review of the annual report of the Maine Regulatory Fairness Board, to ensure that both branches of government are reaching for the same goal. This outreach to Executive and

[3] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 16.

Legislative stakeholders can be achieved in a manner the committee deems most effective. ***(See Appendix F for the draft letter to the Joint Standing Committee on Business, Research and Economic Development.)***

B. Education and Workforce Development

According to the Brookings report, Maine's recent net in-migration is helping to bolster Maine's workforce and the recent trend of rising education levels and increasing enrollment in post-secondary education of Maine residents is beginning to "reverse a decades-long trend of underperformance on that critical determinant of personal and regional economic success."[4] However, a large percentage of Maine's aging workforce will soon be retiring, exacerbating the State's tight labor market, and there is an increasing demand for labor skills in the growing sectors of the economy for skilled workers in professional, managerial and technical fields. In addition, a skilled labor force will be critical to the advancement of Maine's growing innovation-oriented industry sectors and clusters.[5]

According to the Measures of Growth, "... higher education has become an increasingly critical factor in Maine's economic development, given today's 'knowledge economy'" and a "more educated workforce is central to Maine's competitiveness in an era of rapid knowledge advancement around the globe."[6] Investment in education is critical, not just within traditional university programs but also in school programs that focus directly on meeting workforce development needs. The State's post-secondary educational institutions must focus on meeting these workforce development needs to ensure that the State can support its most promising technology sectors and growing businesses across the State. In addition, Maine needs to strive for excellence in the researchers that are being recruited to the State, as these star researchers draw students and improve the overall educational climate.

The Committee is concerned that without concerted, coordinated effort by the educational, research, and business communities, there may not be an adequately trained workforce available in the future to support the needs of our growing economy and guard against the relocation of businesses outside the state for lack of a skilled labor force. The Committee sees value in collaborative efforts between the private sector and local community colleges and trade schools to develop workforce training and development programs, similar to the workforce training programs the Cianbro Corporation has undertaken in central Maine.

In addition, the Committee finds that that recently enacted *Opportunity Maine* tax credit could prove to be a valuable tool for increasing the number of Maine students seeking higher

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[4] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 52.

[5] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 56.

[6] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 15.

education and increasing their opportunity for prosperity while providing the educated workforce that will be necessary as Maine progresses.

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that the Legislature continue to support the Opportunity Maine income tax credit program for students pursuing higher education and are committed to staying in Maine once graduated.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. **The Committee recommends that the Joint Standing Committee on Education & Cultural Affairs convene an informal group of legislators with members of the Joint Standing Committees on Business, Research and Economic Development and Labor to meet with the leaders of the State's post-secondary educational institutions to discuss the following: (1) how the State's institutions of higher education are working to help meet the needs of Maine's growing industries and the State's growing need for a skilled workforce; and (2) ways in which the State could foster collaborative efforts between the business sector and Maine's post-secondary education community to develop workforce training and development programs that will meet the current and future needs of Maine's citizens and industries. (*See Appendix G for the draft letter to the Joint Standing Committees on Education and Cultural Affairs, Business, Research and Economic Development and Labor.*)**

3. **The Committee recommends that the Joint Standing Committee on Education and Cultural Affairs consider mechanisms to increase access for Maine people to all levels of post-secondary education with the goal of increasing capacity and lowering tuition costs. *(See Page ii for the draft Joint Order to implement this recommendation.)***

C. Transportation

According to the Maine Department of Transportation, Maine's quality of life and economy are being threatened by Maine's aging transportation infrastructure and "changes in global trade, technology, and traffic are placing increased stress on the transportation system."[7] Maine's efforts to succeed in an innovation–based economy will be stalled if the State fails to make key strategic investments in its transportation network. Maine's pattern of underinvestment in its transportation system has taken a toll on Maine's economy and hindered

[7] Maine Department of Transportation. 2007. "Connecting Maine, Maine's Long-Range Transportation Plan." foreword.

development opportunities, placing the State in a "preservation-first" funding crisis, with minimal funding available for strategic investments to stimulate economic growth and allow Maine to take advantage of new opportunities critical to Maine's participation in the national and global economy.

According to the Maine Department of Transportation, investments in transportation infrastructure have a strong positive relationship to economic growth.[8] Strategic investments can provide critical support to increasing trade through the Halifax-to-Toronto-and Chicago trade corridor, as well as the expansion of the Port of Searsport to capitalize on Maine's only seaport connected to a double-stack railway that runs to the Pacific coast.[9] Maine's transportation infrastructure investments are vital to fostering and developing the State's economic relationship with Canada, as well as the rest of the country. It is critical that Maine take advantage of its three principal commercial seaports (Portland, Searsport and Eastport), as they are extremely valuable assets that will enhance Maine's presence in an emerging global economy. The Port of Searsport is not only a critical asset for the State with the "potential to be the [State's] most important freight link to global shipping and trade," but is also a national asset and decisions that affect this port should be made with an eye toward protecting the environment, while also emphasizing the State's critical future interest in this strategic location.[10]

Maine's strategic geographic location will allow it to capitalize on all global trade markets including Europe and Asia. A strong transportation infrastructure would maximize the use of intermodal transportation, the movement of freight between points of origin and destination using two or more modes (e.g. rail, water, air and highway).[11] A monomodal transportation model reinforces the State's reliance on the highway system and does not offer choices and competition. It also squanders our rail assets and one of Maine's valuable and unique maritime assets, including our ability to move freight by water efficiently and in a manner that is environmentally sustainable. Conversely, an intermodal system would facilitate the State's trade opportunities with Canada and to other parts of the country. Considering Maine's enviable geographic position between Atlantic Canada and the North American markets of Montreal, Toronto and Chicago, the State is well poised to capture new trade relationships and opportunities in these markets.[12]

East-west routes are critical to advancing Maine's economy, however the State's efforts in this area have been stalled for many years, in spite of the availability of a large amount of underutilized infrastructure in the northern part of the State and existing private right of way systems. Many local communities in the northern area of the State could benefit from the economic growth that would be supported by the creation of an east-west highway; this represents a valuable opportunity that should be explored to address some of the severe economic challenges in the northern half of the State.

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[8] Id.
[9] Id.
[10] Maine Department of Transportation. 2007. "Connecting Maine, Maine's Long-Range Transportation Plan." Chapter 3.
[11] Id.
[12] Id. at Chapter 2.

Maine's natural resource-based industries, as well as the tourism industry are also hindered by an aging transportation infrastructure. Investments in transportation infrastructure that support the State's burgeoning natural resource-based sectors will foster their competitiveness and encourage their growth.[13]

Transportation planning, along with an effective land-use planning process that protects Maine's special places will help keep the Maine "brand" strong. Regrettably, transportation infrastructure "is simply overlooked during the land-use planning process" and the impact of "inconsistent and uncoordinated land-use decisions on the transportation infrastructure must be better explained and more fully understood by citizens and their regulatory boards if system denigration is to be avoided."[14] Transportation funding and investment should be linked to meaningful economic development land use planning, as well as incentives or disincentives in order to preserve Maine's Quality of Place.

Maine's current system of land-use planning often focuses on the needs of the municipality, and does not fully assess the affect on transportation systems in neighboring communities, which can lead to unintended and costly consequences for the transportation system.[15] Community planning efforts must be designed with an eye towards relating the municipality's goals into a broader regional context.

Maine's population is scattered across a relatively large and rural state, with three regions that have different economic needs and population growth rates.[16] Maine's overall rate of population growth is projected to slow in the near future, however the number of Maine commuters driving longer distances to work has increased, resulting in greater costs to commuters and an increase in the demands on our aging transportation infrastructure.[17] At this time, ninety-three percent of the vehicle-miles traveled (VMT) in Maine is by private vehicle and according to the Federal Highway Administration, "truck and containerized shipments are expected to double in the next twenty years as the globalization of the economy continues to unfold."[18] Travel by private vehicle is so common in Maine that there is one registered vehicle for every person of driving age. In addition, the ease of access and increased mobility has drawn development outside of service centers, where most jobs are located. With roughly fifty-two percent of Maine's population living outside of service centers and in more rural areas outside of communities where they work, strategic, coordinated transportation improvements and land-use planning efforts will become critical to addressing the rising costs for commuters facing longer commutes and the detrimental environmental impact of these transportation patterns.[19]

According to the Measures of Growth Report, Maine is seeing a continuing trend in the direction of people leaving urban centers for more rural areas, which "increases public costs and

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[13] Id.
[14] Maine Department of Transportation. 2007. "Connecting Maine, Maine's Long-Range Transportation Plan." Chapter 2.
[15] Id.
[16] Id. at Chapter 2.
[17] Id. at Chapter 2.
[18] Id. at Chapter 2.
[19] Id. at Chapter 2.

weakens Maine's central communities.[20] The increase in sprawl has had a significant effect on Maine's communities, including rising costs from "redundant infrastructure such as roads, schools and waste systems."[21] Sprawl increases the commuting time for Maine workers, who increasingly are traveling from rural areas to their jobs in service centers, increasing the stress on Maine's transportation infrastructure and "erod[ing] the State's natural environment, a central part of the State's notable quality of life."[22] A concerted effort will be needed on this front if Maine is to protect its Quality of Place and utilize its infrastructure efficiently.

In addition to acknowledging the traditional modes of transportation and their importance to Maine's future, the Committee also recognizes the importance of information technology to Maine's future prosperity and, in the context of transportation, the importance of transporting data at globally competitive speeds to and from our homes and businesses. As I-95 led to economic development along the Interstate Highway route, the new-age "IT-95" will provide even greater economic development possibilities as it links us to the world. The Committee supports the efforts of the ConnectME Authority to advance these goals.

RECOMMENDATIONS ON TRANSPORTATION:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that the State support and invest in multi-modal transportation that includes rail, marine, air, roadways, multi-use trails and other modes of transportation for commercial, personal and vacation travel.**
2. **The Committee recommends that Maine capture the benefits of Maine's advantageous geographic location in the global economy.**
3. **The Committee support investments in transportation infrastructure improvements and increased trade relationships that capitalize on Maine's unique and valuable geographic location in relation to global trade markets with Canada, Europe and Asia.**
4. **The Committee supports transportation and land use policies that encourage compact, clustered development, discourage sprawl, enhance access management and the increase of pedestrian use and promote coordination between transportation and land use planning.**
5. **The Committee supports policies that increase the State's transportation capacity in areas such as the East-West highway system, as well as the North-South highway completion, as critical to encouraging prosperity in the northern regions of the State.**
6. **The Committee supports the efforts of the ConnectME authority and recognizes the importance of information technology to**

[20] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 30.
[21] Id. at 30.
[22] Id. at 30.

Maine's future prosperity and, in the context of transportation, the importance of transporting data at globally competitive speeds to and from our locations here in Maine to the rest of the world. As I-95 led to economic development along the Interstate Highway corridor route, the new-age "IT-95" will provide even greater economic development possibilities as it becomes another of our roads to the world.

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

7. **The Committee recommends that the Maine Department of Transportation (MDOT) work with Maine's four federally recognized tribes when obtaining pertinent federal transportation funds. MDOT should strive for greater collaboration with the tribes. It is essential that the partnership between Tribal Government, State Government and Federal Government be fully, faithfully and honestly utilized. The relationship that exists between the tribes, the Bureau of Land Management and the Bureau of Indian Affairs should be regarded as an important asset particularly when considering transportation infrastructure improvements for Maine's tribes. The MDOT can play a significant role as Maine's tribes work to improve their economies.** ***(See Appendix H for draft letter to the MDOT.)***

D. Energy Policy

Energy was identified throughout the Committee's deliberations as a policy area that is critical to the State's future prosperity. Energy has an important impact on the State's economic viability in three ways: as a cost of living, as a cost of business and as a business sector for future economic growth. Maine's reliance on heating oil as a primary source of winter heat presents challenges to families trying to stay warm in the winter and social service entities struggling to assist those who cannot make it on their own. Maine's electric costs are affected by recent dramatic increases in the costs of oil and natural gas. The Maine Public Utilities Commission is currently in the process of evaluating Maine's continuing participation in ISO-NE, the New England electric power distribution network to determine whether another option would better serve Maine's needs. A recent PUC draft report concludes that the status quo is not the most beneficial to Maine and that our natural resources and location are uniquely suited to play an important role in solving New England's electric supply challenges. The Committee recognizes that it is incumbent on the State of Maine to enact and implement a comprehensive energy policy that focuses on moving away from our reliance on petroleum-based energy sources and towards renewable resources, with the goal of reducing greenhouse gas emissions and ultimately lowering energy prices.

RECOMMENDATIONS ON ENERGY POLICY:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that Maine policy makers recognize energy production as an economic development opportunity and provide leadership in energy production and innovation.**
2. **The Committee recommends that Maine focus its energy policies on the following: energy conservation; renewable resources, including streamlining permitting processes to facilitate use of renewable resources; and measures to encourage the development and use of low-carbon and carbon-neutral energy sources, including cap and trade policies to reduce emissions.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

3. **The Committee recommends that the Governor submit legislation to the 123rd Legislature during the Second Regular Session detailing the elements of a comprehensive energy policy for the State of Maine for consideration by the Joint Standing Committee on Utilities and Energy and adoption into law by the Legislature.** ***(See Appendix E for draft letter to the Governor.)***

E. Innovative Economy

All of the leading studies and reports on Maine's economy, including the Brookings report, the REDIE report, the Comprehensive Research and Development Evaluation report, and the report from the Governor's Council on Jobs, Innovation and the Economy, emphasize the great importance of strategic investments in innovation, research and development (R&D), and cluster development in advancing Maine's economy. According to the Brookings report, in order for Maine to compete in a global economy, Maine must "not only [] recommit to building a high-value innovation economy, but go to the next level in investing in sectors in which Maine is demonstrating competitive advantage and prowess- whether it be in wood composites for the boat-building industry or the development of new products and processes in forestry and agriculture."[23] The growth of industry clusters, defined as "geographically concentrated groups of similar or related firms whose synergies can create formidable economic advantages for state and regional economies," will be critical to Maine's economic growth.[24] Strategic, long-term investments in Maine's innovation economy will be essential to increase Maine's global competitiveness, stimulate the creation of new businesses, spur job growth and provide an overall improved quality of life for Maine's citizens.

Over the past decade, Maine's investments in innovation and R&D, through the creation of the Maine Technology Institute, the Maine Economic Improvement Fund and other initiatives in the marine science, biomedical and patenting fields have "contributed to a 10-fold increase in

[23] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 101.
[24] Id. at 38.

Maine's still low state R&D spending to a $20 million a year base level, and catalyzed significant increases in total academic, non-profit and industry R&D activity to the current level of approximately 1 percent of gross state product, or $430 million a year."[25] Although these investments represent a significant accomplishment for the State, this level remains under half the national average of states' research commitments and just one-quarter of the New England states' level.[26]

Maine's public investment in R&D has "contributed to consistent growth in Maine's economy and has increased competitiveness relative to other states."[27] This is reflected in the fact that the private sector recipients of these investments tend to have a higher job growth (6.8%) than the average Maine economy (.5%) and also higher average wages ($38,825).[28] According to the 2007 Measures of Growth Report, Maine's investment in R&D increased steadily from 1998 to 2002, but then suffered reductions in the following years, prior to the 2007 R&D innovation bond that recently was passed by the voters.[29]

According to the Growth Council, the Brookings report and the State's Science and Technology Action Plan as developed by the Science and Technology Advisory Council (*formerly established by executive order and now established in statute as the Innovation Economy Action Plan*), Maine should be aggressive in working to double the State's activity in research and development to $1 billion by 2010, a goal of state R&D activity of roughly 3% of Gross State Product, or roughly $1357 of R&D activity per worker.[30] This goal would bring Maine's investments up to the national average, and would greatly enhance Maine's innovation economy as well as Maine's competitiveness in the national economy.[31] As Maine competes in this growing innovation economy, it must differentiate itself from other states and lead the nation by fostering a statewide innovation environment for the State's industries and clusters of advantage, including wood fiber/forest products, marine-based industries (such as fishing, aquaculture and ship building) and agriculture.

RECOMMENDATIONS ON INNOVATION:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends continued, sustained investment in innovation through a competitive, collaborative process;**

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[25] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 101.
[26] Id. at 101.
[27] PolicyOne Research, Inc. and RTI International. 2006. "Maine Comprehensive Research and Development Evaluation." p. 2.
[28] Id. at 2.
[29] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 9.
[30] Maine Office of Innovation. 2005. "Science and Technology Action Plan for Maine." Augusta: Department of Economic and Community Development, p. 1.
(Available at http://www.maineinnovation.com/mie/pdfs/science_technology_action_plan_2005.pdf)
[31] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 9.

2. **The Committee recommends that all joint standing committees of the Legislature refer to the Comprehensive R&D Evaluation report when considering innovation investments and state R&D programs;**
3. **The Committee recommends that Maine increase the overall investment in the State's R&D (including both public and private investments) to reach the benchmark of 3% of Maine's Gross Domestic Product by 2010;**
4. **The Committee recommends that the Legislature continue to support the Maine Technology Innovation Cluster program and assess the results.**
5. **The Committee supports the work of the Maine Innovation Economy Advisory Board;**
6. **The Committee recommends that the Legislature support the Maine Economic Growth Council's role in developing a strategic plan and budgetary recommendations to the Governor that support the goals of the Innovation Economy Action Plan;**
7. **The Committee recommends that state government work with higher education, private research facilities, medical institutions and other pertinent groups to build the communications infrastructure necessary for internet and information technology capacity that is second to none.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

8. **The Committee recommends support for a "Fund of Funds" for investment in activities that bring a return to the State and can be reinvested; (*See Appendix F for the draft letter to the Joint Standing Committee on Business, Research and Economic Development supporting LD 1215, An Act to Attract New Capital for Innovative Businesses through Equity Investment in Maine)*;**
9. **The Committee recommends the assignment of existing business development specialists at Department of Economic and Community Development (DECD) to work with emerging clusters to support their growth and enhance collaboration and sharing of resources. The Committee encourages this realignment within existing resources and with the understanding that DECD ensures adequate state resources to match federal and other resources, as required by The SBA, in continued support the Small Business Development Centers. *(See page Page ii for the draft Joint Order to implement this recommendation.)***

F. Quality of Place

The Brookings report recognizes "Quality of Place" as one of Maine's best assets in making progress toward sustainable prosperity. What was once perceived as a disadvantage for those municipalities that missed out on the "opportunities" of urban renewal in the 1960s is now seen as the advantage of having saved from the wrecking ball the lovely old buildings and traditional downtowns that are ripe for historic rehabilitation, reflecting the values of our present times.

Quality of Place is hard to define, as it often means different things to different people. Maine's Quality of Place has been described as its "accessible wild places and tranquil country farms, human-scaled Maine Streets and working waterfronts"- a few of the unique characteristics that make Maine special and different from other parts of the country.[32] While we have always treasured our stunning coast and pristine lakes and mountains, we are developing a deeper appreciation for the value of small towns, rolling farmland, working forests and wild places. Maine has as a unique and valuable asset the largest percentage of privately-owned undeveloped landscape in the nation, which has historically been provided a great degree of public accessibility; this landscape is an integral part of Maine's quality of place, with "5,300 miles of rugged coast [and] forests [that] carpet more than ninety percent of the State."[33]

However, Maine is in danger of losing many of its special places, due to ineffective state and local land use planning and growth management efforts. Over the last 50 years, Maine has become increasingly suburbanized with 65% of Maine's population living in 10 metropolitan or micropolitan areas, largely along the I-95 corridor. This "flawed growth management system … also leaves the State's regions without effective regional planning or management."[34] The end result is a "patchwork of largely isolated municipal efforts" that lacks the ability to "address the major growth drivers in each region."[35] The State has been, in large part, ineffective in providing support to local communities in their development of land-use plans and overall growth management efforts.[36] Strengthening state efforts that help towns and regions strategically manage and coordinate their growth in a manner that addresses "the housing, development, or traffic problems that transcend their borders and respond to them in ways that truly improve their individual towns," will only enhance Maine's overall Quality of Place.[37] The State must make it a priority to streamline its development efforts to encourage state and local growth management in a manner that does not harm our traditional centers and working landscapes.

The strategy for enhancing Quality of Place should also help Maine's traditional industries prosper in a way that is compatible with the environment. The Committee heard from

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[32] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 99.
[33] The Governor's Council on Maine's Quality of Place. 2007. "People, Place and Prosperity: First Report of the Governor's Council on Maine's Quality of Place." p.15.
[34] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 95.
[35] Id. at 95.
[36] Id.
[37] Id. at 126.

panelists the importance of adopting a strategy of "greening" the supply chain by supporting suppliers of green products and services, as well as the need to have more green forest acreage certified. In addition, the Committee received draft recommendations from the Governor's Council on Maine's Quality of Place that included support for some of the recommendations in the Brookings report relating to investment in community preservation, downtown revitalization, historic preservation, regional landscape protection and uniformity of building codes. These efforts are stalled by the State's lack of a mandatory statewide building code, which has resulted over time in "code proliferation and conflict" that hinders development in established areas as well as the revitalization of Maine's special downtown areas.[38] The Governor's Council's recommendations also included the creation of Quality of Place regional partnerships, guidance for State Government to support Quality of Place efforts and a plan to seed Quality of Place efforts.

The Committee agrees that Maine's Quality of Place is one of its biggest economic assets. Protection of this asset is crucial to sustaining prosperity for the State's future.

RECOMMENDATIONS ON QUALITY OF PLACE:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that policy makers build upon Maine's special character to create economic advantage by preserving open space, protecting traditional downtowns, as well as working landscapes and waterfronts and enhancing business and residential land use policies.**
2. **Because no person can feel prosperous in any place regardless of its quality if they are not safe in their own home, the Committee requests that the Maine Economic Growth Council consider adding a new measure to the annual Measures of Growth Report that is related to domestic abuse incidents in Maine. (*See Appendix I for the draft letter to the Economic Growth Council.*)**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

3. **The Committee recommends that the Governor submit to the 123rd Legislature during the Second Regular Session legislation to implement the recommendations of the Governor's Council on Maine's Quality of Place for consideration by the appropriate joint standing committees. *(Please see Appendix E for the Letter to Governor.)***
4. **The Committee recommends that the Legislature revamp efforts to undertake comprehensive planning, by refocusing on planning that links tribal, municipal, regional and State goals, creating more efficient transportation infrastructure, supporting economic development, and enhancing Quality of Place. Emphasis should**

[38] Id. at 89.

placed on encouraging municipal planning to take into account regional issues and opportunities and encouraging statewide planning (including planning undertaken through the Land Use Regulation Commission) to better reflect regional issues and opportunities. ***(See Page ii for the draft Joint Order to implement this recommendation.)***

5. **The Committee recommends that the Joint Standing Committees on Agriculture, Conservation and Forestry, Business, Research and Economic Development, Natural Resources, Marine Resources, Taxation and other relevant committees consider policy changes within their jurisdiction that will enhance economic opportunity through Quality of Place, including but not limited to: (1) creating an economic development strategy that builds on the special assets of Maine Tribes, in close cooperation with the Tribes; (2) vigorously expanding capacity for statewide, regional and local comprehensive planning; (3) developing a statewide building code; (4) ensuring permitting processes that incorporate regional and statewide land use priorities while minimizing regulatory time and costs; (5) providing tax credits for historic rehabilitation; and (6) funding the acquisition of land or rights to land to protect vulnerable resources and to enhance public access and public support for private business activity that seeks to enhance economic development based on Quality of Place. The Committees should seek legislation to implement their recommendations, as appropriate. The committee also encourages these committees to combine their expertise and resources and address these issues together, where appropriate.** ***(Please see Appendix J for the Letters to Joint Standing Committees.)***

G. Health Care

Health care is an integral part of Maine's economy as both a major employer, which "... accounted for 17 percent of the State's employment in 2004,"[39] and as a significant cost of doing business and living in Maine. The Brookings report describes health care, along with non-store retail, tourism and insurance/finance, as a traditional industry of advantage since it is a major source of employment and innovation in the State.[40] According to the Kaiser Family Foundation, there were approximately 54,310 workers employed in Maine's heath care system in 2005.[41] Maine is home to several valuable medical facilities, as well as several remarkable nonprofit research laboratories that have access to federal grants from the National Institutes of Health

[39] Muskie School Issue Brief. January 2007, p. 4.
[40] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p.38.
[41] Bureau of Labor Statistics, State Occupational Employment and Wage Estimates; accessed by the Kaiser Foundation in January 2007 and published on their website at: www.statehealthfacts.org

grants, including Jackson Laboratories, Maine Medical Center Research Institute, Bigelow Laboratory for the Ocean Sciences, Foundation for Blood Research and Mount Desert Island Biological Laboratory. These knowledge-generating institutions have great value for the State and play an integral role in moving Maine's innovation economy forward.

In recent years, some of the biggest job gains in Maine have been in lower wage, lower skilled health occupations. For example, demand for direct care employees continues to grow with personal and home health care aide positions expected to increase by 55 percent by the year 2012.[42] However, not all health care sector growth is in lower paying jobs. According to the Maine Department of Labor, Maine's health care industry is expected to generate over 28 percent of the 3,105 highest paying jobs that are expected to be created annually through the year 2014.[43] More than 18 percent of the anticipated openings are for registered nurses, with an average hourly wage of $25.40. There are over 50 anticipated openings for doctors, which are the highest paid positions of all anticipated openings.[44] Workforce shortages are projected for specialists, dentists, and direct care workers. Nursing positions are expected to grow at twice the rate of all other occupations in Maine.[45]

In addition to being a major source of employment, health care impacts the cost of doing business in Maine. According to the Measures of Growth 2007 report, personal health care costs were estimated to be 18.5 percent of Maine's Gross Domestic Product (GDP) compared to a national estimate of 13.4 percent in 2005.[46] The continued movement away from the benchmark of reducing Maine's health care costs prompted the Growth Council to give this indicator a red flag, citing this as an area in need of critical attention.[47]

Illness and injury also affect the cost of business. The Commission heard from the business community regarding the negative impact that work-related injuries have on productivity in the workplace. While it did not receive a red flag in the Measure of Growth 2007 report, the "on-the job injuries and illness" indicator moved further away from the 2005 national average of 4.6 reported injuries and illness for every 100 employees. Although declining significantly since the 1980s, Maine's workplace related injury and illness rate increased in 2005 to 7.2 for every 100 workers.[48]

On the other hand, productivity in the workplace is positively affected when employees are healthy. According to the United Health Foundation, Maine is the 7th healthiest state in the nation due to low violent crime, access to prenatal care, comparatively few deaths from

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[42] Muskie School Issue Brief – January 2007, p 3.
[43] OPLA analysis of Maine Department of Labor, Maine's Highest Paying Jobs – April 2007
[44] Id.
[45] Muskie School Issue Brief – January 2007, p 3.
[46] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 18.
[47] Id.
[48] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p.20.

cardiovascular disease and a low rate of uninsured population.[49] The availability of health insurance and decreases in chronic disease death rates both received positive marks in the Measures of Growth report. Maine received a gold star in the Measures of Growth report for being one of the top five states in the nation with the highest percentage of working age people to have some form of health insurance.

Maine also scored well in the area of chronic disease as death rates continued to decline. From 1990 to 2004, the cardiovascular mortality rate decreased by 34 percent and the cancer death rate decreased by 11.4 percent. The diabetes death rate increased slightly but continues to track closely with the national average.[50] Maine's investment of most of the State's tobacco settlement funds into prevention and restrictions on tobacco use may be one factor that contributed to this decline in death from chronic disease.[51]

Over 89 percent of people in Maine have health insurance, compared to 84 percent in the U.S. population. In both Maine and the United States, approximately 60 percent of the non-elderly have employer-sponsored health insurance, which continues to decline within the State and nationally. Maine has used its Medicaid program to offset the impact of this decline and has the highest percentage of the population on Medicaid of any state in the nation. While government expenditures are a vital part of increases health insurance coverage in the State, the Brookings report points to the need for increased efficiencies. Maine's government expenditures on health as a percent of income is 0.87% which is more than three times the rural-state average.

The Committee recognizes that Maine's health care system has a significant impact on the State's economy and wants to support of the health care industry as a major employer, while also implementing initiatives to lower health care costs in Maine.

RECOMMENDATIONS ON HEALTH CARE:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends embracing the goal of becoming the healthiest state in the nation, and that Maine's research and medical facilities be encouraged to seek federal grants to make the State a "laboratory" and center for excellence in health care.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. **The Committee recommends that the Legislature explore insurance market reform that may include the following: restructuring guaranteed issues and community rating; reinsurance; a high risk pool; and any other approaches that may reduce premiums while protecting consumers and stimulating competition in the insurance market.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***

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[49] United Health Foundation. *America's Health Rankings2007* as reported on the website: www.unitedhealthfoudnaton.org accessed on 11/15/2007.

[50] Id.

[51] Id.

3. **The Committee recommends that the Legislature explore how "health excellence rewards" (as premium credits or cash-back for health promotion participation) may be used to improve health care in Maine.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***
4. **The Committee recommends that the Joint Standing Committee on Health and Human Services report out legislation to find efficiencies within MaineCare while maintaining this valuable safety net system; and further recommend that the HHS Committee address the impact of income "cliffs" which work as a disincentive to people improving their work situation.** ***(See Page ii for the draft Joint Order to implement this recommendation.)***

H. Government Spending and Taxation

Government Spending

According to the Brookings report, Maine's "... often-high costs of government – and the revenue system that supports them- represent another major influence on the way Maine is developing."[52] Maine's recent efforts in this area include the decision to limit annual spending growth to 3.5 percent for the last four years, increase property tax rebates and eliminate the tax on new business equipment.[53] However, State and local spending patterns and their impact on the State's tax system remain a barrier to achieving sustainable prosperity. The Brookings report emphasizes that this barrier can be overcome and Maine can "slim and restructure its, at-times, inefficient state-local government system with an eye both to financing needed investments in the economy and underwriting the first steps toward tax reform."[54]

The Brookings report suggested the establishment of a Government Efficiency Commission that would "... review the structure and operations of State Government and propose specific reforms to eliminate duplication and inefficiency and these recommendations would be brought back to the legislature for a single up or down vote."[55] Based on comparisons with similar states, the Brookings report identified the possibility of achieving $60 million to $100 million savings through streamlining, reconfiguring and improving the performance of state agencies.

In a similar vein, the Fund for the Efficient Delivery of Local and Regional Services, which was enacted to provide grants to municipalities for planning and startup costs that precede the longer term cost savings that result when towns come together to deliver local services.[56]

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[52] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p. 74.
[53] Id. at 74.
[54] Id. at 105.
[55] Id. at 107.
[56] Id. at 108.

The original goal was to deposit two percent of state-municipal revenue sharing funds into the fund (approximately $2.5 million) annually to provide a rolling source of grants to help local collaboration that would reduce service costs; however, that level of funding has not occurred. The Fund has been initially funded with $1 million for a pilot program in fiscal year 2004-05. In the most recent legislative session, the law was amended to limit the amount of revenue sharing funds transferred to the Local Efficiency Fund to $500,000 annually.[57]

Taxation

Maine's high ranking on national tax-burden lists is frequently cited as one of the reasons businesses are discouraged from relocating to the State.[58] Maine's combined state and local tax burden of 13 percent was the fourth-highest in the nation in 2004, making it critical that Maine reduce its tax burden and increase the average personal income if it is to achieve sustainable economic growth, improve its ability to compete with neighboring New England states and spur business and population growth.[59] According to the Tax Foundation, Maine's state and local taxes were roughly 13.5 percent of income in 2005 and 2006, and New England and the U.S. tax burdens are between 10 and 11 percent.[60] Most tax burden rankings are based on a comparison of revenue to personal income and Maine's low average personal income relative to other states contributes significantly to Maine's high tax burden ranking.[61]

According to the Brookings report, one contribution to Maine's high state and local tax burden is that Maine "needs to raise a relatively large amount of revenue [...] because it spends relatively more than other states given its large K-12 and health outlays."[62] In state fiscal year 2006-07 almost 80% of the State's General Fund budget was spent on education (K-12 at 37.8%; higher education at 8.2%) and health and family security (33.9%). According to 2002 U.S. Census data, the State's "net state and local government expenditures, excluding quasi-private enterprises like hospitals, came to about 15 percent of personal income- the eighth-highest total among the states."[63]

In 2005 the Governor introduced and the Legislature enacted **LD 1, An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels**[64]. LD 1 established limitations on spending at all levels of government, provided additional funding for property tax relief and ramped up State funding for education

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[57] PL 2007, c. 240, Part NNN

[58] Id. at 83.

[59] Maine Development Foundation. 2007. "Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine." Augusta: Maine Economic Growth Council, p. 17.

[60] Id. at 17.

[61] For an analysis of methods of measuring tax burden, see *Maine's Tax Burden: History and Projections.* March 2006. Maine Office of Fiscal and Program Review and Murray, Matthew. *A Profile of the Maine State and Local Tax System.* The University of Tennessee. Prepared for the Brookings Institution Metropolitan Policy Program, 2006.

[62] The Brookings Institution. Charting Maine's Future, An Action Plan for Promoting Sustainable Prosperity and Quality Places, Washington DC, 2006, p.83.

[63] Id. at 83.

[64] Public Law 2005, chapter 2.

with the goal of reducing expenditures at the local level, thereby reducing the property tax. LD 1 identified the goal of reducing Maine's state and local tax burden by 2015 to the middle one-third of all states.[65] Progress toward that goal is difficult given that, as Maine reduces tax burden, other states are also reducing theirs. LD 1 results have been mixed. Two years following its enactment, it is clearly not the cure-all to Maine's tax burden that some had hoped.

The Committee recognizes that high taxes are a detriment to economic growth. The constant task of state and local policy makers is to balance the revenue that must be collected to pay for government services with the effect of those collections on business growth, job creation and family security. Government at all levels must be streamlined and made as efficient as possible (see section on government streamlining), taxes must be reduced and disincentives to positive growth must be eliminated. It is crucial for the future prosperity of Maine citizens that Maine's tax structure be remodeled to support a newly designed government adequately and reliably.

Concerned about these very same issues, the Joint Standing Committee on Taxation undertook in early 2007 to develop a comprehensive tax reform package. The five month process that followed resulted in a 11-2 committee vote on a tax package that replaced the current income tax system (with its top rate of 8.5%) with a 6% flat tax, while maintaining progressivity through a new resident tax credit. The revenue neutral package paid for tax cuts primarily by expanding the sales tax base to currently exempt services. The package passed the House but failed in the Senate. Opposition arose for a variety of reasons, but broader support may have been possible if the package had incorporated some spending cuts (rather than be revenue neutral) and/or if the package had included some direct restraints on future spending.

One goal of any effort to change tax policy is to lessen current incentives that push some Maine residents to seek residency elsewhere. The existing structure of both Maine's income tax and estate tax often encourage older and more affluent Mainers to curtail the amount they live in Maine to under six months, and take other actions to achieve nonresident status for purposes of Maine income and estate tax. This hurts Maine: the State loses both tax revenue and the contributions of good people.

RECOMMENDATIONS ON GOVERNMENT SPENDING AND TAXATION:

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

1. **The Committee recommends that the Joint Standing Committees on Taxation and Appropriations and Financial Affairs work together to report out legislation that addresses comprehensive tax reform focusing on lowering income tax rates and on new spending restraints at state, county, and local levels, coupled with measures to ensure that state spending restraints are not avoided by moving any additional spending items out of the spending limitation formula ("off the books"). (*See Page ii for the draft Joint Order to implement this recommendation.)***

[65] See 36 M.R.S.A. § 7301.

2. **The Committee recommends the creation of an independent Blue-Ribbon Commission to identify ways to streamline and restructure government for greater long-term efficiency with the goal of identifying by January 2, 2009 for the consideration of 124th Legislature, at least $75 million in budget spending reductions to apply to tax relief, as well as providing a plan for restructuring government at all levels so that Maine's tax burden will within 10 years fall into the middle of the range of other rural states with similar geographic and demographic characteristics.** ***(See Page iii for the draft Legislation to implement this recommendation.)***
3. **The Committee recommends that the Joint Standing Committee on Taxation report out legislation to encourage more Maine residents to maintain their residence in the State through mechanisms that may include lowering the income tax and/or estate tax. (NOTE: This effort could be part of a comprehensive tax reform plan, as described in Recommendation #1.)** ***(See Page ii for the draft Joint Order to implement this recommendation.)***
4. **The Committee recommends that the Joint Standing Committee on Appropriations and Financial Affairs should ensure that the $500,000 annual state-municipal revenue sharing funds provided in current law for the Fund for the Efficient Delivery of Local and Regional Services be maintained and results of this program be monitored and reported back to them.** ***(See Appendix K for the draft letter to the Joint Standing Committee on Appropriations and Financial Affairs.)***
5. **The Committee recommends that the Joint Standing Committee on Appropriations and Financial Affairs should consider and report out legislation that will require the Governor to include in the biennial budget document a long-range plan for state government expenditures and revenues.** ***(See Appendix K for the draft letter to the Joint Standing Committee on Appropriations and Financial Affairs.)***

I. Legislative Process

The Committee discussed the need for reforms within the Legislature that will improve the analysis of potential fiscal impacts of legislative proposals, as well as encourage coordination and collaboration among joint standing committees. As they consider legislation that impacts the State's economy and future prosperity, it is important to reduce the "silo" effect that occurs when joint standing committees of the Legislature lack the forum and time to share their work and address cross-cutting issues that affect multiple committees.

The Committee believes that their work should be continued during the second Legislative Session of the 123rd Legislature, in order to ensure that the vision and goals of achieving prosperity in Maine are focused on.

RECOMMENDATIONS ON LEGISLATIVE PROCESS:

- *GENERAL RECOMMENDATIONS*

1. **The Committee recommends that Maine's Legislature think and act beyond traditional committee jurisdictions and become more proactive so that public policy will truly serve the State's long-term needs.**

- *RECOMMENDATIONS FOR SPECIFIC LEGISLATIVE ACTION*

2. **The Committee recommends that Appropriations and Financial Affairs (AFA) consider comprehensive or dynamic fiscal notes that evaluate economic impact of legislative proposals beyond the direct revenue impact. (*See Appendix K for the draft letter to Appropriations and Financial Affairs.)**
3. **The Committee recommends that the Legislature adopt the Maine Reinvestment Program Fund, where the returns on funds invested in economic development are held within the fund for continued investments in Maine's economy. *(See Page ii for the draft Joint Order to implement this recommendation.)***
4. **The Committee recommends that the Legislative Council, working with committee leadership, identify measures joint standing committees can take to work collaboratively in creating policy that supports the vision for prosperity. In addition, the Committee recommends that Legislative Council develop a process for using the Measures of Growth for consideration of legislation. *(See Appendix L for the draft letter to Legislative Council.)***

APPENDIX A

Authorizing Joint Order, H. P. 1018

Joint Order to Create the

Joint Select Committee on Future Maine Prosperity

House Paper 1018 as amended by Senate Amendment "C" (S-19)
as amended by Senate Amendment "A" (S-358) thereto

WHEREAS, the State of Maine possesses unique opportunities for innovative growth; and

WHEREAS, those opportunities raise issues that are normally placed before several different joint standing committees of the Legislature; and

WHEREAS, to capitalize on those opportunities, a focused, integrated and long-term approach is necessary to build sustainable prosperity for our State; now, therefore, be it

ORDERED, the Senate concurring, that the Joint Select Committee on Prosperity is established as follows:

1. Establishment. The Joint Select Committee on Future Maine Prosperity, referred to in this order as "the committee," is established.

2. Membership. The committee consists of 15 members of the Legislature: 4 Senators appointed by the President of the Senate and 11 members of the House of Representatives appointed by the Speaker of the House. The President shall appoint 2 members from the party holding the largest number of seats and 2 from the party holding the second-largest number of seats. The Speaker shall appoint 5 members from the party holding the largest number of seats, 5 from the party holding the second-largest number of seats and 1 who is unenrolled in any party. The first-named Senate and House members serve as co-chairs.

3. Duties. The committee shall develop a comprehensive plan to achieve sustainable prosperity in the State. In order to reach that goal, the committee shall:

A. Review recent reports aimed at addressing the long-term growth of the State's economy and the preservation of our quality of life, including, but not limited to:

(1) "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places," by the Brookings Institution;

(2) The final report of the Joint Select Committee on Research, Economic Development and the Innovation Economy; and

(3) The report of the Governor's Council on Jobs, Innovation and the Economy;

(4) "Economic Development Programs in Maine - EDPs Still Lack Elements Critical for Performance Evaluation and Public Accountability," from the Office of Program Evaluation and Government Accountability; and

(5) "Maine Comprehensive Research and Development Evaluation 2006," February 6, 2007, prepared pursuant to the Maine Revised Statutes, Title 5, section 13108; and

B. Develop recommendations for future legislative action to expand the State's economy over the long term and to identify and address threats to the State's quality of life.

4. Meetings. In conducting its duties, the committee may meet with any individuals, departments, organizations or institutions it considers appropriate. The committee is authorized to meet 5 times to perform its duties.

5. Staff assistance. The Office of Policy and Legal Analysis and the Office of Fiscal and Program Review shall provide staffing and clerical assistance to the committee and may, within existing resources, obtain technical assistance from appropriate sources.

6. Compensation. Members of the committee are entitled to receive the legislative per diem as defined in the Maine Revised Statutes, Title 3, section 2 and reimbursement for travel for attendance at meetings of the committee held during the legislative interim.

7. Report. The committee shall submit its findings and recommendations, along with any necessary implementing legislation, to the Second Regular Session of the 123rd Legislature by January 2, 2008.

8. Termination. The committee terminates January 4, 2008.

Sponsored by Speaker CUMMINGS of Portland
Cosponsored by President EDMONDS of Cumberland

APPENDIX B

Future Maine Prosperity Membership List

Joint Select Committee on Future Maine Prosperity

Wednesday, January 9, 2008

Appointment(s) by the President

Sen. Dennis S. Damon - Chair
256 Oak Point Road
Trenton, ME 04605
207 667-9629
Senate Member

Sen. Jonathan T.E. Courtney
31 Birchwood Lane
Springvale, ME 04073
Senate Member

Sen. Debra D. Plowman
180 Patterson Road
P.O. Box 468
Hampden, ME 04444
207 862-6011
Senate Member

Sen. Philip L. Bartlett II
141 South Street
Gorham, ME 04038
207 839-7827
Senate Member

Appointment(s) by the Speaker

Rep. John F. Piotti - Chair
1075 Albion Road
Unity, ME 04988
207 437-2493
House Member

Rep. Bonnie S. Gould
17 Ross Street
South Berwick, ME 03908
207 384-3256
House Member

Rep. Donna M. Loring
117 Ten Road
Bradley, ME 04411
207 8270525
Penobscot Nation Tribal Representative

Rep. Patricia B. Sutherland
1738 Chapman Road
Chapman, ME 04757
207 764-1490
House Members

Rep. Windol C. Weaver
4 Weavers Way
York, ME 03909
207 363-4641
House Member

Rep. Christopher Rector
30 Knox Street
Thomaston, ME 04861
207 354-6571
House Member

Rep. Deborah L. Simpson
551 Turner Street
Auburn, ME 04210
207 777-1379

House Member

Rep. Nancy E. Smith
259 Tillson Road
Monmouth, ME 04259
207 933-2707

House Member

Rep. Thomas R. Watson
1565 Washington Street
Bath, ME 04530
207 442-7493

House Member

Rep. Richard G. Woodbury
174 Oakwood Drive
Yarmouth, ME 04096

House Member

Rep. Stacey Allen Fitts
21 Lancey Street
Pittsfield, ME 04967

House Member

Rep. James M. Hamper
1023 King Street
Oxford, ME 04270

House Member

Staff:

Natalie Haynes 287-1670
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APPENDIX C

Meeting Agendas and Summaries

FIRST MEETING OF THE JOINT SELECT COMMITTEE ON FUTURE MAINE PROSPERITY

September 25, 2007
Cross Office Building, Room 208

AGENDA

10:00 a.m. **Convening of the Task Force**

- Committee Introductions and Overview of the Joint Order
- Opening Remarks from Senator Damon and Representative Piotti; Charting the Course for the Committee
- Expectations and Goals of Committee Members

11:30 a.m. **Panel Discussion on Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**

- Panelists:
  - Laurie Lachance, President and CEO of the Maine Development Foundation; and
  - Peter Vigue, President Cianbro Corporation

12:30 p.m. **Lunch Break**

1:00 p.m. **Panel Discussion Continued**

3:00 p.m. **Committee Work Session: Planning & Scheduling Future Meetings**

3:45 p.m. **Roundtable Discussion**

4:15 p.m. **Adjourn**

SECOND MEETING OF THE JOINT SELECT COMMITTEE ON FUTURE MAINE PROSPERITY

October 10, 2007
Cross State Office Building, Room 208
9:00am-4:15pm

AGENDA

9:00 a.m. **Convening of the Task Force**

- Committee Introductions

9:15 a.m. **Panel Discussion on the Role of Education, Workforce Development and R&D in Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**

- **Panelists:**
  - Jake Ward, Assistant Vice President for Research, Economic Development and Government Relations at the University of Maine
  - Betsy Biemann, President of the Maine Technology Institute; and
  - Catherine Renault, Director of the Office of Innovation and the Governor's Science Advisor

12:00 p.m. **Lunch Break**

1:00 p.m. **Panel Discussion on the Role of Transportation, Economic Development and Land Use Planning in Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**

- **Panelists:**
  - John Melrose, President of Maine Tomorrow and former Commissioner of the Maine Department of Transportation;
  - Mary Ann Hayes, Executive Director of Maine Rural Partners;
  - Kathy Fuller, Director of the Environmental Office of the Maine Department of Transportation

3:00 p.m. **Committee Work Session: Planning & Scheduling Future Meetings**

3:45 p.m. **Closing Roundtable**

4:15 p.m. **Adjourn**

THIRD MEETING OF THE JOINT SELECT COMMITTEE ON FUTURE MAINE PROSPERITY

October 23, 2007
Cross State Office Building, Room 208
9:00am-4:15pm

AGENDA

9:00 a.m. **Convening of the Task Force**

- Committee Introductions

9:05 a.m. **Panel Discussion on the Role of Quality of Place in Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**

- **Panelists:**
  - Richard Barringer: Research Professor, Muskie School of Public Service and Chair of the Governor's Council on Maine's Quality of Place
  - Alan Caron: President, GrowSmart
  - Carla Dickstein: R&D Senior Program Officer, Coastal Enterprises Inc.
  - Bob Smith: Proprietor, Sebasco Harbor Resort

10:00 a.m. **Panel Discussion on the Role and Perspective of Private Sector Business Owners in Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**

- **Panelists:**
  - Jackson Parker: President and CEO, Reed & Reed, Inc.
  - Larry Shaw: President and CEO, Maine Mutual Group Insurance
  - Peter Anania: President, MEGA Industries, LLC

12:00 p.m. **Lunch**

12:30 p.m. **Panel Discussion on Economic Development Visionary Leadership; Opportunities to Build on Our Competitive Strengths and Lessons to Learn**

- Karen Mills: Founder and Managing Director, Solera Capital and Chair of the Governor's Council on Jobs, Innovation and the Economy
- Charles Hewett: Chief Operating Officer, The Jackson Laboratory
- Roxanne Quimby: Co-Founder, Burt's Bees, Inc. and President of Happy Green Bee

2:00 p.m. **Work Session**

4:00 p.m. **Closing Roundtable**

4:15 p.m. **Adjourn**

FOURTH MEETING OF THE JOINT SELECT COMMITTEE ON FUTURE MAINE PROSPERITY

November 13, 2007
State House Room 126
9:00am-4:00pm

AGENDA

9:00 a.m. **Convening of the Task Force**

- Committee Introductions

9:05 a.m. **Overview of Sub-committee Work and Process**

- Review & Discussion of Worksheets of Category 1 Items Completed – Big Picture Framework, Findings & Recommendations
- Review & Discussion of Worksheet of Category 2 Items Completed – Recommendations for Legislative Action

10:00 a.m. **Discussion of Remaining Concepts and Recommendations**

- Review & Discussion of Worksheet of Concepts Needing Prosperity Committee Categories

12:00 p.m. **Lunch**

1:00 p.m. **Discussion of Prosperity Goals and Vision**

- Review & Discussion of Possible Goals
- Develop Consensus on Goals & Vision

4:00 p.m. **Closing Roundtable**

4:15 p.m. **Adjourn**

FIFTH MEETING OF THE JOINT SELECT COMMITTEE ON FUTURE MAINE PROSPERITY

December 11, 2007
State House Room 126
9:00am-4:00pm

AGENDA

9:00 a.m. **Convening of the Committee**

- Committee Introductions

9:05 a.m. **Overview of Draft Introduction and Findings for the Report**

- Review & Discussion of Draft Report including the Introduction and Findings sections

10:00 a.m. **Work Session on Final Recommendations**

- Review & Discussion on the Worksheet of Proposed Prosperity Committee Recommendations

12:00 p.m. **Lunch**

1:00 p.m. **Work Session on Final Recommendations**

- Review & Discussion of Worksheet on Proposed Prosperity Committee Recommendations

4:00 p.m. **Adjourn**

- Process for Moving Forward: A Draft Final Report that incorporates the Committee's final recommendations will be provided to Committee members by email by December 20th; Committee members will have until December 27th to offer comments; pending approval from the Legislative Council, the Committee may meet on the afternoon of January 2nd to finalize the Report.

The Joint Select Committee on Future Maine Prosperity
September 25, 2007 Meeting

MEETING SUMMARY

Members in attendance: Sen. Damon, Sen. Courtney, Sen. Plowman, Rep. Piotti, Rep. Gould, Rep. Loring, Rep. Sutherland, Rep. Weaver, Rep. Rector, Rep. Simpson, Rep. Smith, Rep. Watson, Rep. Woodbury, Rep. Fitts, Rep. Hamper
Members absent: Sen. Bartlett

1. **Welcome and Introductions**

   - Opening Remarks from co-chairs Senator Damon and Representative Piotti; charting the course for the Committee; review of the Joint Order; and duties of the Committee
   - Discussion of expectations and goals of Committee members

2. **Panel Discussion on Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**
   - Panelists: Laurie Lachance, President and CEO of the Maine Development Foundation and Peter Vigue, President Cianbro Corporation
   - ***Important Points Made by Presenters***
     - **QUALITY OF LIFE**
       - Maine's quality of life only applies to some Mainers; there is high underemployment and many people are working without any health insurance benefits. A strategic plan is needed to deliver a better quality of life to all Mainers.
     - **LONG-TERM VISION**
       - Need visionary leadership, a commitment to Maine, openness to collaborating to make new partnerships, as well as the presence of an engaged higher education facility to achieve future prosperity.
       - Long-term State planning is important –it must cross from one administration to another.
       - A comprehensive strategy for the next 20-25 years will be critical to achieving prosperity in Maine.
       - Collaboration between government, the education sector and business leaders will be critical to success and all parties must be focused on the same goal in order for us to achieve success.
       - Maine is unique in that our political, business and government leaders are very accessible and we need to nurture these relationships.
     - **EDUCATION**
       - Maine should focus on strategic investments to close the income gap. Investment in education is critical, not just within traditional university programs but also in schools that have programs that focus directly on meeting workforce development needs.
       - To change Maine and lift the population's wage earnings, we must look to those who are working now but need an opportunity to raise their own attainment. Research

shows that if employers invest in their employees by offering educational opportunities, a majority become very loyal to the business.

- **LOCATION & BUILDING ON OUR ADVANTAGES:**
  - Other states are economic leaders - Why not Maine? Maine has an advantageous climate compared to many of the climate struggles faced with on the south coast.
  - Maine has a great quality workforce which is a great advantage to businesses nationwide.
  - Need to focus on Maine's advantageous geographic location in the global economy vs. purely our location in the U.S.; focus more on markets to the north, east and west, and investments from these areas.
- **CANADIAN INVESTMENT:**
  - We should focus our efforts on attracting investment to Maine and looking at where we have succeeded over the past 10-15 years in attracting businesses to Maine. Much of this investment has come from Canada and Canadian markets/investments should be pursued since a majority of our investments come from this country. We should collaborate and build on this relationship for the future.
  - Our banking laws are advantageous and should be promoted as such across the country. Also, our tax structure is advantageous to the Canadians.
- **TRANSPORTATION:**
  - Transportation is vital to developing this relationship with Canada and the rest of the country, and east-west routes are critical. The State has been working on an east-west highway for almost 40 years, but has not been able to accomplish it due to many challenges.
  - There are severe economic challenges in the northern half of the State- how long will it be before the challenges in the north affect the entire State's economy? There is an opportunity to address the challenges with an east-west highway that could be accomplished by using a large amount of underutilized infrastructure in northern parts of the state and existing right of way systems that are privately owned – these local communities could be strengthened by the creation of an east-west highway and they should have that opportunity.
  - A strong transportation infrastructure would allow us to get raw materials in and out of the State much faster- Build the infrastructure and they will come! We have 4 railway systems which are greatly underutilized and not being used to their potential, particularly with transporting goods to and from Canada and to other parts of the country.
  - Transportation planning linked to land use planning and the protection of special/unique places will help keep the Maine "brand" strong.
  - Some of these existing northern communities are starved for economic opportunities that an enhanced transportation infrastructure can help provide.
- **HEALTH CARE:**
  - The health care industry is a strong industry in Maine and with the aging population it is expected to grow.
  - The State could develop a strategy to become the healthiest state in the country by building on our outstanding medical facilities and using grants from the National Institute of Health – Maine could become a laboratory to employ new research and have the research applied across the country.
  - Maine has the opportunity to become a health care center of excellence.

- **INNOVATION & MAINE'S INDUSTRIES OF ADVANTAGE**
  - Maine must differentiate itself from other states and become leaders, playing on our advantages- Create an *innovation environment.*
  - Maine's industries of advantage are in wood fiber/forest products, marine-based industries (such as fishing, aquaculture and ship building) and agriculture.
  - The "Maine" brand is very valuable and efforts to strengthen and market it are desirable.
- **DEMOGRAPHICS & OUR WORKFORCE**
  - Being aware of the homogenous nature of Maine's population is important in terms of demographics (low birth rates among Caucasians) and competing in a global economy.
  - Maine has very slow population growth nationally and is one of the slowest growing states in the Northeast region. A shifting in budget priorities will be necessary to serve this aging population.
  - Recognize the importance and value of cultural differences and diversity in our population, workforce and our communities.
  - A heightened focus on these areas will help Maine adapt to a global economy and also help attract youth to Maine.
  - Young people in the workforce often have different learning styles and are more technology-oriented - We should be using technology to attract young workers to Maine and build this strategy into our planning.
  - The work ethic of younger generations strives for more balance in life- businesses need to adapt to this in order to maximize the potential of this labor force.
  - Efforts such as **REALIZE!MAINE**, http://realizemaine.org/index.php, now under the auspices of the Maine Development Foundation, are working to reverse the historical trend of net out-migration in Maine.
- **BUSINESS ENVIRONMENT**
  - Companies that are privately held in Maine sometimes relocate after going public due to traditional business decision factors such as: workers compensation, health insurance costs, and changes in business regulation.
  - A consistent business environment would encourage companies to come to and stay in Maine.
  - Need to determine what factors affect capital investment in Maine. For instance, some parts of the tax structure – such as the recently eliminated personal property tax on business equipment and income taxes for highest income bracket— are more important than others for business decision purposes.
- **CLOSING ROUNDTABLE: COMMENTS**
  - Focus on a clear, transparent process;
  - Use the "Measures of Growth In Focus" report for benchmarks of economic progress;
  - Interest in learning more regarding dynamic fiscal notes;
  - Focus on getting away from 'silo'-type thinking in the legislative process;
  - Focus on Maine's heritage industries & developing one Maine brand;
  - Making bold proposals; learning from other states to develop a critical path or model legislation;
  - Relationship between building codes and preserving Maine's Quality of Place;

- ❖ Long-term planning that remains consistent and focused –how to accomplish this; Relevance of the State's unfunded liabilities; learn about the experiences in Ireland and North Carolina;
- ❖ Focus on Maine's strengths; education programs that prepare workers; improving the marketing of Maine; engaging the philanthropic organizations as well as business, education and government; providing continuity in economic planning; find out what fosters stability and continuity in economic planning; vision for future of Maine; and the need for strategic investment over time.

3. Meeting Adjourned

Future Meeting Dates

The Committee will hold its second meeting on **October 10th**. The next meeting dates are: **October 23rd, November 13th and December 11th.**

The Joint Select Committee on Future Maine Prosperity
October 10, 2007 Meeting

MEETING SUMMARY

Members in attendance: Sen. Damon, Sen. Courtney, Sen. Plowman, Rep. Piotti, Rep. Gould, Rep. Loring, Rep. Sutherland, Rep. Weaver, Rep. Rector, Rep. Smith, Rep. Watson, Rep. Woodbury, Rep. Simpson, Rep. Fitts, Rep. Hamper
Members absent: Sen. Bartlett

1. **Welcome and Introductions**

   - Opening Remarks from co-chairs Senator Damon and Representative Piotti; charting the course for the Committee; review of the Joint Order; and duties of the Committee
   - Discussion of expectations and goals of Committee members

2. **Panel Discussion on Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**
   - **Panelists:**
     - Jake Ward, Assistant Vice President for Research, Economic Development and Government Relations at the University of Maine
     - Betsy Biemann, President of the Maine Technology Institute; and
     - Catherine Renault, Director of the Office of Innovation and the Governor's Science Advisor
   - ***Important Points Made by Presenters***
     - **CLUSTERS FOR R&D**
       - Researchers are focusing on clusters for regional R&D. A cluster is a group of organizations, including a core of private sector companies, that is characterized by the following: a high degree of innovation, entrepreneurial energy, experience and leadership; a critical mass of well-networked companies and strong industry associations; a high degree of knowledge sharing among members of the cluster; access to capital; a specialized workforce; and commercial potential.
       - The University of Southern Maine is conducting a study of cluster development that is expected to be completed in December 2007.
     - **INVESTMENT IN INNOVATION**
       - We have invested $300 million in R& D since 1996, which has resulted in diversification of our economy and strengthened our research capacity; companies that get assistance from MTI and the patent program pay higher wages.
       - Investments in innovation create higher paying jobs and create economic growth; the goal of the State's Science and Technology Action Plan is to have consistent investment of $120 million annually (at this time we're spending about $20 million now, not including the potential bonds)
       - Innovation is an important tool for rural economic development.

- Maine is one of only a few states that measure and evaluate the impact of the State's public investments in R&D.
- A large amount of economic growth in Maine has come from firms less than 5 years old in new industries/technologies.
- Maine has invested heavily in our non-profit research laboratories; efforts have been funded thru EPSCOR and competitive funds (enabled by 3 rounds of bond funding- '99, '03 and '05); General Fund money and Maine Economic Improvement Fund contributions have also been very important to our success.
- Maine has had no lack of good ideas- but a lack of sustainability.
- The Maine Patent Program, the Small Enterprise Growth Fund, and R&D tax credits all play a critical role in our innovation economy.
- However, R&D investment levels have not been sufficiently consistent or substantial enough to allow us to catch up with other states.
- The strategic plan at DECD focuses on 4 main strategies: support innovation and entrepreneurship to diversify our economy and raise productivity; support green initiatives/ natural resource sustainability; attract multigenerational/multicultural workforce; and expand international trade.

- **THE GLOBAL ECONOMY**
  - The State needs to focus on specialized training programs to ensure there will be a trained workforce in the technology centers that the State is trying to grow.
  - The global economy has made partnerships and research relationships critical; we should encourage companies in New England to expand in Maine and develop our regional partnerships.
  - The road to prosperity is to grow the economic pie; increase our per capita income; increase accountability in how investments are done; and improve our productivity.

- **EDUCATIONAL INITIATIVES**
  - K-12 educational initiatives that focus on attracting students to careers in science and engineering are critical.
  - We need to rebuild our culture of discovery; we need to nurture connections between educators, government leaders, private sector entrepreneurs and business leaders.
- **INNOVATION AND SMALL COMPANIES**
  - There are only 53 companies in Maine that meet the large company criteria- that is a problem because they tend to be anchors for smaller companies.
  - Large companies tend to focus on surviving financially and they do not have time to focus their energies on innovation- we need to help facilitate linking them with smaller companies and innovators to help spur innovation.
  - The trend with federal grant money is now to require that there is a commercialization strategy from universities and people doing basic research.
- **MTI**
  - MTI is cultivating prosperity across the State.
  - ¾ of all proposals received by MTI are not funded; however MTI works diligently to help people understand why their proposals were not accepted,

and how to develop and strengthen proposals so that they create stronger projects that could be funded in the future.
- MTI funds are competitively awarded based on the strength of the project, whether the technology is promising and the route to the market is realistic, and whether it will create good jobs and spur innovation.
- 5,000 hours of volunteer time is contributed to MTI from local business people and technology experts who help review MTI proposals. Peer reviewers are also commissioned from outside of the State to review proposals.
- MTI helps businesses to connect with federal fund (Small Business Innovation Research Program funds over $2 billion a year for companies). MTI helps prepare successful proposals for this type of innovation funding and has tripled the amount of federal funds received over the past few years.
- For every $1 awarded by MTI, $12 is leveraged.
- Maine needs to sustain and grow its investments; vibrant technology clusters are critical.

- **EMINENT SCHOLARS**
  - Eminent scholars: DECD is looking at attracting them to our research universities with NSF grants, or with laboratories to inspire students and attract funds (bond money does not pay for researchers).
  - Maine has a culture of perceiving large salaries as not belonging in Maine; we have to change our mindset and our thinking to attract science and technology leaders and enhance our research universities to compete globally.

3. **Panel Discussion on Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**
   - **Panelists:**
     - John Melrose, President of Maine Tomorrow and former Commissioner of the Maine Department of Transportation;
     - Mary Ann Hayes, Executive Director of Maine Rural Partners;
     - Kathy Fuller, Director of the Environmental Office of the Maine Department of Transportation

   - ***Important Points Made by Presenters***
     - **AUTOMOBILE OWNERSHIP**
       - Maine's population has not changed much, but we have more vehicles registered in the State than we have drivers; we also have many more commuters with longer commutes.
       - The population outside of the service centers has grown from 37 % to 52%.
       - The affordability of auto ownership has had a large impact on Mainers; 1/5 of all household expenditures go to transportation (only housing commands more of the household budget).
       - Cost of vehicle crashes: $1.1 billion; of that $360 million is attributable to unsafe roads. Annual vehicle repairs caused by bad roads exceed the amount in the DOT budget.
       - Roads are classified for their degree of statewide importance: state highways represent one third of road mileage and it carries 88% of all traffic. 12% of miles are arterial roads, which carry 2/3 of all traffic.

- Ease of access and mobility draws development; overly congested transportation systems are a failure of land use planning and are not good for development.
- Rural areas need reliable, safe roads and improvements.
- North-south highway presents opportunity for $17 million in savings in transportation costs by reducing travel time by 20 minutes.
- Monomodal transportation model puts all our eggs in one highway basket and does not offer choices and competition; it squanders some of our most important marine assets, especially our ability to move freight by water, which is the most efficient and environmentally benign way, as well as our tremendous rail assets that are not being used.
- Maine is gradually losing its mobility; we've been coasting on investments of prior generations in our roads.
- We should support policies that support compact mixed use development; and enhance access management; increase pedestrian use, which is essential to the health and well-being of our communities.
- We should promote a New England rail and sea transportation asset plan and rethink the state aid highway system (SP 731).
- Policy shifts: our compact community law is written today as a disincentive; the minute they reach a certain density they have to participate in maintenance of certain highways, and the reimbursement is not sufficient to cover their costs.
- Traffic movement permits are a disincentive for builders; DOT trying to introduce different factors into the analysis (i.e.: credits for pedestrian access).
- There is a need for a transfer of development rights program that works on a regional basis; it could be a tool to apply on a regional basis.

- **IMPORTANCE OF A MULTI-MODAL MODEL**
  - Importance of a multi-modal model; we currently have a big emphasis on the highway model due to our dependence on autos; we need to prepare for the change to a multi-modal model where we make use of our rail and marine transportation.
  - We should make the travel experience part of the vacation experience in Maine.
  - Maine should take advantage of its ports of origin; find companies to put their investments at these locations and fill the missing connection with the rail system there.
  - Searsport is a national asset and the decisions we make should be very careful so that we don't hurt our future interests; it is our biggest area for growth and it has rail access all the way to Montreal. A container coming into Searsport could have a one day advantage getting into Chicago; this would save people sending containers down to New Jersey, it would open up access to Montreal and stabilize the railroad, which would be good for Aroostook.
  - We should have a plan to further develop Searsport; there have been negotiations to split the island so that a piece goes to conservation, a portion goes to the State as a set aside for transportation use. The state has come a long way to achieve an agreement of joint use of the island and the DOT is working with the community to come to a resolution to preserve options for the future, but also respect the values of the island. By next spring the plan

will identify how much will be set aside for transportation and what the conservation easement will be.

- Maine is a maritime state and we've got to do more to develop one of our largest assets.

4. **Meeting Adjourned**

Future Meeting Dates

The Committee will hold its third meeting on **October 23rd**. Future meeting dates are: **November 13th and December 11th.**

The Joint Select Committee on Future Maine Prosperity
October 23, 2007 Meeting

MEETING SUMMARY

Members in attendance: Sen. Damon, Sen. Courtney, Sen. Plowman, Rep. Piotti, Rep. Gould, Rep. Loring, Rep. Sutherland, Rep. Weaver, Rep. Rector, Rep. Smith, Rep. Watson, Rep. Woodbury, Rep. Simpson, Rep. Fitts, Rep. Hamper
Members absent: Sen. Bartlett

1. **Welcome and Introductions**

   - Opening Remarks from co-chairs Senator Damon and Representative Piotti; charting the course for the Committee; review of the Joint Order; and duties of the Committee
   - Discussion of expectations and goals of Committee members

2. **Panel Discussion on Cultivating Sustainable and Long-Term Prosperity in Maine, Followed by Question & Answer Period with Committee**
   - **Panelists:**
     - Richard Barringer: Research Professor, Muskie School of Public Service and Chair of the Governor's Council on Maine's Quality of Place
     - Alan Caron: President, GrowSmart
     - Carla Dickstein: R&D Senior Program Officer, Coastal Enterprises Inc.
     - Bob Smith: Proprietor, Sebasco Harbor Resort
   - ***Important Points Made by Presenters***
     - Maine's working landscapes should be a focal point in our economic development strategy. We need to find ways to help people survive and prosper in Maine's traditional industries in a way that is compatible with the environment.
     - The State should be diligent about the opportunity to develop Quality of Place, but also be aware of the negative aspects of this development.
     - Maine's natural resource base is key, and we need to learn how to use it to add more value and make it in synch with the new economy and environmentally friendly.
     - The State should also be "greening" the supply chain; looking for suppliers that will give us green products and services and provide investment in forest certification.
     - We should be focusing on helping the individuals in the communities as part of our focus on Quality of Place.
     - The new innovation economy is based on competitive funding of new ideas leading to practical projects that create jobs. The new economy will be based on new ideas; the best of the best of all sectors.
     - Quality of Place includes land and rural landscapes and neighborhoods; both the Brookings report and the Governor's Council reflect a commitment to maintaining a rural landscape that is agriculturally based.

- Farmland is an incredible economic tool and asset that the current markets do not reflect. For example, the law prevents development on wetlands to preserve them, yet farmlands represent 4% of the State and the government, through regulation, actually encourages development in farmland areas. We should think of our farms, forest land, and waterfront, as our economic engines that must be preserved by the State and the private sector. We should form a coalition to protect our lands and working waterfronts.
- The State should prioritize only a few select strategic policies that we will pursue to perform better than anyone in the country; for example- innovation- and stick with this plan over time without changing course. The entire State must be involved to build this agreement; we must involve Maine people in this strategic objective.
- We should establish regionally-based economic development planning where the State is a partner.

3. **Panel Discussion on the Role and Perspective of Private Business Owners in Cultivating Sustainable Prosperity, Followed by Question & Answer Period with Committee**
   - **Panelists**
     - Jackson Parker: President and CEO, Reed & Reed, Inc.
     - Larry Shaw: President and CEO, Maine Mutual Group Insurance
     - Peter Anania: President, MEGA Industries, LLC
   - ***Important Points Made by Presenters***
     - Taxes are a very important factor to businesses looking to relocate.
     - The private sector must drive prosperity; the government's role is to make a business-friendly environment. The State's economic strategy should be careful not to overlook businesses that are currently operating in the State.
     - Maine's labor and employment regulations are not business-friendly. The State now has a new class of protected employees by recently expanding the definition of 'disabled' even more broadly than the federal law. The transportation system is critical to Maine businesses; however funding has been insufficient to meet the needs of businesses. Addressing this should be an essential part of our plan for prosperity; LD 1790 should be endorsed to help facilitate the movement of people and goods safely and effectively throughout the State.
     - People want to be part of a successful enterprise- create a culture to attract good people.
     - To achieve prosperity we should shrink the size of state government, reduce excess regulations, reform workers compensation and invest in transportation infrastructure.
     - One of the biggest challenges with achieving prosperity in Maine is improving the business climate. Whether it is in reality, or in perception, a real shift needs to occur to improve our business climate.
     - There are 3 major steps to achieving prosperity: sustainable strategic vision; long term campaign to change the business climate from business-unfriendly to business-friendly, including marketing this concept and getting the word out nationally and focusing on keeping existing

businesses and attracting new ones to the State; and decisions need to be strategically implemented.

- The State should engage the private sector in these issues. The private sector is very much engaged in trying to influence better policies (many serve on boards/committees/summits where they volunteer their time to make a difference); there is a disconnect, or an inability to deal directly with government. An advisory council could provide a needed forum to bounce ideas off the business sector to see what the potential impact is of proposed legislation.
- Each legislator could have a business group that they request advice from to see the impact on the business community of proposed legislation, and allow them to weigh in.
- Transportation (East-West/ North-South) highway system needs to be improved; transportation is a big issue for traditional resource-based industries- getting products to market and raw materials in. Bringing the Canadian region more into play will be critical.
- Information super highway- technology must be efficient so that information can be transferred quickly and efficiently.
- We need to improve our tax structure and get off the lowest end of the national lists for tax burdens that we keep getting on (Forbes Report, etc).
- A skilled workforce is very important- investing in education should be a top priority; target training for employees is also being done at some community colleges, which have great models of these programs.
- The State has a lot to offer- but we must move away from our business-unfriendly perception across the country; job creation will impact business and will attract and retain businesses for the future.
- We must have more outreach to the business community; through trade associations, etc., ask them what their vision is for the future of Maine.
- Maine is a very entrepreneurial state and we should encourage creativity; the Maine "brand" is really simply the Maine entrepreneur; we must help cut down the regulations that small businesses face. The time it takes to comply with the many rules/regulations/tax filings is burdensome and overly time- consuming.

4. **Panel Discussion on Economic Development Visionary Leadership; Opportunities to Build on Our Competitive Strengths and Lessons to Learn**
   - **Panelists**
     - Karen Mills: Founder and Managing Director, Solera Capital and Chair of the Governor's Council on Jobs, Innovation and the Economy
     - Charles Hewett: Chief Operating Officer, The Jackson Laboratory
     - Roxanne Quimby: Co-Founder, Burt's Bees, Inc. and President of Happy Green Bee
   - ***Important Points Made by Presenters***
     - Clusters help give strength to the need for workforce training- for example, clusters of boatbuilders and the community colleges have come together focusing and aligning on promising activities. Clusters can work with schools to develop the needed training programs for burgeoning industries.

- There are 1,000 unfilled precision manufacturing jobs open today- they are working to try to find qualified people to fill these promising jobs.
- Cluster initiatives happen when people get together and work on the cluster and become a primary organizing force in the states; this can be an organizing force for economic development; it can attract business to the State because they are working in the business and they have a network ready once they arrive with the cluster.
- Maine's ranking is 33rd and 34th for tax supported debt as a percent of income; we pay off our debt in 10 years, which is not as long as other states. Bonding on a regular basis, along with sustained investment is critical to drive innovation
- We are 50th in the nation for investment in R&D; 34 states approved 77 different kinds of funds similar to this technology-based bond that is being proposed to the voters.
- The federal government spent $80 million on regional economic development; this money is not aligned with state priorities and we need to tell federal agencies that are here to get in line with our state priorities. Alignment of these resources should be critical to moving our economy forward.
- Ireland has same land area as Maine with 3X the population; colleges are scattered around the land- they strategically did not duplicated one program across the country and were able to spread wealth around the country; Ireland was very effective in drastically improving their economy.
- The Irish Development Authority was highly capable- cream of the crop with well paid specialists in each of these industries- they knew how to encourage companies to come to Ireland and remove any stumbling blocks.
- Ireland also created infrastructure to support those industries- Greenfield industrial parks, rail, telecommunications, water treatment- everything was focused on a unified vision and strategy.
- The State must adopt a strategy for strategic reason, not political reasons and build its infrastructure around this strategy. We must shape our investments to satisfy and support this strategy.
- Maine must reduce the cost of doing business in Maine; many companies leave because the cost of doing business here is too great (workers compensation, taxes, etc). Maine must change its business-unfriendly reputation.
- There are activities that are self organizing all across the state, put your energies here
- We should focus strategically on education, infrastructure, tax incentives, improving our regulatory management and improving Maine's business climate.

4. Meeting Adjourned

Future Meeting Dates

The Committee will hold its third meeting on **October 23rd**. Future meeting dates are: **November 13th and December 11th.**

APPENDIX D

Bibliography

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APPENDIX E

Letter to the Governor

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

The Honorable John E. Baldacci
State of Maine Governor
1 State House Station
Augusta, Maine 04333

Dear Governor Baldacci:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve legislative action; however, a few are recommendations for consideration by the Executive Branch. The Committee respectfully requests the support of the Governor as both branches work to move Maine's economy forward on the road to prosperity.

In order for Maine to achieve sustainable prosperity, Maine must develop a reasonable and predictable business and regulatory climate that focuses on easing the burden on small businesses with a scale-appropriate regulatory structure. The Committee heard from many business owners that Maine's regulations are often overly burdensome, pointing also to an overly aggressive regulatory enforcement effort that creates an unnecessary burden on Maine businesses. Improving the business climate will be critical to retaining and promoting the growth of our valuable Maine businesses, as well to attracting new businesses that would relocate to Maine due to its quality of life. We must improve Maine's reputation for having a negative business climate both within the State and nationwide. A negative business climate does not foster confidence from Maine business owners and is a significant barrier to fostering economic growth.

Accordingly, the Committee requests your support in improving Maine's business climate by issuing a directive to all state agencies that states the following:

> "*In order for Maine to move forward on the road to prosperity, Maine's regulatory agencies must reinvent themselves and how they interact with Maine businesses.*

Regulatory agencies and their employees must strive to provide a consistent, efficient and effective regulatory environment for businesses. It is critical that all agencies work to improve relationships with the business community. It is not a matter of choosing between regulation and promotion. Regulations should be enacted, written, and enforced in a manner that achieves their intended goals, while minimizing unnecessary and unproductive conflicts and redundancies for those impacted. We need an effective partnership between state agencies and the business community. Regulatory agencies should work diligently to promote a new attitude that replaces sometimes adversarial relationships."

In addition to enhancing Maine's business climate, the Committee identified energy production as an economic development opportunity and an area where the State could provide leadership in energy production and innovation. The Committee supports an energy policy for Maine that focuses on the following: energy conservation; renewable resources, including streamlining permitting processes to facilitate use of renewable resources; and measures to encourage the development and use of low-carbon and carbon-neutral energy sources, including cap and trade policies to reduce emissions. Accordingly, the Committee requests the Governor submit legislation to the Second Session of the 123rd Legislature detailing the elements of a comprehensive energy policy for consideration by the Joint Standing Committee on Utilities and Energy and adoption into law by the Legislature.

Finally, the Committee also received the report from the Governor's Council on Maine's Quality of Place and agrees that our Quality of Place is one of our biggest economic assets. The Committee recommends that policy makers build upon Maine's special character to create economic advantage by preserving open space, protecting traditional downtowns as well as working landscapes and waterfronts, and enhancing business and residential land use policies. Accordingly, the Committee requests the Governor submit legislation to the Second Session of the 123rd Legislature to implement the recommendations of the Governor's Council on Maine's Quality Places for consideration by the appropriate joint standing committees.

We look forward to working with you in a collaborative manner to move Maine's economy forward.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis
Jack Cashman, Senior Economic Advisor, Governor's Office

APPENDIX F

Letter to Joint Select Committee on Business, Research and Economic Development

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Sen. Lynn Bromley, Senate Chair
Rep. Nancy E. Smith, House Chair
Joint Standing Committee on Business, Research and Economic Development
123rd Maine Legislature
State House
Augusta, Maine 04333

Dear Senator Bromley and Representative Smith:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature. The Committee recognizes the valuable expertise of the joint standing committees and respectfully requests their support in advancing legislation that will advance Maine toward a more prosperous future.

The Committee strongly believes that Maine must emerge as a center for innovation. As you know, all of the leading studies and reports on Maine's economy emphasize the great importance of strategic investments in innovation, research and development and cluster development in advancing Maine's economy. According to the Brookings report, in order for Maine to compete in a global economy, it must "not only [] recommit to building a high-value innovation economy, but go to the next level in investing in sectors in which Maine is demonstrating competitive advantages and prowess - whether it be in wood composites for the boat-building industry or the development of new products and processes in forestry and agriculture." Though the focus may be placed on Maine's most promising industry sectors and clusters, we must be innovative in all that we do, within all business sectors and also within government and the nonprofit sector. This will be essential to stimulate job creation and economic growth. The Committee's report includes several general recommendations of support

for investments in innovation and state R&D programs that will enhance Maine's competitiveness in the national economy.

The Prosperity Committee's report also includes recommendations for specific legislative action including a request that the Joint Standing Committee on Business, Research and Economic Development share with the Governor any recommendations it develops from its annual review of the Maine Regulatory Fairness Board's report, to ensure that both branches of government are reaching for the same goal. This outreach to the Governor and legislative stakeholders can be achieved in a manner the Committee deems most effective.

In a separate recommendation, the Prosperity Committee requests the Joint Standing Committee on Business, Research and Economic Development support the concept of a "Fund of Funds" to increase the availability of venture capital to the Maine economy and investment in activities that bring a return to the State that can be reinvested in other economic development initiatives, which is described in the carry over bill currently before the Joint Standing Committee on Business, Research and Economic Development entitled ***LD 1215, An Act to Attract New Capital for Innovative Businesses through Equity Investment in Maine.***

We look forward to working with you in a collaborative manner to move Maine's economy forward on the road to prosperity.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis

APPENDIX G

Letter to Joint Select Committee on Education and Cultural Affairs

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Sen. Peter B. Bowman, Senate Chair
Rep. Jacqueline R. Norton, House Chair
Joint Standing Committee on Education and Cultural Affairs
123rd Maine Legislature
100 State House Station
Augusta, Maine 04333

Dear Senator Bowman and Representative Norton:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature. The Committee recognizes the valuable expertise of the joint standing committees and respectfully requests their support in advancing legislation that will advance Maine toward a more prosperous future.

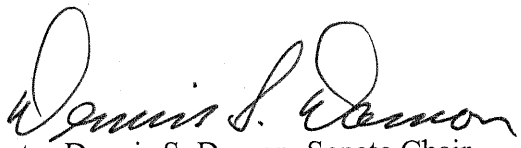
During the course of its deliberations the Committee reviewed many reports, including the Brookings report, which emphasized the importance of the recent trend of rising education levels and increasing enrollment in post-secondary education of Maine residents. Investment in education is critical, not just within traditional university programs but also in school programs that focus directly on meeting workforce development needs. The State's post-secondary educational institutions must focus on meeting these workforce development needs to ensure that the State can support its most promising technology sectors and growing businesses across the State. A skilled labor force will be critical to the advancement of Maine's growing innovation-oriented industry sectors and clusters.

Therefore, the Committee respectfully requests the Joint Standing Committee on Education and Cultural Affairs to convene an informal group of legislators, including members from the Joint Standing Committees on Business, Research and

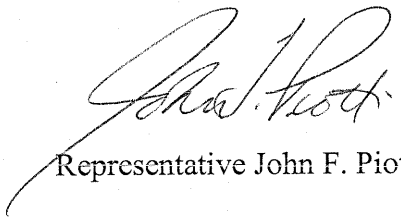
Economic Development and Labor, that would meet with the leaders of the State's post-secondary educational institutions to discuss the following: (1) how the State's institutions of higher education are working to help meet the needs of Maine's growing industries and the State's growing need for a skilled workforce; and (2) ways in which the State could foster collaborative efforts between the business sector and Maine's post-secondary education community to develop workforce training and development programs that will meet the current and future needs of Maine's economy and industries.

We look forward to working with you in a collaborative manner to effectively move Maine's economy forward.

Sincerely,



Senator Dennis S. Damon, Senate Chair



Representative John F. Piotti, House Chair

c: Sen. Lynn Bromley, Senate Chair, Joint Standing Committee on Business, Research and Economic Development
Sen. Ethan Strimling, Senate Chair, Joint Standing Committee on Labor
Rep. Nancy E. Smith, House Chair, Joint Standing Committee on Business, Research and Economic Development
Rep. John L. Tuttle, Jr., House Chair, Joint Standing Committee on Labor
David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis

APPENDIX H

Letter to the Maine Department of Transportation

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Mr. David Cole, Commissioner
Maine Department of Transportation
16 State House Station
Augusta, Maine 04333

Dear Commissioner Cole:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature.

Throughout the Committee's deliberations, it became clear that strategic investments in the areas of transportation infrastructure and land-use planning would be essential to fostering and developing the State's economy and preserving Maine's Quality of Place. In order to move all of Maine forward on the road to prosperity, greater collaboration with Maine's federally recognized tribes will be critical.

Accordingly, the Committee respectfully requests your support in advancing the following recommendation:

1. The Committee recommends that the Maine Department of Transportation work with Maine's four federally recognized tribes when obtaining pertinent federal transportation funds. The Department should strive for greater collaboration with the tribes. It is essential that the partnership between Tribal Government, State Government and Federal Government be fully, faithfully and honestly utilized. The relationship that exists between the tribes, the Bureau of Land Management and the Bureau of

Indian Affairs should be regarded as an important asset particularly when considering transportation infrastructure improvements for Maine's tribes. The Department can play a significant role as Maine's tribes work to improve their economies.

We greatly appreciate your assistance with this recommendation as we work together for Maine's future prosperity.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis

APPENDIX I

Letter to the Maine Economic Growth Council

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Sen. Lynn Bromley, Co-Chair
Leroy J. Barry, Co-Chair
Maine Economic Growth Council
295 Water Street, Suite 5
Augusta, Maine 04330

Dear Senator Bromley and Mr. Barry:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature.

During the course of its deliberations, the Prosperity Committee members agreed that Maine's Quality of Place is one of our biggest economic assets. Protection of this asset will be critical to making progress toward sustainable prosperity for the State. We must make it a priority to strengthen state efforts to help town and regions strategically manage and coordinate their growth in a manner that will enhance Maine's Quality of Place, as well as streamline our development efforts in a manner that encourages state and local growth management that does not harm our traditional centers and working landscapes.

The Committee defined prosperity as achieving for Maine people a better quality of life including financial, professional and personal comfort and security, which is coupled with optimism for the future. In the context of improving the quality of life for all Maine people, the Committee agreed that the State must address the domestic violence and abuse in Maine that prevents so many families from feeling safe and secure in their own homes. To address this significant barrier to improving the quality of life for Maine people, the Committee requests your support and consideration of the following recommendation:

1. Because no person can feel prosperous in any place regardless of its quality if they are not safe in their own home, the Committee recommends the Maine Economic Growth Council consider adding a new measure to the annual Measures of Growth Report that is related to domestic abuse incidents in Maine.

We appreciate your support and look forward to working with you in a collaborative manner to move Maine forward on the road to prosperity for all Maine people.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis
Ed Cervone, Program Director, Maine Economic Growth Council
Laurie Lachance, President, Maine Development Foundation

APPENDIX J

Letter to the Joint Select Committees on Business, Research and Economic Development; Natural Resources; Agriculture, Conservation and Forestry; Taxation; and Marine Resources

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Sen. Lynn Bromley, Senate Chair
Rep. Nancy E. Smith, House Chair
Joint Standing Committee on Business, Research and Economic Development

Sen. John L. Martin, Senate Chair
Rep. Theodore S. Koffman, House Chair
Joint Standing Committee on Natural Resources

Sen. John M. Nutting, Senate Chair
Rep. Wendy Pieh, House Chair
Joint Standing Committee on Agriculture, Conservation and Forestry

Sen. Joseph C. Perry, Senate Chair
Rep. John F. Piotti, House Chair
Joint Standing Committee on Taxation

Sen. Dennis S. Damon, Senate Chair
Rep. Leila J. Percy, House Chair
Joint Standing Committee on Marine Resources

123rd Maine Legislature
State House
Augusta, Maine 04333

Dear Chairs:

The Joint Select Committee on Future Maine Prosperity, created by the Legislature during the First Regular Session of the 123rd Legislature has completed its work and submitted its final report, including recommended legislation, pursuant to House Paper 1018.

During the course of its deliberations, the Prosperity Committee members agreed that Maine's Quality of Place is one of our biggest economic assets. Protection of this asset will be critical to making progress toward sustainable prosperity for the State. Maine is currently in danger of losing many of its special places, due to ineffective state and local land use planning and growth management efforts. We must make it a priority to strengthen state efforts to help town and regions strategically manage and coordinate their growth in a manner that will enhance

Maine's Quality of Place, as well as streamline our development efforts in a manner that encourages state and local growth management that does not harm our traditional centers and working landscapes. We must also address how the State's lack of a mandatory statewide building code has caused what the *Brookings Report* described as "code proliferation and conflict" that hinders development in established areas and the revitalization of Maine's special downtown areas.

Accordingly, the Joint Select Committee on Future Maine Prosperity requests your support and consideration of the following recommendation:

> *The Committee recommends the Joint Standing Committees on Agriculture, Conservation and Forestry, Business, Research and Economic Development, Natural Resources, Marine Resources, Taxation and other relevant committees consider policy changes within their jurisdiction that will enhance economic opportunity through Quality of Place, including but not limited to: (1) creating an economic development strategy that builds on the special assets of Maine Tribes, in close cooperation with the Tribes; (2) vigorously expanding capacity for statewide, regional and local comprehensive planning; (3) developing a statewide building code; (4) ensuring permitting processes that incorporate regional and statewide land use priorities while minimizing regulatory time and costs; (5) providing tax credits for historic rehabilitation; and (6) funding the acquisition of land or rights to land to protect vulnerable resources and to enhance public access and public support for private business activity that seeks to enhance economic development based on Quality of Place.*

The Joint Select Committee on Future Maine Prosperity encourages these joint standing committees to propose legislation to implement their recommendations and also encourages the committees to combine their valuable expertise and resources to address these issues together, where they deem appropriate.

We greatly appreciate your support and commitment to advancing the vision of providing a better quality of life for all Maine citizens and sustainable prosperity for the State.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis

APPENDIX K

Letter to Joint Select Committee on Appropriations and Financial Affairs

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

Sen. Margaret Rotundo, Senate Chair
Rep. Jeremy Fischer, House Chair
Joint Standing Committee on Appropriations and Financials Affairs
123rd Maine Legislature
5 State House Station
Augusta, Maine 04333

Dear Senator Rotundo and Representative Fischer:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature. The Committee recognizes the valuable expertise of the joint standing committees and respectfully requests their support in advancing legislation that will advance Maine toward a more prosperous future.

The Committee respectfully requests your support and consideration of the following recommendations:

1. The Committee requests the Joint Standing Committee on Appropriations and Financials Affairs consider the development of a process for preparing comprehensive or dynamic fiscal notes that evaluate the economic impact of legislative proposals beyond the direct revenue impact and make recommendations on whether such a process should be developed by the Legislature. The Committee believes that this process should be considered to provide a comprehensive perspective of economic development proposals, which often fail in the Legislature because of the fiscal impact of the initial investment. The current fiscal note process does not take into consideration the future

revenues for the State that could result from the initial investment in certain economic development proposals.

2. The Committee requests the Joint Standing Committee on Appropriations and Financials Affairs consider and report out legislation that will require the Governor to include in the biennial budget document a long-range plan for state government expenditures and revenues.

3. The Committee recommends the Joint Standing Committee on Appropriations and Financials Affairs ensure the $500,000 in annual state-municipal revenue sharing funds provided in current law for the Fund for the Efficient Delivery of Local and Regional Services be maintained and results of this program be monitored and reported back to the Joint Standing Committee on Appropriations and Financials Affairs.

We look forward to working with you to move Maine's economy forward on the road to prosperity.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

cc: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis

APPENDIX L

Letter to the Legislative Council

Sen. Dennis S. Damon, Chair

Rep. John F. Piotti, Chair

Staff:
Natalie Haynes, Esq., Legislative Analyst
Elizabeth Cooper, Legislative Analyst
Julie Jones, Esq., Legislative Analyst

STATE OF MAINE

COMMITTEE ON FUTURE MAINE PROSPERITY

January 10, 2008

The Honorable Beth Edmonds, Chair
The Honorable Glenn Cummings, Vice-Chair
Legislative Council
123rd Maine Legislature
115 State House Station
Augusta, Maine 04333

Dear Senator Edmonds and Representative Cummings:

The Joint Select Committee on Future Maine Prosperity was established during the First Regular Session of the 123rd Legislature and is pleased to announce that it voted unanimously to support the recommendations and draft legislation in the report, which has been submitted pursuant to House Paper 1018. Many of the Committee's recommendations involve specific legislation; however, several are recommendations for consideration by the various joint select committees of the Legislature. The Committee recognizes the valuable expertise of the joint standing committees and respectfully requests their support in advancing legislation that will advance Maine toward a more prosperous future.

The Committee's report includes specific legislation and contains numerous recommendations for specific action to be taken by the 123rd Legislature through an omnibus joint order that directs several joint standing committees to report out legislation to advance Maine toward a more prosperous future. The Committee recognizes the expertise of the joint standing committees to develop this legislation, along with public participation through the public hearing process. It became clear during the Committee's deliberations that in order to bring about meaningful change to advance prosperity in Maine, the Legislature must think and act beyond traditional committee jurisdictions and become more proactive, so that public policy will truly serve the State's long-term needs.

During its deliberations, the Committee discussed the need for reforms within the Legislature that will improve the analysis of potential fiscal impacts of legislative proposals, as

well as encourage coordination and collaboration among joint standing committees. As the joint standing committees consider legislation that impacts the State's economy and future prosperity, it is important to reduce the "silo" effect that occurs when the Legislature lacks the forum and time to address cross-cutting issues that affect multiple committees.

Specifically, the Committee respectfully requests your consideration of the following recommendations:

1. The Committee recommends the Legislative Council, working with committee leadership, identify measures joint standing committees can take to work collaboratively in creating policies that support the vision for sustainable prosperity in Maine.

2. The Committee recommends the Legislative Council develop a process for using the Maine Economic Growth Council's valuable report (*Measures of Growth in Focus: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine*), for consideration of proposed legislation.

We look forward to working with you to move Maine's economy forward on the road to prosperity.

Sincerely,

Senator Dennis S. Damon, Senate Chair

Representative John F. Piotti, House Chair

c: David Boulter, Executive Director, Legislative Council
Grant Pennoyer, Director, Office of Fiscal and Program Review
Patrick Norton, Director, Office of Policy and Legal Analysis