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Reinventing Maine Government: How Mainers Can Shape a Sustainable Government and a New Prosperity

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C O M M E N T A R Y

Reinventing Maine Government: How Mainers Can Shape a Sustainable Government and a New Prosperity

by Alan Caron and David Osborne¹

Despite all of the challenges that Maine faces today, our future is as bright and full of potential as it has been in decades—if we are willing to tackle our problems openly and honestly. We have strengths in the very things the world is looking for in the twenty-first century: resourceful, creative, hard-working, honest people; pride in what we do; safe and friendly communities; a world-class environment; and neighbors who care about one another.

A new prosperity may be within our reach, but to get there we need to dramatically change the way we do things. The next governor and state legislature will look out at a landscape that includes over-extended and unsustainable governments, an aging population, ever-rising health care costs, an economy and schools too often geared toward yesterday rather than tomorrow, and growing public frustration and discouragement.

What is at stake here cannot be overstated. There are two diverging roads on the horizon. If we stay on the one we have been on for the last half century or so, hundreds of thousands of Mainers will continue to struggle. More children will grow up in poverty. More will leave school. More will become discouraged or dependent. The quality of this place, its communities and environment will almost certainly slowly decline. And what is now a trickle of younger people leaving will become a loudly rushing stream.

There is a second road that we could choose to take. To get to that one, we have to redirect funds that are now leaking into the sands of inefficiency and put them into what matters: educating the next generation; retraining and retooling ourselves; creating incentives for entrepreneurs and support for innovators. It turns

out that whatever you care about—whether it is jobs or people or the environment or social programs—the economy matters. A stronger economy is the only answer to Maine’s many problems.

THE CHALLENGES MAINE FACES

Maine faces two great challenges today, which are closely interwoven. The first is a fiscal crisis in government unlike any we have seen in at least two generations. The second is a long-stagnant economy that now discourages Maine people and limits investments in the future.

The budget crisis has announced itself through growing deficits and a projected shortfall next year of as much as a billion dollars. Those deficits will get worse in coming years as we absorb the delayed effects of an aging population, billions of dollars of unfunded pension obligations, rising health care costs and the unforeseen consequences of past political decisions. Those problems, in turn, will inevitably tumble down to critical programs, local communities and schools.

A 2006 report by the Brookings Institution, *Charting Maine’s Future*, pointed out that Maine spends more money on government than similar rural states, which has the effect of crowding out our ability to invest in “what matters” to grow the state’s economy. Brookings urged Maine to look more deeply into this problem as a key to a new era of prosperity in the state. A new report released in September 2010, *Reinventing Maine Government* (Caron and Osborne 2010), takes the Brookings analysis to a deeper level by looking beyond state government to include county and local governments, changing demographics, pension fund obligations, health care, public education and higher education.

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The report is directed at citizens who want to better understand the challenges Maine faces. It attempts to move the discussion of government beyond anecdotes and ideology to a set of facts that can help Maine honestly compare itself with similar rural states and the country. It focuses on how Maine can build a twenty-first century government, how government is currently structured, and how Maine stacks up against other rural states and the nation. Finally, it offers a series of bold and provocative recommendations for “reinventing” Maine government.

The numbers are troubling and the trends even more so. In category after category, Maine spends more on government than either similar rural states or the national average. Some of that might be justified or necessary, but much of it may simply be a result of outdated and redundant structures, inefficient operations and the demands and habits of politics. Whatever the cause, it leaves us unable to adequately prepare the next generation for tomorrow’s jobs, to encourage and support new businesses or maintain the character of Maine, all of which are critical to our future.

Whatever one’s attitude toward government or one’s political leanings, these are challenges that touch us all, cannot be avoided, and have no easy solutions. The state cannot raise taxes further; it has to pay its bills; and it can ill afford to further weaken essential functions of government such as education, transportation, and critical safety-net programs.

We believe that the situation is beyond the point where the state can meet these challenges by tinkering with the current structures, merging small programs, imposing across-the-board cuts and furlough days, and employing accounting gimmicks. The time has come to contemplate fundamental, structural change and bold steps forward. In this article, we summarize and provide key highlights of our longer report. The full report is available at www.envisionmaine.org.

TABLE 1: How Maine Compares to the National and Rural-state Averages

	Percentage above national average	Percentage above the rural-state average	Cost savings if state were at the appropriate average*
K-12 Education (per student)	8*	11	\$141 million
Medicaid and Welfare	69*	101	\$361 million
Unallocated Miscellaneous	62*	Undefined	\$205 million
Health, Other than Medicaid	125	80*	\$184 million
Higher Education, Non-instruction	7*	16	\$13 million
Corrections (per inmate)	101*	136	\$100 million
Sewer	-10	14*	\$18 million
Local Government Administration	17	10*	\$8 million
Legislature	132	68*	\$8 million
Fire Protection	-13	10*	\$11 million
Solid Waste	32*	33	\$29 million
General Public Buildings	51	3*	\$3 million
TOTAL			\$1.081 billion

*The rural-state averages were used in the comparisons for health, sewer, local government administration, legislature, fire protection, and general public buildings. In these cases, being rural noticeably affects cost levels. Otherwise, the national averages are used in these comparisons.

WHERE MAINE COULD SPEND LESS

If Maine spending on government, as a percentage of personal income, was at the national or rural-state average, we would save more than one billion dollars a year (Table 1).^{2, 3} As a percentage of state personal income, Maine spends about 13 percent more for state and local government than the national average, and 16 percent more than other rural states, making Maine the sixth highest-spending state in this measure. However, that does not mean Maine gets better results. In some cases, we simply spend more and get less.

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Here are some brief examples, some of which will be discussed in more detail later:

Public Education (K-12). Compared to the rest of the nation, Maine spends a high amount on primary and secondary education, more than \$1.9 billion in 2007. Public education is by far the largest local government service. Nationally, 58.1 percent of total local-government payroll is in primary and secondary education, while in Maine it is 71.4 percent of the total. In this ratio, Maine is fourth highest in the nation. Expenditures per student in Maine are eight percent higher than the national average, and Maine's payroll per student is 18 percent higher than the national average, despite per capita income in Maine being 11 percent below the national average. Maine's expenditure per student exceeds the average of the other rural states by 11 percent.

Medicaid and Welfare. Maine clearly has a high level of benefits (predominantly Medicaid) in comparison to the rest of the nation and to other rural states. Maine's Medicaid and welfare spending, as a percentage of state personal income, is 69 percent higher than the national average, and it grew slightly faster than in the rest of the nation from 2002 to 2007.

...[we have] three major ticking time bombs that are converging to create a perilous moment for the state.

Other and Un-allocable. This is a catch-all category that covers a lot of spending areas in Maine. It includes everything that is not in another category of spending covered in census data. It is a budget category deserving of a closer look and a better understanding. For every \$100 in state personal income, we spend \$1.18 on this catch-all category each year, just slightly below the New England average, but 62 percent higher than the national average.

Health (other than Medicaid). Maine's expenditure on health care relative to state personal income is 125 percent higher than the national average and 80 percent higher than the average of the other rural states.

Corrections. Maine's corrections cost per inmate is very high when compared to other states. Maine's annual expenditure per inmate is about \$93,500, while the national average is roughly \$46,400. Expenditures per inmate are also more than double the rural-state averages.

The Legislature. Maine's state legislative expenditure relative to state personal income is 132 percent higher than the U.S. average and 68 percent higher than the average of the similarly rural states.

THE THREE GREAT TICKING TIME BOMBS

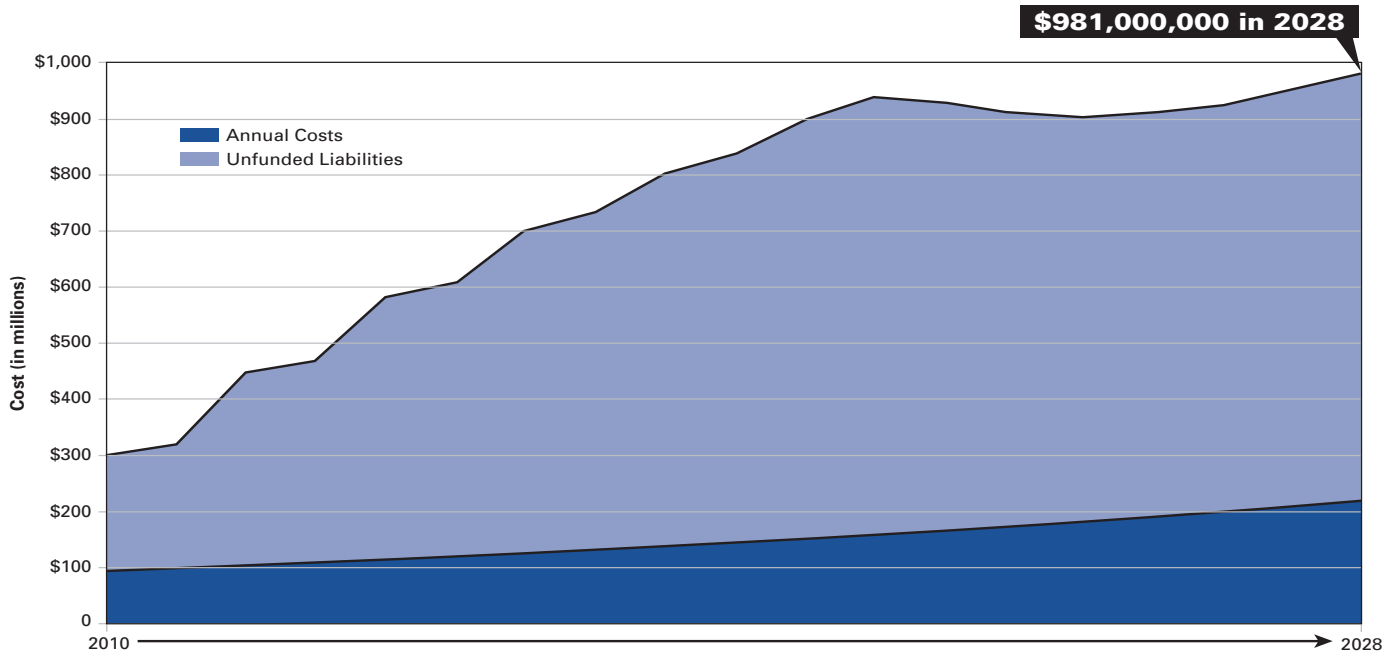
If the only challenges we confronted over the next five to ten years were the habit of spending too much and large budget deficits each year, we might be able to muddle through. Unfortunately, we also have three major ticking time bombs that are converging to create a perilous moment for the state.

The Aging State: Fewer Workers and Growing Needs

One in five Maine adults is now at or near retirement age. By 2030, it will be one in three. Maine is the oldest state in the nation, with a median age of 42, five years older than the national average. Over the next two decades more people will be retiring and fewer people will be left to pay taxes that support public infrastructure, education, social programs, and the environment. What this all adds up to is a looming crisis in public spending and government revenues that will drive further reductions and reinforce the need for restructuring in government. As baby boomers age, there are not enough younger replacement workers to balance the older population. Without massive changes, it is easy to see that the situation is becoming unsustainable, both fiscally and economically.

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FIGURE 1: **Maine’s Pension Plan Liabilities**



Source: Maine Public Employees Retirement System

Unfunded Pension and Retiree Health Care Liabilities: The Bills Are Coming Due

The state will pay almost half a billion dollars next year for unfunded pension and health care liabilities for retirees. Within a few years that figure will be closer to a billion dollars. Unfunded liabilities are an onrushing train that too few Mainers understand and that will dominate discussion in Augusta in the coming months and years. The state currently owes approximately \$4.4 billion for unpaid obligations for public employee pension and health care plans. Those costs now consume about ten percent of the state budget and

could easily consume 20 percent within six to eight years. In the last budget, the cost was \$315 million per year. Those payments are about to dramatically increase each year from now on, to an estimated \$448 million by 2012, \$732 million in 2017, \$896 million in 2020, and \$938 million dollars in 2021 (Figure 1).

Health Care Costs Are Crowding Out Other Needs

The rising cost of health care is slowly bankrupting the country and states from Maine to California. Maine spends 24 percent more per person on health care than the U.S. average. In New England, only

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Massachusetts spends more. The state share of Medicaid, the largest single health care expenditure, rose from 4.9 percent of total state spending in fiscal year 1985 to 10.4 percent in 2008.

THE INEFFICIENT STRUCTURES OF GOVERNMENT

Many like to blame the people who work in government or bloated programs for all the state's fiscal problems. There is some of that certainly, but those are not the main factors. The problem is the way that government is built today. We need to turn the discussion to the larger question of the *structure* of government itself and how it functions.

The State Legislature: Unwieldy and Over-extended

Maine ranks 40th in total state population, but the legislature is the nation's tenth largest. The cost of the legislature, relative to state personal income, is 132 percent higher than the U.S. average and 68 percent higher than the average of the similarly rural states.

Despite the investment that Maine commits to its legislature, it is hard to argue that the legislature works well. Anyone who has attended a legislative hearing where eight to ten bills are being heard, or seen the legislature in action during its final week, would appreciate how dysfunctional the system can become. To understand how it could be improved, we need to look beyond the size of the legislature and the length of sessions to the number of bills and issues the legislature tries to take up. Under current rules, legislators, no matter how inexperienced or knowledgeable, can submit as many bills as they want each year. The legislature tries to tackle too many issues and take on too much work for a part-time citizen body. That is an invitation to chaos and inefficiency. The results of this over-extension should not be surprising. Unimportant work clogs the machinery of government, while critical issues languish or get pushed to the future because they would take up too much time. Programs and benefits to constituents or government employees, along with

tax breaks to well-organized interests, are created or extended without a good sense of their long-term cost. Today's well-intended bills produce tomorrow's unintended consequences.

State Government

By almost any measure Maine has one of the most inefficient rural-state governments in the country. Listen to an elected official running for re-election and you are likely to hear of the new programs and activities created during their term. But if you ask them—or virtually anyone in government—when the last substantial program was closed down, you are likely to get a long pause. Government sometimes seems frozen in time: able to add but not to subtract. Part of the problem is that state government rarely measures the efficiency of its work and consequently does not know what to change, even if it could.

The problems of state government are complex and difficult. They cannot be solved by moving boxes around on an organization chart or cutting programs across the board. We need to rethink the scope of what Maine state government does, then recode its bureaucratic DNA to incorporate new technologies, modern management approaches, and the expectations of the twenty-first century.

Ask someone in state government: how many people in your agency have as their full-time job the task of ensuring that each dollar is spent within the rules? Then ask: how many people have as their full-time job the task of ensuring that each dollar produces the best results for the people it serves? The contrast is always dramatic. It is not that government does not care how money is spent. It cares that it is spent within the rules. Only a small fragment of government has as its primary responsibility looking at whether or not government is maximizing the results achieved with each tax dollar.

Most people who have looked at state governments across the country know that there is a better way to do things. The problem is getting there. There are powerful institutions that are invested in bureaucracy and the status quo. Some exist to benefit workers or protect programs, while others have contracts with state

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government. Together, they tend to block change wherever they can. The main causes of inaction are predictable: inertia, fear, lack of vision and confidence, and a media environment hostile to the risk-taking that is essential to an entrepreneurial government. That is not to say that all employees or organizations that benefit from government spending resist change. Many are just as frustrated with bureaucracy and inefficiency as the rest of us. And they have an important place at the table.

County and Local Government

Maine needs more state and local services to be delivered at a regional level, but most of the state's 16 counties are not set up to take on a larger regional role, and too many towns and state agencies lack confidence in their ability to do more. So, while many towns are working with counties, others are forming regional and multi-town collaborations. This chaotic pattern of change could become a fourth level of government if we are not careful.

Local government in Maine, if you include schools, employs about twice as many people as state government. Excluding schools, local government is about two-thirds the size of state government. A good deal is made about how many towns Maine has (just under 500) and how expensive there are, or at least they seem to be to local taxpayers. The numbers, though, tell a more complicated story. If you took schools out of local budgets, which represent 71 percent of local budgets, the remaining 29 percent of spending—on public works, public safety and municipal services—matches up well with other local governments across the country. In fact, Maine town services cost 33 percent less than towns in other rural states.

That is not to say there is not more that can be done to build more efficient collaborations and regional service delivery, which could bring costs down and improve services at the same time. The key is to figure out how to help towns do that and how to evolve a system that has been working well, in many areas, for more than two centuries.

Public Education

Maine has made a big and critically important investment in public education over the last 30 years. The state now ranks fourth highest in the nation in the percentage of local government payroll devoted to education. At the same time enrollments have declined by 16 percent and payrolls have swelled, particularly among non-teaching staff. While those investments in public education need to continue, and perhaps even expand with more attention on early childhood development, streamlining and refocusing the system—and getting more return on our investment—is essential.

Most people who have looked at state governments across the country know that there is a better way to do things.

In 2008, Maine spent \$2 billion in combined state and local dollars on K-12 education. That worked out to \$13,513 per student, 25 percent more than the national average of \$10,259 per student and more per student than all but nine other states. While costs are high, results are declining. During the last few years, eighth-grade math scores plummeted from first place nationally a decade ago to 24th place in 2007. The dropout rate increased from 3.09 percent in 1998 to 5.17 percent in 2007.

It is tempting to blame the high cost of public education in Maine on geography, since some parts of the state are so sparsely populated. It is also not correct. Maine ranks 38th in population density among the states. Alaska, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, and Wyoming each have lower population density than Maine, and in the 2003-2004 school year, each of those states spent less per student than did Maine.

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Factors contributing to higher per-pupil education costs in Maine include student-teacher ratios, the ratio of teaching to non-teaching staff, the number of school districts, and special education. Maine has the second highest ratio of teachers to students in the country, with 11.3 students for every teacher. The national average is nearly 15.8 students for every teacher. Other rural states, including Iowa, Kansas, Montana, and South Dakota, perform as well or better than Maine on the National Assessment of Educational Progress and have a ratio of about 13.5 students per teacher. A decade ago, Maine's ratio was closer to those states—about 14 students per teacher. In 2009, about 16,000 teachers worked in schools in Maine, along with roughly 22,000 non-teachers: administrators, aides, nurses, custodians, and other staff. Most of the growth in funding of schools in recent years has gone to non-teacher employment.

One of the first things that Mainers need to do, if real change is going to happen in government, is to confront our tendency to cling to cherished myths as though they were inscribed on stone tablets brought down from high mountains.

Of the 215 school units in Maine, 40 do not operate schools of their own, but instead send students to schools in neighboring districts. Of the 178 school units that actually operate schools, 60 have fewer than 25 teachers.

Maine's percentage of students designated as special education students is 30 percent greater than the national average, and the state ranks third in the country in that category. Research by the Center for Education Policy, Applied Research, and Evaluation

shows that Maine's comparatively high poverty levels do not account for the high incidence of students in special education here. Rather, our identification guidelines make more students eligible for special education than do national guidelines. Further, guidelines are inconsistently applied even within the state. Maine children with special needs deserve appropriate services, and the state should continue to ensure that they receive such services. But the way we do that should make sense. Two factors may be driving this high use of special education in Maine schools. One is the desire to get more money into the local system. The other is the absence of "alternative" schools, forcing parents toward a special education designation to get additional services for their child.

Higher Education

Perhaps no public investment is more critical to a strong economy and rising incomes than higher education. Higher education should be one of the state's strategic assets, to support new business growth, improve the skills and knowledge of people in Maine, and attract new businesses. Yet Maine spends 18 percent less than the national average and 37 percent less than other rural states on higher education as a percentage of state personal income. And, we suggest, it is poorly spent.

The surest way to see what a state's priorities are is to look at the way it spends money. By that method, it is clear that Mainers care about K-12 public education, but, oddly, not so much about higher education. The problems, however, cannot be solved simply with more money. Maine's higher education system is too rigid, too fragmented, uncoordinated, and extremely inefficient. Perhaps nowhere else in Maine government can you see the effects of nineteenth century needs, technology, and structures driving government inefficiency than in higher education. The state has a total of 17 campuses of higher education and 17 satellites of those campuses, broken into two autonomous networks, separated more by history and organizational culture than logic. The University of Maine System, despite its name, is essentially a confederation of seven highly independent

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colleges, with ten campuses, which seem to work together mostly to ensure that no particular college is allowed to grow at the expense of others. The best evidence of the inability to adapt to a changing world is the funding formula that allocates funds to the seven campuses. It is virtually the same as it was 40 years ago, despite massive changes in the economy, enrollments, programs and demographics.

Maine spends more of its higher education payroll dollars than 48 other states on non-instructional areas. For every \$1 of instructional payroll, \$1.75 goes to non-instructional payroll. Nationally, the figure is \$1 to \$1.15. In rural states, the figure is \$1 to \$1.04. If Maine were at the national average, we would have saved \$13 million in 2007.

Maine also does not appear to do well in using its public support for higher education to produce college graduates and research. Maine ranked 49th, 27 percent below the national average, in college degrees from public institutions relative to state support over the period from 1980 to 2005. In terms of both research grants and doctorates awarded, Maine also ranks near the bottom. Consequently, Maine's potential college students and their families face relatively expensive college educations. Over the period between 1994 and 2001, average in-state tuition and fees at Maine's public colleges were 50 percent higher than the national average and the fourth highest in the country, but without the corresponding quality. Despite having a high school graduation rate well above the national average, Maine has a below average rate of college participation (53.9 percent in Maine versus 58.4 percent nationally).

NEW THINKING AND NEW APPROACHES ARE NEEDED

Maine needs a twenty-first century government that is not just smaller, but smarter, one that is constantly learning to adapt to a changing world and do more with less. While the "Reinventing Maine Government" report focuses on reinventing government, its purpose is much broader—suggesting ways to

reinvigorate the Maine economy, create tomorrow's quality jobs, and expand confidence in the future. Reinventing government will not, by itself, revitalize our economy, but it is a critical first step. Without that step, as difficult as it may be, we cannot expect to unlock a new economic prosperity for Maine.

There was a time when Maine could afford to reform government and to make small adjustments based on the ebb and flow of tax collections and the economy, combining small programs and trimming here and there. Those days are behind us. Today, we are in a new and long-lasting fiscal crisis. This fiscal crisis will persist throughout the coming decade and the one after as baby boomers retire, health care costs increase, and the full costs of decisions made over the last few decades come due.

Reinventing government is not a choice. It is already happening. Whether we want it or not, government is already being restructured, as if in a slow-motion movie, one frame at a time. The driving force for change is not political posturing, party politics or wishful thinking; it is simply hard facts and real numbers. States and local communities cannot print money and build up debt as the federal government can. They must balance their budgets each year. Dwindling dollars are therefore forcing change. This is not to say that Maine, in particular, has not found ways to go into debt—most notably through underfunded pension and insurance plans and by not paying its bills to hospitals—but the days of spending-today-and-paying-tomorrow are rapidly coming to a close.

Ten Myths that Hold Us Back

One of the first things that Mainers need to do, if real change is going to happen in government, is to confront our tendency to cling to cherished myths as though they were inscribed on stone tablets brought down from high mountains. Here are a few of the most common ones:

1. *We can have it all.* This myth allows us to pretend that we can have unlimited services from government—great schools and communities, good roads and colleges,

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generous social programs—and still have low taxes, even with a weak economy.

2. *Our current fiscal problems are temporary.* For decades, government balance sheets rose and fell with the economy. About ten years ago, that started to change. Now we find governments facing deficits even in good times.
3. *We can reduce someone else's government programs, but not ours.* If Mainers can agree on anything, it is this: almost everyone is in favor of cutting someone else's government. Thinking that change can just apply to someone else avoids reality and costs us dearly.
4. *It is all about waste, fraud and abuse.* Making speeches about waste, fraud, and abuse simply allows politicians to rail at government without being specific enough to lose any votes. We can count our blessings every day that the level of outright corruption and greed here, when compared to other states across the country, is remarkably low.
5. *We can cut our way to prosperity.* If it was this simple, Alabama would have the most vibrant economy in the nation, and Zambia and New Guinea would lead the world. Strong economies need good, disciplined fiscal management, but they also need infrastructure, good schools, healthy communities, and effective law enforcement.
6. *We can invest our way to prosperity.* That has become the predictable rallying cry of anyone who wants to add new programs and functions to government, pass a bond issue or otherwise defend a favorite program. The simple fact is that we need to both cut and invest our way forward.
7. *All we have to do is tax the rich more.* This notion overlooks the fact that in today's world capital and people can and do easily move. And they have been moving—out of

Maine. Young people are leaving. Wealthy Mainers are residing in other states half the year. Businesses are not growing. New ones are not coming. All of it drains our resources. The fact is that Maine people are taxed out.

8. *If we keep doing things the way we always have, we will be okay.* If that were true, Mainers could graduate from high school and step into waiting jobs at factories, where they would earn a good living assembling some of the world's best shoes, fabrics or paper products.
9. *Government cannot be changed.* If the founding fathers had believed government could not be changed, we would still be paying taxes to Massachusetts and raising toasts to the queen.
10. *If only we had a strong leader.* No single person or party can solve all the problems Maine confronts, no matter how grounded, intelligent, articulate, or charismatic they are. We are a state with a strong popular will. We are a town meeting state, a referendum state, a place where leaders can move mountains, but only when we agree to let them—and then help.

GUIDING PRINCIPLES FOR REINVENTING GOVERNMENT

For Maine government to become more efficient and modern, we will need a fundamentally new approach to how it is organized and what it does, including the following:

1. *Adjust our expectations of government.* The problem of inefficiency is not entirely government's problem. We need to look in the mirror, too. We cannot ask for more and then complain when the bills come in.

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2. *Push government leaders to be accountable for future effects.* We need to change the inclination of public officials to seek short-term benefits without regard to long-term consequences, by changing accounting, budgeting, and legislative practices to make the full costs of decisions known, when they are made.
3. *Budget for results.* Do not create annual budgets based on last year's budget. That just locks in place yesterday's structures and approaches.
4. *Invest in constant improvements.* Change costs money. New systems have to be built and people need to relearn how to work within them. It takes time, effort, and resources.
5. *Measure performance and close outdated programs.* Every level of government needs performance auditing and reviews that ensure that results will be improved.
6. *Decentralize government and empower employees.* Public organizations and systems in Maine need to push authority down, encouraging those who deal directly with citizens to make more of their own decisions.
7. *Reward excellence and remove incompetence.* Move beyond a bureaucratic culture that makes it virtually impossible for government to grow and change.
8. *Use competition to drive improvements.* Require service providers within government to compete for their business, based on their performance and price.
9. *Make government more accountable to taxpayers.* Public organizations in Maine should treat those they serve—the parents whose children they teach, the people who line up to renew driver's licenses, the citizens they are trying to protect from pollution and the small business owner trying to get started—as they would customers in a business they owned.
10. *Use market-oriented strategies and public-private partnerships to solve problems.* To get better results with less money, Maine governments need to use the marketplace and partnerships to solve problems, not just government programs and regulation.

For Maine government to become more efficient and modern, we will need a fundamentally new approach to how it is organized and what it does...

AN ACTION PLAN FOR THE COMING DECADE

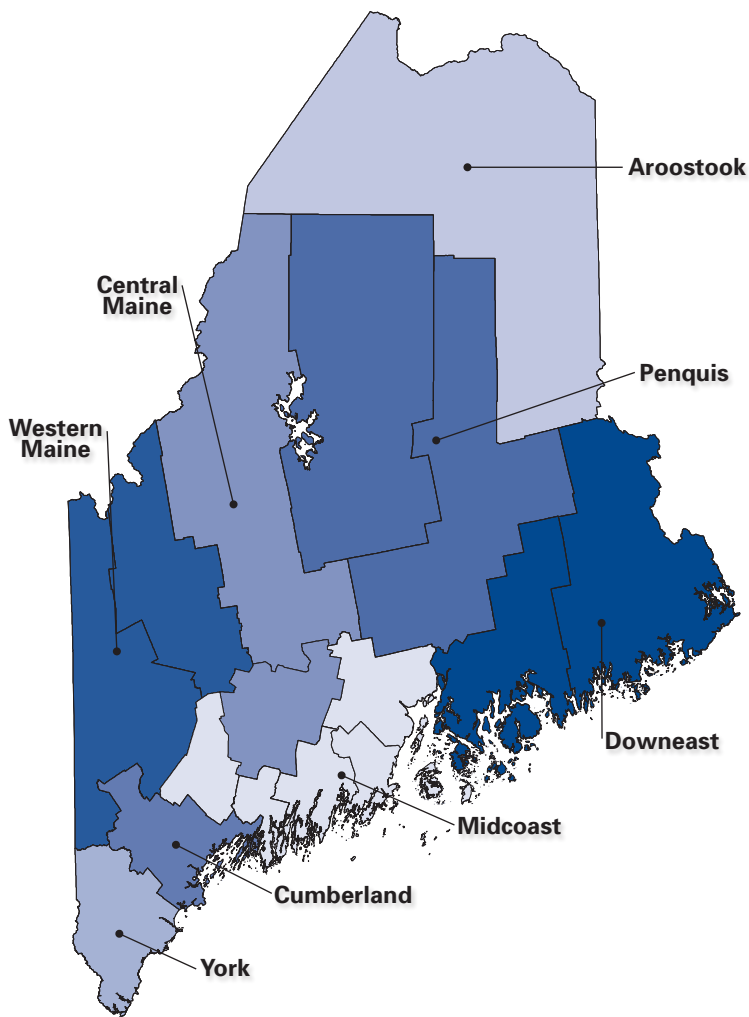
Only a stronger economy can allow Maine to meet the state's many needs, change the demographic direction of Maine as an aging state, and pull the two Maines together. All of the following recommendations are designed with that purpose in mind: to free up resources for targeted investments in tomorrow's prosperity.

End Unfunded Pension Liabilities

The state needs to pay its bills on time and stop adding more unsustainable obligations. We need to resist any effort to change the payment due date of 2028. For newly hired state employees, continue to allow early retirement with reduced benefits, but raise the eligibility age for full benefits to reflect longer life expectancy. Automatically enroll all state employees in the state's tax-advantaged retirement saving plan as an important supplement to traditional pension benefits, particularly for employees who still want the option of an earlier retirement. Accounting procedures and legislative practices should be changed so leaders and the public know the full cost and effect of long-term obligations.

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FIGURE 2: **Eight Proposed “New Counties”**



Slow the Climb of Health Care Costs

The climb of health care costs can be slowed by emphasizing prevention, paying for health not sickness, increasing competition and coordinating care. Some steps include

- reducing chronic illness by focusing on changing personal behavior rather than just responding to the symptoms of that behavior;
- using the buying power of the government to negotiate lower costs;

- spurring more competition;
- producing better health, not more procedures;
- encouraging coordinated care organizations that succeed by promoting health and preventing illness.

Develop a Smaller, Smarter Legislature

We need to limit the number of bills, shrink the legislature and shorten the sessions by

- allowing no more than five bills in each two-year session from any single legislator;
- reducing the size of the legislature by one-third to 25 senators and 75 house members;
- reducing the length of sessions by 50 percent;
- imposing lifetime term limits of 12 years on all legislators.

Create a Flatter, Leaner, More Responsive State Government

We need to create a twenty-first century government by gradually replacing outdated hierarchical bureaucracy with a flatter and more decentralized structure. To do so we need

- to engage state employees, managers, elected officials, and the public in a transformation of state government from the ground up;
- to measure and prioritize all functions of state government for value and efficiency;
- to eliminate outdated and unnecessary programs and red tape;
- to use competition to drive innovation and efficiency;
- to constantly re-invest in improvements.

Have Fewer Counties That Do More

Maine should replace the existing 16 counties with eight combined new counties, professionally run and

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more representative, to become effective regional service delivery providers (see Figure 2). The number of county commissioners in these new counties should be increased to nine, to make them more representative of county-wide interests. All county managers, officials, and staff should be appointed rather than elected.

Increase Collaboration between Towns

The state should help towns save money by sharing and regionalizing services, such as road maintenance, public safety, fire protection, valuation, and communications. When new counties are organized to better deliver services regionally, they should become the preferred delivery mechanism.

Innovate in Public Education

We need to transform public schools through innovation and experimentation by

- moving Maine toward the national average on student-teacher ratios;
- reducing administrative expenses with a new round of district administrative consolidations, but this time put the savings back into the classroom;
- evaluating teacher performance;
- rewarding good teachers by bringing their pay to the national rural state average and removing under-performing teachers;
- investigating the increase in non-teacher employment over the last decade and moving the teacher/non-teacher ratio to the national rural state average;
- creating a statewide standard for special education programs that brings Maine closer to a national average.

Develop a Fully Coordinated System of Higher Education

Maine needs to increase funding to higher education in exchange for improvements in coordinating

overlapping systems, eliminating duplication and excessive autonomy. To do so, the state should

- maintain separate University of Maine and community college systems, but create one board of trustees with authority to coordinate and integrate planning and development of the two systems;
- change the current 40-year-old funding formula that freezes campuses in yesterday's economy, in favor of a system that rewards excellence and results;
- establish a true University of Maine System, rather than the current network of largely autonomous campuses;
- provide future funding directly to students and let them indicate which campuses are best serving their needs.

CONCLUSION

The challenges Maine faces today did not suddenly appear out of nowhere. They are the product of decades of decisions by elected officials and voters at various levels of government, and of long-term trends in the Maine and global economies. The problems identified here are larger and more complicated than any one political party or interest group or point of view can tackle alone. Few of the remedies will be easy or painless, and all of them will require that we think and act in new ways.

Moments like these demand the best of Maine people and Maine leaders. Fortunately, our history reminds us that Mainers are resourceful and practical people, who know how to change, adapt and work together when it is required. If we honestly face these challenges and keep pushing to find common ground, a brighter day is coming for Maine. 🐟

Please turn the page for notes, references, and author information.

C O M M E N T A R Y

ENDNOTES

1. This article is based on a longer report of the same title (Caron and Osborne 2010). Readers are directed to the original report for details about additional data sources and methodology, www.envisionmaine.org.
2. "Personal income" is a standard, comprehensive measure of income in a given area, used by the U.S. Bureau of Economic Analysis. It includes both cash and non-cash income: net earnings; income from investments; and income from government transfer payments (e.g., Medicaid, Medicare, Social Security, unemployment benefits, nutrition assistance).
3. Data regarding expenditures in Maine state and local government and comparisons with national and rural-state expenditures are from work done by Trostel (2010). Trostel's data update background analysis he did in 2006 for the Brookings Institution for their *Charting Maine's Future* study (Brookings Institution 2006). The rural-state averages reported by Trostel are for the five most rural states other than Maine: Mississippi, Montana, South Dakota, Vermont, and Wyoming; Alaska was excluded as it is clearly an outlier in terms of state and local government spending, presumably because of its high revenues from petroleum royalties (Trostel 2010).

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