

MAINE STATE LEGISLATURE

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STATE OF MAINE



**LEGISLATIVE
RESEARCH COMMITTEE REPORT**

**GENERAL FUND
REVENUE
and
EXPENDITURES**

1942 - 1951

From the Senate:
EDWARD B. DENNY, JR., Lincoln, *Chairman*
ROBERT E. CLEAVES, JR., Cumberland
BROOKS SAVAGE, Somerset

From the House:
GEORGE G. DOWNS, Rome
JAMES A. CONNELLAN, Portland
STANLEY G. SNOW, Auburn
WILSON S. COLLINS, Caribou
HARRY M. BROWN, Unity
ERNEST A. BOUTIN, Lewiston
ROBERT N. HASKELL, Bangor, *Secretary*

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INTRODUCTION

TO THE MEMBERS OF THE 92ND LEGISLATURE:

Your Legislative Research Committee has attempted to present to you a reasonably accurate study of the General Fund revenue-expense problem that appears to face the 93rd and 94th Legislatures. This study, we hope, will be of some value to the 92nd Legislature when it meets in special session to consider Veterans legislation, particularly in whatever legislative consideration may be given to the availability of State funds to meet new State expenditures. We hope to follow this General Fund study with a similar analysis of the Highway Fund problem. Later we may describe to you our observations relating to possible economies in State operating expenses and report to you on at least a few of the many interesting State problems that we have studied in our Committee meetings.

We present this General Fund study with full acknowledgment that the Budget Committee will make a more careful study of the problem. The Legislative Committee on Appropriations and Financial Affairs will consider each item in detail and finally the Legislature, in session, will arrive at the more accurate totals. Each of these orderly procedures will be more complete and likely more accurate than our projections, and we have no illusions that our study in any manner supplants the work that will follow this study. We also acknowledge that this report is Committee work only, and thus it may fail to have the mathematical accuracy of the experienced accountant.

However, if the trend that we note proves to be even reasonably accurate, the State is passing from a period in which revenues have been well in excess of expenditures into a period where income from existing tax sources may fail to equal future expenses. Because of this apparent trend, we present the problem as a basic one and one that deserves study and understanding by each member of the Maine Legislature.

The Committee acknowledges the helpful assistance of the Finance Commissioner and his Staff, the Controller and each of the Department Heads who were requested to assist us in projecting these tabulations of income and expense. The Committee would also ask you to understand that while the summary conclusions are Committee conclusions, the basic data relating to future income and expense reflects, with some exceptions, the estimates of those State officials qualified to predict future trends.

IN NO RESPECT DO THESE TABULATIONS REPRESENT RECOMMENDATIONS OF THE LEGISLATIVE RESEARCH COMMITTEE. WE HAVE NEITHER THE AUTHORITY NOR THE DESIRE TO RECOMMEND TO THE LEGISLATURE AN ENTIRE BUDGET OF INCOME AND EXPENSE BUT WE ARE HOPEFUL THAT OUR ESTIMATES WILL PROVE INFORMATIVE, PARTICULARLY TO THOSE WHO MAY HAVE CONCLUDED THAT PRESENT INCOME SOURCES WILL CONTINUE TO PRODUCE THE SUBSTANTIAL OPERATING SURPLUSES THAT THE STATE HAS ENJOYED DURING THE WAR YEARS.

SUMMARY STATEMENT

The 93rd and 94th Legislatures, responsible for General Fund income and expense balance in the four years that follow the present biennium, appear to face the problem that present State income sources are likely to produce at least \$10,000,000 less than estimated expenditures during the same period. As the Committee projects General Fund income and expense, \$3,525,175 is a problem of the 93rd Legislature and \$6,666,759 a problem of the 94th Legislature. Making the problem a more difficult one is the certainty that new expenditures, not provided for in these projections, will be at least considered during the next Legislative sessions.

By means of data sheet tabulations and by explanatory comments on many of the major items of both revenue and expenditure, the following pages of this General Fund Study attempt to show some detail of the problem. On the opposite page are the summary figures.

The Committee has made these basic assumptions:

1. That there will be no changes in existing statutes that would increase or decrease either revenues or expenses.
2. That there will be no new statutes enacted that would require new expenditures or change existing rates in existing revenue sources.

The Committee recognizes that future Legislative action will make many changes affecting both revenue and expense and those changes, whether increasing or decreasing expenses, will be directly reflected in the operating statement of the General Fund.

92nd LEGISLATURE — 1946-1947

Based on the above assumptions, the summary tabulation appears to indicate that the 1946-1947 years, as authorized in 1945 by the 92nd Legislature, will show an excess of revenue over expense in the amount of \$1,120,338 for the 1946 year and \$344,544 for the 1947 year, a total of \$1,464,882 for the biennium ending June 30, 1947. In arriving at the '46 estimate, the Committee has had the advantage of actual operating statements for the first six months of the year ending June 30th, 1946.

93rd LEGISLATURE — 1948-1949

For the 1948 and 1949 years, a problem of the 93rd Legislature, estimated expenditures appear to be in excess of estimated revenue by \$979,431 in 1948 and \$2,547,744 in 1949, a total of \$3,525,175 for the 1947 Legislature to solve.

94th LEGISLATURE — 1950-1951

The following biennium, a problem of the 94th Legislature, our projections indicate that the problem will reach a total of \$6,666,759 or the equivalent of more than \$3,300,000 per year in excess of estimated expenditures over indicated revenues.

SUMMARY FIGURES

	Revenues	Expenditures	Difference
Authorized by 90th Legislature			
1942 Actual	\$19,269,200	\$16,903,206	\$2,365,994 Gain
1943 Actual	20,671,851	17,153,129	3,518,722 Gain
			<hr/>
			\$5,884,716 Gain
Authorized by 91st Legislature			
1944 Actual	22,177,959	18,309,022	3,868,937 Gain
1945 Actual	22,369,805	19,441,392	2,928,413 Gain
			<hr/>
			\$6,797,350 Gain
Authorized by 92nd Legislature			
1946 Estimated	23,604,031	22,483,693	1,120,338 Gain
1947 Estimated	23,856,979	23,512,435	344,544 Gain
			<hr/>
			\$1,464,882 Gain
Problem of 93rd Legislature			
1948 Estimated	23,895,000	24,874,431	979,431 Loss
1949 Estimated	23,645,000	26,192,744	2,547,744 Loss
			<hr/>
			\$3,527,175 Loss
Problem of 94th Legislature			
1950 Estimated	23,935,000	26,919,407	2,984,407 Loss
1951 Estimated	24,125,000	27,807,352	3,682,352 Loss
			<hr/>
			\$6,666,759 Loss

REVENUES

There are fourteen major divisions in the accounting of General Fund revenues. Each of these sources is known through to June 30th, 1945. Income is also known, as of the date of this report, for the first six months of the year ending June 30th, 1946. These revenue items, in the year ending June 30th, 1945, produced income in accordance with the following tabulation:

1945 REVENUES

	Amounts	Percentage of Total
Property Taxes	\$ 5,123,339	22.90%
Inheritance and Estate Taxes	813,476	3.64%
Cigarette Tax	1,371,515	6.10%
Taxes on Corporations	212,549	.94%
Taxes on Public Utilities	2,048,360	9.14%
Taxes on Insurance Companies	853,196	3.82%
Taxes on Banks	147,149	.65%
Hunting and Fishing Licenses	445,051	1.98%
Federal Grants, Assistance and Relief	2,891,218	12.95%
Other Federal Grants	259,517	1.16%
Revenue from Cities and Towns	585,145	2.62%
Service Charges	405,258	1.82%
Net Profit from Liquor	6,704,591	30.00%
Other Revenue	509,441	2.28%
Total	\$22,369,805	100.00%

The Committee has tried to predict each of those fourteen income sources through the '47-'51 period. A brief description of each of the major sources, our predictions, and a brief summary of our reasoning is presented on the following pages. In no respect are these predictions any more than estimates and should not be understood to be Committee recommendations as to a future policy on income sources. In nearly every item our estimates of revenues are higher than the estimates of those State officials directly responsible.

Pages 24 and 25 of this report show this same tabulation with each of the ten years, 1942 to 1951, indicated. That tabulation summarizes the ten year trends as projected by the Committee. Pages 7 to 13, inclusive, indicate revenue estimates, a brief description of the revenue source, and comments on the Committee estimates.

PROPERTY TAXES

Year	Amount
1942	\$4,982,995
1943	4,992,455
1944	5,132,236
1945	5,123,339
1946	5,147,971
1947	5,157,971
1948	5,150,000
1949	5,150,000
1950	5,150,000
1951	5,150,000

Substantially all of this income is the State Tax on Cities and Towns and the State Tax on Wild Lands. In 1945 the totals were:

State Tax on Cities and Towns.....	\$4,771,091
State Tax on Wild Land.....	330,293
Other Property Taxes (including Interest)	21,955
	<hr/>
Total (22.9% of 1945 Revenues).....	\$5,123,339

The State Tax on Cities and Towns is levied by each Legislature and has been at the rate of 7¼ mills since 1933. In projecting this income the Committee has assumed no change in rates and very little change in valuations. Members of the Legislature are reminded, however, that there exists an insistent desire from Maine municipalities that the property tax levy be an exclusive Municipal income source, a trend that has been noted for several years in many other states, particularly those states that have a sales tax or an income tax.

INHERITANCE AND ESTATE TAXES

In 1941, the inheritance and estate tax rates in all categories, except one, we doubled. In 1945, this one was adjusted with the result that rates have now been practically doubled. It thus appears that Maine's inheritance tax rates are now at the point where it may not be practical to look for additional revenue from this source.

The total of \$813,476 amounted to 3.64% of 1945 General Fund revenue.

Amount	Year
\$ 836,759	1942
771,149	1943
759,336	1944
813,476	1945
800,000	1946
1,100,000	1947
1,100,000	1948
1,100,000	1949
1,100,000	1950
1,100,000	1951

CIGARETTE TAX

Year	Amount
1942	\$1,338,843
1943	1,440,369
1944	1,601,443
1945	1,371,515
1946	1,845,536
1947	1,900,000
1948	1,900,000
1949	1,900,000
1950	1,900,000
1951	1,900,000

This income is derived from a tax of 2c per package on cigarettes. In 1945 the revenue of \$1,371,515 amounted to 6.1% of General Fund revenue. The 1945 total of \$1,371,515 (net) reflects the period of cigarette shortages and at \$1,900,000 the income from this source appears to be liberally estimated for each of the five years following June 30, 1946. Massachusetts, in 1945, increased the State levy from 2c to 4c per package. It is likely that similar action in Maine would not double existing income because of making evasion more profitable, although something in excess of \$1,250,000 per year might be expected from a similar increase in Maine. In fairness to the State Tax Assessor, the Committee acknowledges that the revenue of \$1,900,000 is from \$100,000 to \$200,000 higher than the predictions of competent State officials.

TAXES ON CORPORATIONS

This is one of the State taxes on businesses and is mainly the franchise taxes on corporations. Industries in Maine are located a considerable distance from consumer markets with increasing competition from the south, middle west and west. Combined with Interstate Commerce Commission action on freight rates, it may be doubtful if increased State taxes should be placed on industry in Maine.

The tax yielded less than 1% of total 1945 General Fund revenue.

Amount	Year
\$224,632	1942
228,364	1943
219,176	1944
212,549	1945
208,250	1946
208,250	1947
215,000	1948
215,000	1949
215,000	1950
215,000	1951

TAXES ON PUBLIC UTILITIES

Year	Amount	This tax source is mainly from transportation and communication companies and is an excise tax paid in lieu of certain property taxes. The amount depends upon net operating revenues. In 1945 the sources were:	
1942	\$1,572,809		
1943	1,921,773		
1944	1,931,887	Item	1945 (Actual)
1945	2,048,360	Railroad Companies	\$1,459,511
1946	1,824,200	Telephone Companies	531,162
1947	1,716,200	Telegraph Companies	31,039
1948	1,600,000	Express Companies	25,222
1949	1,550,000	Parlor and Sleeping Cars	662
1950	1,500,000	Steam Boats	464
1951	1,500,000	Total (9.14% of 1945 General Fund Revenues)	\$2,048,360

The downward trend in the income projected from this source acknowledges the likelihood that net operating revenues from these utilities may drop below the levels reached during the war time period. In 1941, the last pre war year, this source produced \$1,258,308. It appears reasonable that the '48-'51 period, estimated at from \$250,000 to \$350,000 in excess of the 1941 revenues, is liberally estimated.

TAXES ON INSURANCE COMPANIES

Taxes on Insurance Companies are reflecting the increase from 1% to 2% in the premium tax on local insurance companies. Continued modest increases are projected to acknowledge expected increases in the general level of the insurance companies business. In 1945, this revenue was divided as follows:		Amount	Year
		\$716,202	1942
		739,537	1943
		779,835	1944
		853,196	1945
Item	1945 (Actual)	886,285	1946
Out of State companies	\$814,806	922,320	1947
Maine Companies	38,390	930,000	1948
		940,000	1949
Total (3.82% of Gen- eral Fund Revenues)	\$853,196	950,000	1950
		960,000	1951

TAXES ON BANKS

State taxes on Banks are determined in substantial part, by the extent to which bank assets are invested in tax exempt securities. Competent State officials predict revenue levels at or below \$130,000 per year. At \$150,000 the Committee acknowledges a level that is too high unless a reversal occurs in the present trend toward increased Government Bond holdings by Banks.

Year	Amount
1942	\$197,223
1943	163,268
1944	146,392
1945	147,149
1946	154,440
1947	153,940
1948	150,000
1949	150,000
1950	150,000
1951	150,000

Item	1945 (Actual)
Savings Banks	\$125,299
Banking Resources	10,655
Building & Loan Assoc.	7,078
Trust & Banking Cos.	4,017
Fees, new Banks	100
Total (.65% of 1945 General Fund Revenues)	\$147,149

HUNTING AND FISHING LICENSES

We have estimated rather substantial increases in this source of State revenue. The 1945 total of \$445,051 we have projected to \$570,000 per year for the '48-'49 period and \$670,000 for each of the next two years. These estimates reflect the general confidence in the recreation business in the State during the next few years.

1945 income from Hunting and Fishing licenses was divided as follows:

Item	1945 (Actual)	Amount	Year
Resident	\$229,599	\$415,628	1942
Non Resident	215,452	343,950	1943
		409,922	1944
		445,051	1945
		474,039	1946
		472,469	1947
		570,000	1948
		570,000	1949
		670,000	1950
		670,000	1951

The total amounted to 1.98% of General Fund revenues.

FEDERAL GRANTS FOR ASSISTANCE AND RELIEF

		These sums are direct proportions of the sums estimated for the various health and welfare department activities in which the Federal Government pays varying percentages of the expense paid by the State. In considering the net cost to the State of health and welfare activities these sums should be subtracted from health and welfare expenses as listed in the expenditure tabulations. The 1945 data for this item shows:	
Year	Amount	Item	1945 (Actual)
1942	\$2,419,275	Old Age Assistance	\$2,493,430
1943	2,540,357	Aid to the Blind	146,332
1944	2,923,131	Aid to Dependent Children	247,352
1945	2,891,218	Indians	4,104
1946	3,470,000		
1947	3,490,000		
1948	3,740,000		
1949	4,000,000		
1950	4,200,000		
1951	4,400,000		
		Total (12.95% of 1945 General Fund Revenue)	\$2,891,218

These estimates make no provision for any changes, up or down, in the proportions that may be paid by the Federal Government in future years.

OTHER FEDERAL GRANTS

This income represents Federal Grants for State activities other than Assistance and Relief. A substantial portion of it represents welfare administration and vocational rehabilitation. The 1945 income was as follows:

		Amount	Year
		\$516,967	1942
		422,582	1943
Welfare			
General Administration	\$162,127	239,119	1944
Blind	4,514	259,517	1945
Education			
Schooling, unorganized territory	207	290,906	1946
Vocational Rehabilitation	57,718	348,316	1947
Fish & Game	15,571	350,000	1948
Forestry	16,125	360,000	1949
Other	3,255	370,000	1950
		380,000	1951
Total (1.16% of 1945 General Fund Revenue)	\$259,517		

REVENUES FROM CITIES AND TOWNS

Year	Amount	
1942	\$612,951	This revenue represents payments to the State for services rendered to cities and towns. For the 1945 year, these items were as follows:
1943	556,200	
1944	527,227	Revenues from Cities and Towns
1945	585,145	For Public Health \$ 26,073
1946	632,195	For Aid to Dependent Children 304,021
1947	692,890	For Neglected Children 205,678
1948	720,000	For Education 32,475
1949	740,000	Other 16,898
1950	760,000	Total (2.62% of 1945
1951	780,000	General Fund Revenue) \$585,145

In our projections we have assumed that the State will continue to receive this type of income in amounts dependent upon State expenditures, although members of the Legislature are reminded that Legislative efforts have been made seeking to relieve the cities and towns of the Aid to Dependent Children item. The Committee also acknowledges that we have not increased this revenue item in proportion to the amount that Health & Welfare have projected increase in State expense. In this respect we sought to be realistic by recognizing that Municipal revenues from Aid to Dependent Children are already at a level deemed too high by a majority of the cities and towns.

SERVICE CHARGE FOR CURRENT SERVICES

	Amount	Year
	\$379,547	1942
	355,417	1943
	427,328	1944
	405,258	1945
	419,413	1946
	408,490	1947
	420,000	1948
	420,000	1949
	420,000	1950
	420,000	1951

This income source represents income from rentals, sale of commodities and sale of services. Income from hospital services is one of the major items. As projected to future years income the estimates are consistent with projected departmental operations. The 1945 total was 1.82% of 1945 General Fund Revenues.

NET PROFIT FROM LIQUOR

Year	Amount
1942	\$4,781,712
1943	5,848,290
1944	6,698,694
1945	6,704,591
1946	7,000,000
1947	6,800,000
1948	6,500,000
1949	6,000,000
1950	6,000,000
1951	6,000,000

This item is currently the largest of the fourteen major sources of State income and produced 30% of the 1945 General Fund revenues. The Committee members realize that an error in projecting this revenue source could produce a substantial error in our total revenue estimates. There are those who think that liquor revenues may drop to pre war levels of around \$4,500,000. Others, including some State officials, think that it may drop to \$5,500,000. Still others are hopeful that it will remain at the present level of about \$7,000,000 per year. We projected it at \$6,500,000 for 1948 and \$6,000,000 for each of the remaining three years. The Committee is very frank in acknowledging that the estimate was a very difficult one to arrive at and that actual operating figures may prove this estimate to be too low or too high. It is, however, a composite of the best estimates available.

Since net profit from liquor is the largest single item making up General Fund revenues, the 1945 operating statement is included as an appendix to this report on Page 26. In this appendix, members of the Legislature will note the revenue from the major sources: liquor store profits, malt beverage excise taxes and license fees.

OTHER REVENUES

	Amount	Year
	\$323,657	1942
	348,140	1943
	382,233	1944
	509,441	1945
	450,796	1946
	486,133	1947
	500,000	1948
	500,000	1949
	500,000	1950
	500,000	1951

These sums represent miscellaneous income sources. Old Age Assistance recovery is one of the large items. Other sources are other taxes on specific businesses or occupations, net profit from racing, \$119,555 in 1945, charges to the Liquor Commission and to the Highway Commission for accounting and legal services. Under existing statutes, the projected income estimates appear reasonable. The total amounted to 2.28% of 1945 General Fund Revenue.

EXPENDITURES

There are twelve major divisions in the accounting of General Fund expenditures. The Committee recognized the difficulties in making accurate predictions of future expenditures. Each of us understand that expenditure appropriations are a function of the Legislature and as far as this report is concerned the projected expenditures are estimates only and each expenditure is subject to Legislative action.

However, we have studied each major division of General Fund expenditure accounting, considered recent trends, listened to the opinions of those State officials best qualified to make reasonable estimates, including many department heads. Each item is shown in some detail in explanations that we hope will explain our reasoning and at least will pass on to the members of the Legislature a summary form that may give some members a better understanding of General Fund expenditures.

The expenditures that we project do not reflect Committee recommendations. They reflect only our best estimate of expenditure trends and each item is certainly subject to the careful study of the Budget Committee, Committee on Appropriation and Financial Affairs, and the 93rd and 94th Legislatures.

The following pages treat with each item and the summary below shows only the 1945 actual expenditures.

1945 EXPENDITURES

Item	Amount	Percentage of Total
General Administrative and Financial	\$ 1,209,559	6.23%
Protection of Persons and Property	472,676	2.42%
Development and Conservation of Natural Resources	1,252,825	6.45%
Health and Sanitation	182,064	.94%
Welfare and Charities	8,534,906	43.9 %
State Hospitals and Sanatoriums	1,907,093	9.82%
Correctional Institutions	695,971	3.58%
Education and Libraries	4,508,937	23.20%
Recreation, Parks, etc.	24,001	.12%
Miscellaneous	4,363	
Transfers	478,297	2.46%
Debt Service	170,700	.88%
	\$19,441,392	100.00%

GENERAL ADMINISTRATIVE AND FINANCIAL

Year	Amount	of 1945 General Fund expenditures:	
		Item	1945
1942	\$ 864,033		
1943	1,055,313	Accounts and Control, Bureau of	\$ 183,350
1944	935,673	Attorney General, Department of	94,260
1945	1,209,559	Audit, Department of	46,340
1946	1,141,911	Emergency Municipal Finance Board	1,308
1947	1,360,996	Executive, Department of	61,893
1948	1,118,850	Finance Commissioner and Bureau of Budget	20,255
1949	1,469,350	Legislative	290,185
1950	1,232,350	Judicial	174,275
1951	1,473,350	Personnel Board	15,652
		Public Buildings, Superintendent of	135,357
		Purchases, Bureau of	35,904
		Secretary of State, Department of	50,090
		Taxation, Bureau of	67,032
		Treasurer of State, Department of	32,020
		Interstate Cooperation, Commission for	1,940
		Legislation, Commissioners of Uniform	199
			<hr/>
			\$1,210,060
		Less: Interdepartmental Expense	501
			<hr/>
		Net	\$1,209,559

The larger sums noted in the odd years reflect Legislative sessions. Increases projected include provision for weekly wage payments in place of bi-weekly payments to State employees and the rental of new State House buildings. General wage increases as approved by the 92nd Legislature are also reflected in the projected expenditures. In projecting those expenditures, the Committee has made no allowance for substantial change in the present wage levels but we remind members of the Legislature that wage increases may be required to keep State wage schedules reasonably competitive with other employers in Maine. Salaries and wages, while a substantial part of the \$1,209,559 in General Administrative and Financial, is also a major item in many of the other expenditure classifications. In 1945, General Fund salaries and wages, in all expenditure accounts, amounted to \$4,034,234, an increase of about \$300,000 over 1944. This fact is pointed out only to remind the members of the Legislature that the State, like the private employer, has a wage problem, the solution of which can be of substantial importance in future State expenditures. Members of the Legislature are also reminded that the 1945 totals do not reflect the wage and salary increases provided for in the 1945 session of the 92nd Legislature. The Committee has tried to provide for these increases, however, in the projected expenditures.

PROTECTION OF PERSONS AND PROPERTY

The items covered by this expenditure division, with 1945 expenditures, are as follows and amount to 2.42% of 1945 General Fund expenditures:

Item	1945	Amount	Year
Adjutant General, Department of	\$182,334	\$365,664	1942
Banks and Banking, Department of	48,903	473,640	1943
Emergency War Fund	82,216	512,677	1944
Industrial Accident Commission	40,536	472,676	1945
Insurance Department	15,981		
Labor and Industry, Department of	25,553	570,263	1946
Public Utilities Commission	68,795	502,930	1947
Fisheries and Game, Department of Inland-Search for Lost Persons	604	500,000	1948
State Police—Fingerprinting of School Children	8,531	500,000	1949
	<hr/>	500,000	1950
	\$473,453	500,000	1951
Less: Interdepartmental Expense	777		
Net	<hr/>	\$472,676	

The projections of this group of expenditure items shows a downward trend because of the uncertainty of the Adjutant General Department expenditures and the elimination of the Emergency War Fund expenditures. If the State undertakes a substantial National Guard program, these projections may prove to be too low in at least this respect.

DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES

Year	Amount	The items making up this group of expenditures are as follows and amount to 6.45% of 1945 of General Fund expenditures:	1945
1942	\$1,172,742		
1943	912,800	Item	
1944	1,114,232	Agriculture, Department of	\$ 289,109
1945	1,252,825	Development Commission, Maine	170,629
1946	1,502,021	Fisheries and Game, Department of Inland	601,271
1947	1,520,015	Forestry, Department of	73,399
1948	1,600,000	Sea and Shore Fisheries, Department	121,206
1949	1,600,000	Atlantic States Marine Fisheries Commission	1,000
1950	1,700,000		<hr style="width: 100%;"/>
1951	1,700,000	Less: Interdepartmental Expense	3,789
		Net	<hr style="width: 100%;"/> \$1,252,825

Agriculture Department expenditures may decrease as the Bangs disease program nears completion, but Fish and Game expenditures are likely to increase in keeping with increased hunting and fishing and increased costs incident to the operation of the new hatcheries. Development Commission, Forestry and Sea and Shore Fisheries expenditures are assumed to remain at the level established by the 92nd Legislature.

HEALTH AND SANITATION

The two items in this division are as follows and amount to .94% of 1945 General Fund expenditures:	Amount	Year
	\$140,892	1942
	161,536	1943
Item	1945	
Health, Bureau of	\$181,468	1944
Sanitary Water Board	1,290	1945
	<hr style="width: 100%;"/>	
	267,409	1946
	\$182,758	1947
Less: Interdepartmental Expense	694	
	<hr style="width: 100%;"/>	
Net	\$182,064	1948
	326,800	1949
	345,000	1950
	360,00	1951

The Committee heard extended testimony by Dr. Mitchell in which he described the work and estimated the funds required to carry on this work, which includes Administration, District Health Centers, Vital Statistics, Cancer Control, Diagnostic Laboratory, Dental Health, Crippled Children, Sanitary Engineering, Communicable Diseases, Public Health Nursing, Venereal Disease and Division of Mental Hygiene. The Committee concluded that the expenditures projections as described by Dr. Mitchell are consistent with the current trends in public expenditures for public health programs, although the Committee calls to the attention of the Legislature that with \$104,892 as a base in 1942, expenditure had reached about 160% of that sum in 1945, and, if the estimates are met by appropriations, the 1951 expenditures will be about 250% of the 1942 expenditures.

WELFARE AND CHARITIES

Year	Amount
1942	\$7,467,054
1943	7,524,539
1944	7,891,758
1945	8,534,906
1946	9,399,228
1947	10,201,611
1948	11,161,956
1949	11,831,894
1950	12,536,432
1951	13,178,452

The Committee listened to extended testimony from Dr. Bristol and his staff in which they projected their expenses from the \$8,534,906 recorded in 1945 to estimated expenditures of \$13,178,452 in 1951. Among the major items they project Old Age Assistance benefits from \$5,143,179 in 1945 to \$6,641,280 in 1951. Aid to Dependent Children, they say, will increase from \$945,916 in 1945 to \$2,923,960 in 1951. General relief

(including Jefferson Camp) they project from \$389,334 to but \$470,000 in 1951. The Committee acknowledges the expert opinions presented and their figures are those included in our tabulations, although we note that in the 1951 estimates their \$13,538,452 becomes very near to 50% of estimated total General Fund expenditures. The Committee also points out that the \$13,178,452 projected for 1951 represents an increase of about 76% during the 10-year period.

The Committee also points out that General Fund expenditures for Welfare and Charities, while increased from \$7,467,054 in 1942 to an estimated \$13,178,452 in 1951, are reduced by the amounts of Federal Grants which amounted to \$2,419,275 in 1942 and are estimated at \$4,400,000 in 1951. This data is on Page 9. Similarly, the contributions from cities and towns should be considered in determining the net cost to the State, although the same group of taxpayers must provide for all three tax sources, local, State and Federal.

Welfare and Charities, together with Health and Sanitation, are by far the largest spending unit among the State Departments, amounting to 43.9% of 1945 General Fund expenditures. The items that make up the Welfare and Charities are as follows:

Item	1945
Administration—Welfare	\$566,732
Blind Aid to	294,741
Education of	18,404
Services for	4,156
Rehabilitation of	1,431
Charitable Institutions	36,915
Children, Aid to Dependent	945,916
Board and Care of Neglected	458,697
Home for Military and Naval	31,010
Deaf, Maine School for	49,501
Hospitals, Public and Private	287,977
Indians, Passamaquoddy	66,033
Penobscot	46,033
Insane, Examination and Commitment of	313
Old Age Assistance	5,143,179
Paupers, Support of State (Includes Jefferson Camp)	389,334
Pensions, Special	56,831
Soldiers, Sailors and Their Widows, Burial of	800
Soldiers, Sailors, Support of Dependent	38,793
World War Assistance	105,404
Towns, Emergency Aid to	735
G. A. R. Department of Maine	1,500
	<hr/>
	\$8,544,435
Less: Interdepartmental Expense	9,529
	<hr/>
Net	\$8,534,906

STATE HOSPITALS AND SANATORIUMS

These items include the six State Institutions. The total amounts to 9.82% of 1945 General Fund expenditures.

Item	1945	Amount	Year
Administration, Department of Institutional Service	\$ 11,997	\$1,731,911	1942
Augusta State Hospital	534,099	1,804,852	1943
Bangor State Hospital	483,658	1,939,162	1944
Central Maine Sanatorium	234,017	1,907,093	1945
Northern Maine Sanatorium	134,161		
Pownal State School	458,302	2,366,956	1946
Western Maine Sanatorium	198,174	2,411,412	1947
		<hr style="width: 100%;"/>	
	\$2,054,408	2,550,000	1948
Less: Interdepartmental Expense	147,315	2,650,000	1949
		<hr style="width: 100%;"/>	
Net	\$1,907,093	2,650,000	1950
		<hr style="width: 100%;"/>	
		2,650,000	1951

The increases projected for State Hospitals and Sanatoriums are to acknowledge the operating costs incident to the approved expansions at Augusta, Bangor and Pownal with some allowances for modest wage rate adjustments. There is no allowance for further capital expenditures or for the operating expenses required for any expansion of these facilities as may be voted by future Legislatures.

CORRECTIONAL INSTITUTIONS

The five State Institutions provided for by these appropriations are as follows and required 3.58% of 1945 General Fund expenditures.

Year	Amount	Item	1945
1942	\$516,934		
1943	527,187		
1944	630,366	State School for Boys	\$166,401
1945	695,971	State School for Girls	130,371
		State Reformatory for Men	109,342
1946	771,799	Maine State Prison	246,805
1947	734,849	State Reformatory for Women	114,756
		Parole Board	9,885
1948	765,000		
1949	770,000		
			<hr style="width: 100%;"/>
1950	775,000	Less: Interdepartmental Expense	\$777,560
1951	775,000		1,589
		Net	<hr style="width: 100%;"/>
			\$695,971

Wages are a substantial part of the total costs in this item. Consistent with our basic assumption, the Committee has made no provision for substantial wage increases among employees of the Correctional Institutions. Members of the Legislature are reminded of the wage problem that may exist and that may be met by a future Legislature, particularly as refers to overtime payments.

EDUCATION AND LIBRARIES

The Department of Education, second only to Health and Welfare in total expenditures among State Departments, recorded the following expenditures in 1945. These expenditures were 23.2% of 1945 General Fund expenditures.

Item	1945	Amount	Year
		\$3,641,905	1942
		3,738,886	1943
		4,308,644	1944
		4,508,937	1945
Education, Department of		5,674,870	1946
State School Fund	\$ 156	5,783,477	1947
Subsidies Paid to Towns:			
For Tuition	150,803	6,048,750	1948
For Teaching Positions	1,024,273	6,242,700	1949
For Conveyance	116,365	6,303,700	1950
For School Census	697,099	6,325,700	1951
For Temporary Residents' Conveyance	1,152		
	<hr/>		
	\$1,989,848		
Administration	80,500		
Aid to Academies	98,436		
Normal and Training Schools	382,933		
Schooling of Children in Unorganized Towns	87,090		
Supts. of Towns Comprising School Unions	163,294		
Physical Education	28,615		
Pensions for Retired Teachers—			
Non-contributory only	285,316		
Equalization of Educational Opportunities	355,660		
	<hr/>		
	\$3,711,235		
Historian, State	414		
Library, Maine State	44,081		
Maritime Academy, Maine	50,000		
University of Maine	704,000		
	<hr/>		
	\$4,509,730		
Less: Interdepartmental Expense	793		
	<hr/>		
Net	\$4,508,937		

The Committee heard Mr. Gilson present estimates of future years' expenditures in the Department of Education. These estimates were prepared with the basic assumption that there would be no new laws enacted that would require new or increased expenditures. The Committee acknowledges the likely accuracy of these estimates but we remind members of the Legislature that the 93rd and 94th Legislatures may consider several bills that could increase total expenditures in the Department of Education. With no indication of Committee recommendations we list at least some of the items that may require increased appropriations:

1. A Vocational Training Program may be provided for by a future Legislature. A very rough estimate indicates that such a program could require \$1,000,000 for buildings and equipment and sums up to \$250,000 per year in annual operating costs.
2. The general level of teachers' salaries may be subject to future increases. Continued increases in living costs could serve to cancel the net effect of the \$1,000,000 of increases provided for by the 92nd Legislature.
3. The University of Maine, faced with increased operating costs and increased registrations may request appropriations in addition to the present one mill from the State Property Tax.
4. Continued demand for State assistance in the construction of new school building facilities may be met by Legislative action that will increase education expenditures.

Thus, while Committee estimates as listed above may serve to acknowledge some future requirements there exists at least a possibility that these projections may be low by the amounts required to finance new expenditures as may be approved by the 93rd or 94th Legislature.

RECREATION, PARKS, ETC.

The Committee has been very modest in projecting expenditures for Recreation and Parks. These items were as follows in 1945:

Year	Amount	Item	1945
1942	\$25,225	State Park Commission	\$16,505
1943	21,649	Baxter State Park Commission	2,064
1944	24,844	Military Forts and Reservations	4,590
1945	24,001	State Museum	1,195
			<hr/>
1946	45,336		\$24,444
1947	40,205	Less: Interdepartmental Expense	443
			<hr/>
1948	37,000		
1949	37,000	Net	\$24,001
1950	37,000		
1951	37,000		

Although the item is small in the aggregate the return of normal tourist travel may serve to influence increased appropriations for this expenditure division. In 1945 this expenditure was only .12% of General Fund expenditures.

MISCELLANEOUS

There are two major items in this classification, Maine State Employment Service and Special Legislative Resolves. The Maine State Employment Service, when returned to the State, will require expenditures of about \$40,000 per year. The remaining amounts provided for in the odd years cover Special Legislative Resolves. The larger sums noted in the 1942-1943 tabulations were Unemployment Compensation Commission expenditures. Income and expense incident to U. C. C. operation is not a part of this General Fund study in that its relation to the Federal Government is such that its income or expense is not reflected in the General Fund.

Amount	Year
\$423,255	1942
241,270	1943
43,301	1944
4,363	1945
43,523	1946
43,860	1947
85,000	1948
44,000	1949
85,000	1950
44,000	1951

CONTRIBUTIONS AND TRANSFERS TO OTHER FUNDS

These items were as follows in 1945:

Year	Amount	Item	1945
1942	\$139,742	To Highway Fund:	
		State Police	\$ 36,436
1943	397,307	To Other Special Revenue Funds:	
		Board of Bar Examiners	27
1944	485,684	Maine Forestry District	1,506
1945	478,297	Audit—Municipal Division	1,021
1946	522,277	To Public Service Enterprises:	
1947	549,658	Augusta Airport	1,307
1948	605,525	To Trust and Agency Funds:	
1949	616,525	Employees' Retirement System—Pension Fund	260,115
		Employees' Retirement System—Expense Fund	9,882
1950	651,525	To Increase Trust Fund Earnings to Statutory Rates	24,630
1951	661,525	Maine Teachers' Retirement Association	143,373
			\$478,297

Being mainly pension accrual charges, these expenditures are a function of payrolls and are increased to reflect State payrolls consistent with estimates of expenditures by departments. Any liberalization of pension provisions, such as was considered by the 92nd Legislature, could increase these estimates by a substantial amount. The 1945 expenditures were 2.46% of the General Fund expenditures.

DEBT SERVICE

	Bond Interest	Bond Principal	Total Payments	
1942	\$63,850	\$360,000	\$423,850	The General Fund Debt, as at June 30th, 1945 amounted to \$1,870,000. Of this, \$1,600,000 was in State of Maine War Bonds. As of February 1, 1946, \$750,000 of State of Maine War Bonds were redeemed. The tabulation indicates Bond principal and interest payments. Legislators are reminded that this tabulation assumes no new General Fund Debt. Future Legislatures are quite certain to consider various projects and plans that require new General Fund bonded indebtedness. By whatever yearly amounts any new debt may require additional interest and principal payments, the Committee projections are too low.
1943	49,150	245,000	294,150	
1944	38,050	220,000	258,050	
1945	25,700	145,000	170,700	
1946	24,100	145,000	169,100	
1947	11,625	95,000	106,625	
1948	10,550	95,000	105,550	
1949	9,475	95,000	104,475	
1950	8,400	95,000	103,400	
1951	7,325	95,000	102,325	

OTHER SPECIAL REVENUE FUNDS

REVENUES

TAXES:

Property Taxes:	
Maine Forestry District Tax	\$ 133,774
Selective Sales Taxes:	
Tax on Aeronautical Gasoline	16,614
Tax on Milk Sales by Dealers	19,316
Taxes on Corporations:	
Insurance Companies:	
Fire Prevention and Investigation Tax	38,009
Certificate of Qualification of Domestic	
Companies	20
Taxes on Amusements:	
Boxing Licenses	847
Commission on Boxing	1,192
Other Taxes on Specific Businesses or	
Occupations:	
Sardine Packing Licenses	1,800
Milk Licenses	767
Small Loan Agency Licenses	3,225
Registration of Dealers in Securities	
and Their Agents	8,640
Insurance Brokers' and Agents' Exam-	
inations	1,220
Real Estate Brokers' and Salesmen's	
Licenses	4,566
Filing Fees—Annual Statements of	
Insurance Companies	7,615
Aircraft, Pilots and Parachute Riggers'	
Licenses	376
Licenses to Sell Prophylactic Rubber	
Goods	554
Licenses for Roadside Eating and	
Lodging Houses	27,366
Fees for Cosmetics	4,671
Licenses for Barbers and Hairdressers	
Blueberry Factory Licenses	18,267
Registration Fees—Professional Resi-	
dent and Non-Resident Engineers	848
Registration Fees—Professional Resi-	
dent and Non-Resident Engineers	1,107
Other Taxes:	
Potato Tax	146,688
Permits to Install Plumbing	7,992
Fines, Forfeits and Penalties	15
Revenue from Other Agencies:	
Federal Grants for Public Health	484,676
Federal Grants for Assistance and Re-	
lief	39,015
Federal Grants for Education	333,699
Federal Grants for Unemployment	
Compensation Administration	231,530
Federal Grants for Other Purposes	118,895
Cities, Towns and Counties for Audit-	
ing Services	29,152
Cities and Towns for Child Welfare	—
Service Charges for Current Services:	
Auditing Services Rendered	548
Examination Fees	17,506
Inspection Services:	
Shipping Point	142,252
Certification of Seed	92,505
Other	46,335
Tubercular Hospital Services	62,976
Miscellaneous Fees	637
Sale of Commodities	638
Contributions and Transfers from Other	
State Funds:	
From General Fund	2,554
From Highway Fund	1,531
Sale and Compensation for Loss of Property	10,196
Total Revenues	\$2,060,134

Although NOT a part of General Fund accounting "Other Special Revenue Funds" are a substantial part of State revenue and expense. All revenues in this list are automatically available for the purpose for which they are earmarked under the various statistics. This list of revenues and expenses is listed to indicate revenue and expenses for the 1945 year.

Please note that these income and expense items are NOT a part of Committee projections, since all income is earmarked for specific expenditures. The Committee has not projected these items.

EXPENDITURES

GENERAL ADMINISTRATION

Audit Municipal Division

PROTECTION OF PERSONS AND

PROPERTY

Audit Municipal Division	\$ 36,308
Maine Aeronautics Commission	\$ 13,647
Banks and Banking, Department of	10,690
Boxing Commission	2,081
Examining Boards	14,719
Insurance Department	37,852
Milk Control Board	11,280
Real Estate Commission	4,170

**DEVELOPMENT AND CONSERVATION
OF NATURAL RESOURCES**

Agriculture, Department of	\$ 282,209
Maine Development Commission	
(Potato Tax)	139,286
Maine Forestry District	284,928
	<hr/>
	\$ 706,423

HEALTH AND SANITATION

Bureau of Health

WELFARE AND CHARITIES

Bureau of Health	\$ 496,811
Child Welfare Service	\$ 14,199
Indian Township Administration	6,665
	<hr/>
	\$ 20,864

HOSPITALS AND SANATORIUMS

Emergency Tuberculosis Fund

EDUCATION AND LIBRARIES

Education, Department of

UNEMPLOYMENT COMPENSATION

Administration

CONTRIBUTIONS AND TRANSFERS

TO OTHER FUNDS

To General Fund	\$ 14,708
To Public Service Enterprises	—
To Trust Funds	4,400

Total Expenditures

Excess of Revenues over Expenditures

SIX YEARS PROJECTION OF REVENUE AND EXPENDITURES

REVENUES

Authorized by 90th Legislature	Property Taxes	Inheritance and Estate Taxes	Cigarette Tax	Taxes on Corporations	Taxes on Public Utilities	Taxes on Insurance Companies	Taxes on Banks
1942 Actual	\$4,932,995	\$ 836,759	\$1,338,843	\$ 224,632	\$1,572,809	\$ 716,202	\$ 197,223
1943 Actual	4,992,455	771,149	1,440,369	228,364	1,921,773	739,537	163,268
Authorized by 91st Legislature							
1944 Actual	5,132,236	759,336	1,601,443	219,176	1,931,887	779,835	146,392
1945 Actual	5,123,339	813,476	1,371,515	212,549	2,048,360	853,196	147,169
Authorized by 92nd Legislature							
1946 Est.	5,147,971	800,000	1,845,536	208,250	1,824,200	886,285	154,440
1947 Est.	5,157,971	1,100,000	1,900,000	208,250	1,716,200	922,320	153,940
Problem of 93rd Legislature							
1948 Est.	5,150,000	1,100,000	1,900,000	215,000	1,650,000	930,000	150,000
1949 Est.	5,150,000	1,100,000	1,900,000	215,000	1,600,000	940,000	150,000
Problem of 94th Legislature							
1950 Est.	5,150,000	1,100,000	1,900,000	215,000	1,550,000	950,000	150,000
1951 Est.	5,150,000	1,100,000	1,900,000	215,000	1,500,000	960,000	150,000

EXPENDITURES

Authorized by 90th Legislature	General Admn. and Financial	Protection of Persons and Property	Develop. and Conservation Natural Resources	Health and Sanitation	Health and Welfare Welfare and Charities	State Hospitals and Sanitoriums	Correctional Institutions
1942 Actual	\$ 864,033	\$ 365,664	\$1,162,742	\$ 140,892	\$7,467,054	\$1,731,911	\$ 516,934
1943 Actual	1,055,313	473,640	912,800	161,536	7,524,539	1,804,852	527,187
Authorized by 91st Legislature							
1944 Actual	935,673	512,677	1,114,232	164,631	7,891,758	1,939,162	630,366
1945 Actual	1,209,559	472,676	1,252,825	182,064	8,534,906	1,907,095	695,971
Authorized by 92nd Legislature							
1946 Est.	1,141,911	579,263	1,502,021	261,409	9,399,228	2,366,956	771,799
1947 Est.	1,360,996	502,930	1,520,015	256,797	10,201,611	2,411,412	734,849
Problem of 93rd Legislature							
1948 Est.	1,118,850	500,000	1,600,000	296,800	11,161,956	2,550,000	765,000
1949 Est.	1,469,350	500,000	1,600,000	326,800	11,831,894	2,650,000	770,000
Problem of 94th Legislature							
1950 Est.	1,282,350	500,000	1,700,000	345,000	12,536,432	2,650,000	775,000
1951 Est.	1,473,350	500,000	1,700,000	360,000	13,178,452	2,650,000	775,000

SIX YEAR PROJECTION OF REVENUE AND EXPENDITURES (cont'd)

REVENUES (cont'd)

Hunting and Fishing Licenses	Federal Grants for Assistance and Relief	Other	Revenues from Counties, Cities and Towns	Service Charge for Current Services	Net Profit Liquor	Other Revenue	Revenue Totals
\$ 415,628	\$2,419,275	\$ 516,967	\$ 612,951	\$ 379,547	\$4,781,712	\$ 323,657	\$19,269,200
343,950	2,540,357	422,582	556,200	355,417	5,848,290	348,140	20,671,851
409,922	2,923,131	239,119	527,227	427,328	6,698,694	382,233	22,177,959
445,051	2,891,218	259,517	585,145	405,258	6,704,591	509,441	22,369,805
474,039	3,470,000	290,906	632,195	419,413	7,000,000	450,796	23,604,031
472,469	3,490,000	348,316	692,890	408,490	6,800,000	486,133	23,856,979
570,000	3,740,000	350,000	720,000	420,000	6,500,000	500,000	23,895,000
570,000	4,000,000	360,000	740,000	420,000	6,000,000	500,000	23,645,000
670,000	4,200,000	370,000	760,000	420,000	6,000,000	500,000	23,935,000
670,000	4,400,000	380,000	780,000	420,000	6,000,000	500,000	24,125,000

EXPENDITURES (cont'd)

Education and Libraries	Recreation and Parks	Misc.	Contributions and Transfers to Other Funds	Total Operating Expenses	Debt Service Interest	Debt Service Principal	Expenditure Total
\$3,641,905	\$ 25,225	\$ 423,255	\$ 139,742	\$16,479,356	\$ 63,850	\$ 360,000	\$16,903,206
3,738,886	21,649	241,270	397,307	16,858,979	49,150	245,000	17,153,129
4,308,644	24,844	43,301	485,684	18,050,972	38,050	220,000	18,309,022
4,508,937	24,001	4,363	478,297	19,270,692	25,700	145,000	19,441,392
5,674,870	45,336	43,523	522,277	22,314,793	24,100	145,000	22,483,693
5,783,477	40,205	43,860	549,658	23,405,810	11,625	95,000	23,512,435
6,048,750	37,000	85,000	605,525	24,768,881	10,550	95,000	24,874,431
6,242,700	37,000	44,000	616,525	26,088,269	9,475	95,000	26,192,744
6,303,700	37,000	85,000	651,525	26,816,007	8,400	95,000	26,919,407
6,325,700	37,000	44,000	661,525	27,705,027	7,325	95,000	27,807,352

APPENDIX — NET PROFIT FROM LIQUOR

Since net profit from Liquor was the largest single source of 1945 revenues, this appendix is included to indicate the division of the \$6,704,591 among Store Profits, Malt Beverage Excise Tax, Licenses and other sources. In approximate figures, the 1945 operating statement shows liquor store profits of about \$4,300,000, Malt Beverage Excise Tax revenue of just over \$2,000,000 and license income of about \$300,000. The more exact statement is as follows:

INCOME	
SALES	
Retail	\$16,557,127
Wholesale to Licenses	1,604,387
	18,161,514
GROSS SALES	18,161,514
Less: Licenses' Discounts	108,095
Returned Sales	2,792
	110,887
NET SALES	18,050,627
Less: Cost of Goods Sold	13,238,952
	4,811,675
GROSS PROFIT ON SALES	4,811,675
OTHER OPERATING INCOME	
Liquor Licenses	44,650
Malt Beverage Licenses	238,370
Malt Beverage Filing Fees	18,180
Malt Beverage Excise Tax (Net)	2,051,412
Malt Beverage Deficiency Tax (Net)	
	2,352,612
TOTAL OTHER OPERATING INCOME	2,352,612
ADMINISTRATIVE INCOME	
Time Discount—Purchases	153,579
Profit on Carload Purchases	146,516
Augusta-Portland Freight Differential	
Profit or Loss on Sale of Capital Assets	5
Miscellaneous Income	7,514
Income from Returned Cartons	2,705
	310,317
TOTAL ADMINISTRATIVE INCOME	310,317
TOTAL INCOME	7,474,604
	EXPENSES
Direct Store Operating Expenses	579,499
Commissioners' Salaries and Expenses	11,423
General Administration (Includes \$3,116 transferred to General Fund for Legal Services)	44,622
Liquor Store Supervision	17,282
Enforcement	65,267
Merchandising	7,886
Warehousing	42,794
Accounting Services (Transfer to General Fund)	45,253
Other Accounting Services	263
Chemical Analysis	
	814,289
TOTAL EXPENSES	814,289
SURPLUS ADJUSTMENTS	
Reserve for Depreciation	43,896
Insurance on Buildings and Contents	380
	\$6,704,591
NET PROFIT TRANSFERRED TO GENERAL FUND	