

MAINE STATE LEGISLATURE

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STATE OF MAINE



LEGISLATIVE RESEARCH COMMITTEE REPORT

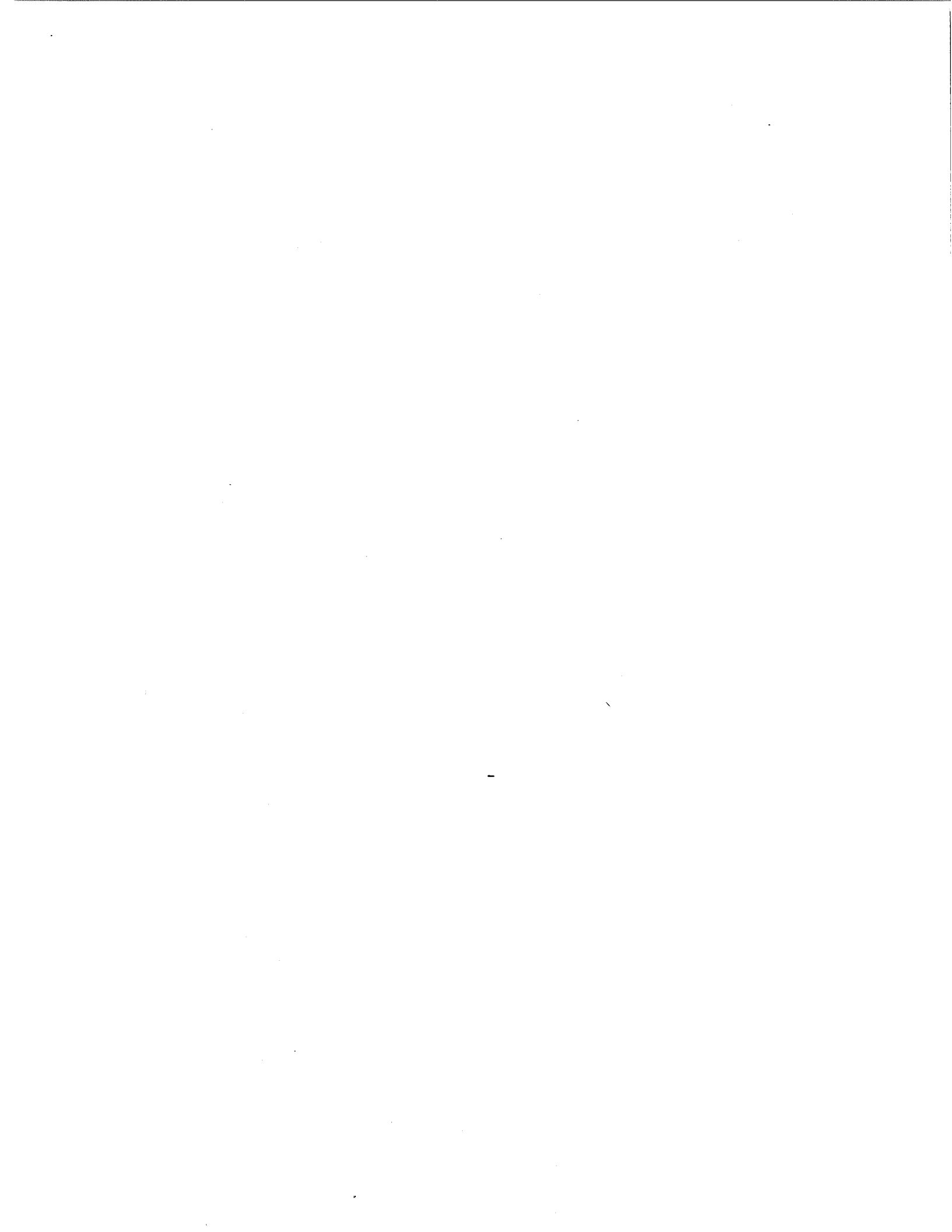
SUMMARY REPORT to NINETY-THIRD LEGISLATURE

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*





To the Members of the 93rd Legislature:

The Legislative Research Committee of the 92nd Legislature presents herewith a summary report. Two earlier reports were issued. One dated May 25, 1946, pointed out the deficiency trends then apparent in General Fund revenues. A second report, dated July 2, 1946, summarized Committee conclusions concerning Veterans Legislation. These reports were issued prior to the 1946 Special Session of the 92nd Legislature.

This summary report to the 93rd Legislature attempts to present the following material:

1. General conclusions concerning income and expense.
2. General Fund summaries and data.
3. Highway Fund summaries and data.
4. Description of new revenue sources.
5. Summaries of other legislative studies.

The Committee members have enjoyed their work. We are not certain that our efforts have been of major value to the Legislature but the members of the Committee are quite sure that we ourselves are better acquainted with at least some of the problems that will be faced by the 93rd Legislature.

We sincerely believe that future Legislative Research Committees can do important work for the State by their efforts and study during the interim periods between Legislative sessions. This Committee is particularly grateful to the many State House officials who have given to us very generously of their time and advice.

The biennium appropriation for the Committee was \$10,000. Total expenditures are likely to be about one-half of that amount. We recommend, however, that future Legislative Research Committees have similar appropriations, confident that interim Legislative study will be of increasing value to future Legislatures.

LEGISLATIVE RESEARCH COMMITTEE

by Edward B. Denny, Chairman

Dec. 31, 1946

GENERAL FUND SUMMARIES

Income and expense accounting of the State of Maine is contained in the GENERAL FUND and the HIGHWAY FUND. The exception is "Other Special Revenue Funds", where special earmarked funds are placed for earmarked expenditures. Thus, in presenting the problem, each of the two major accounting divisions is treated separately. This section of the report deals with the General Fund. On the following pages you will find detail descriptions and data relating to the fourteen income items and the twelve expenditure divisions into which we divide General Fund Revenue and Expenditures.

Actual income and actual expense has been recorded thru the fiscal year ending June 30, 1946. For the current 1947 year (July 1, 1946 to June 30, 1947), income and expense has been estimated. Data for the 1948 and 1949 years, the problem of the 93rd Legislature, is necessarily less accurate. Similarly unknown are the recommendations of the Governor and the conclusions of the 93rd Legislature with respect to appropriations. We do have, however, the revenue estimates for 1948 and 1949 as presented at the recent public Budget hearings, and we do have the normal appropriation requests made by each of the spending departments for those next two years. Thus, with 1947 noted as "estimated" and 1948 and 1949 noted as "requests", based on Budget hearings, the summary General Fund data is as follows:

	Revenues	Expenditures	Difference	
1942 (actual)	\$19,269,200	\$16,903,206	\$2,365,994	gain
1943 (actual)	20,671,851	17,153,129	3,518,722	gain
	\$39,941,051	\$34,056,335	\$5,884,715	gain
1944 (actual)	\$22,177,959	\$18,309,022	\$3,868,937	gain
1945 (actual)	22,369,805	19,441,392	2,928,413	gain
	\$44,547,764	\$37,750,414	\$6,797,350	gain
1946 (actual)	\$24,355,085	\$22,808,298	\$1,546,787	gain
1947 (estimated)	26,593,192	26,499,090	94,102	gain
	\$50,948,277	\$49,307,388	\$1,604,889	gain
1948 (requests)	\$26,941,113	\$29,836,077	\$2,894,964	loss
1949 (requests)	26,567,441	30,552,514	3,985,073	loss
	\$53,508,554	\$60,388,591	\$6,880,037	loss

BUDGET REQUEST DEFICIENCIES

Indicated Deficiencies

Estimated revenues are short of department expenditure requests by \$6,880,037 for the 1948-1949 biennium. It is quite certain, however, that the budget recommendations will not show this wide difference. Estimated revenues may be deemed to be too low in some instances and thus in budget presentation may be increased. Liquor revenue, for instance, in the budget presentation was estimated at \$13,900,000 for the biennium yet is currently estimated to be yielding at a rate that would produce more than \$15,000,000 if current liquor profit levels hold thru to June 30, 1949. Similarly, it is extremely unlikely that the appropriation request of each department will be fully recommended in the budget presentation and by whatever sum these requests are reduced, the indicated deficit will be further reduced. Another factor that may further reduce the apparent deficit is that in some few cases department requests appear to anticipate new types of expenditures that may not have legislative approval.

Committee Estimates

It is the Committee conclusion that this indicated biennium deficit of \$6,880,037 will be reduced to \$3,000,000 by the time the revenue estimates and appropriation requests have been screened thru budget submissions, Appropriation Committee reports and final legislative approval. The Committee makes full acknowledgment that this conclusion is but an estimate, altho examination of total requests of prior years compared with final legislative actions in those years indicates that it is unlikely that the deficiency will be cut below our estimate.

Treatment of Contingent Fund

We have treated the 1948 and 1949 Contingency Fund as a separate item. This is the fund from which the Governor and Executive Council may allocate funds not provided for in normal appropriations. The amount provided for by the last legislature was \$500,000 per year. Actual expenditures for the 1946 year were ~~\$541,437~~^{451,437}. Altho these expenditures are a normal charge against the unappropriated surplus, they are included in our tabulation as a means of presenting a complete comparison between income and expense. Actual expenditures from the Contingency Fund are in the expenditure totals thru 1946.

ESTIMATES OF NEW EXPENDITURES

Certainly it is a bold Committee that will attempt to approximate what will be the new expenditure appropriations at a regular session of the Legislature. Availability of revenue, either from tax revenues or debt, will be a major factor along with the insistence and need demonstrated by those seeking new appropriations. The Committee seeks to approve or disapprove none of these likely requests, acknowledging that any new expenditures will be determined by the recommendations of the Governor in his address to the Legislature and the action of the Legislature upon these recommendations and upon such other expenditure measures as are enacted by the Legislature. The exact nature of the total appropriations required for each of these new expenditure requests is unknown but it is likely that legislative consideration will be given to at least the following:

Teachers' Salaries

The 92nd Legislature provided increased subsidies for teachers' salaries. In round figures the minimum was brought up to \$1,000 per year at a cost to the State of \$1,000,000 per year. It is quite certain that the Legislature will be asked to provide additional subsidy funds to further increase the minimum salary of Maine teachers. If the minimum is increased to \$1,500 per year and if the increase in State subsidies amounts to \$150 of the \$500 in about 3500 positions and \$250 of the \$500 in the remaining 2000 positions, the local communities paying the balance of the increase, the increased cost to the State will be another \$1,000,000 per year

\$1,000,000

Teachers' Pensions

The 92nd Legislature considered proposals requesting liberalization of teachers' pension provisions. There appeared to be legislative support for the proposal but for lack of accurate cost data it was referred to a committee for interim study. If accepted by the new Legislature, costs will be about \$200,000 per year.

\$200,000

Vocational Training

New vocational training facilities were discussed at the Special Session and were provided for in the defeated Bonus referendum. Proponents argued that additional facilities were an essential part of a State educational system, and particularly required by Veterans. Capital costs were \$700,000. Yearly operating costs were \$100,000, or \$200,000 for the biennium. To acknowledge continued increased construction costs and operating costs, we have called this \$1,000,000, or \$500,000 per year, to cover what may be approved for Vocational Training.

\$500,000

University of Maine

University of Maine state subsidies are based on the "mill tax" currently yielding just over \$700,000 per year to the University. With registration more than doubled, it may be that the Legislature will acknowledge the need of additional State subsidies. If it is found unnecessary to operate the University facilities at Brunswick, the Orono operation alone, it is claimed, will require State subsidy of about \$1,050,000 or \$350,000 per year above the present yield of

the mill tax. If the Brunswick operation must continue, another \$150,000 per year will be required. The University will also ask for \$400,000 with which to complete the financing of the plant science-engineering building. Thus, without reference to medical school requests or other capital requirements, University of Maine requests may amount to \$700,000 per year more than current appropriations. If the University of Maine budget request of \$1,062,414 (1½ mills) is approved, our estimate for this item is high by \$350,000.

\$700,000

Institutional Capital Expenditures

Pownal, Bangor State Hospital and Augusta State Hospital have had appropriations for additional facilities. The need at the time for the appropriations is now a more insistent requirement. Prior appropriations are insufficient to meet present day construction costs and in addition to these deficiencies substantial appropriations for other urgent needs at these institutions will be requested. Latest estimates indicate that for these three institutions special capital appropriations of \$870,000 will be asked. These items are not in the budget requests.

Available might be the post-war public works reserve and the unappropriated surplus of the General Fund but both reserve items are modest in amounts and each will be used as a source for many other requests. Acknowledging that other institutional capital needs may be presented to the Legislature, we have called this item \$500,000 per year.

\$500,000

School Building Funds

A bill is likely to be introduced providing State subsidy for construction of secondary schools in Maine communities. Proponents will submit that adequate school facilities in many Maine communities are impossible without benefit of State subsidy. Altho the amount may be in the order of \$2,000,000, we have assumed that lack of funds may prevent its passage, at least in the 93rd Legislature, or, if passed, it will provide more modest appropriations for specific school needs.

?

Veterans' Legislation

It is quite certain that many bills providing for Veterans' legislation will be presented to the new Legislature. What type or types of bills will be enacted and what will be the expenditure requirements is certainly unknown. If another cash bonus bill of \$150 is passed, and if it is financed with 10-year debt, the annual costs will not be less than \$1,500,000 per year. The Committee has made no attempt to estimate this amount.

?

Other New Legislation

Many other expenditure requests may be presented such as overtime payments to institution employees, appropriations of \$125,000 per year in matching funds which to aid in airport expansion, additional State subsidies for school superintendents' salaries, increased costs that may be incident to new State House expansion, and the requests from municipalities for additional grants in aid from the State. This summary makes no attempt to estimate the amounts here involved.

?

SUMMARY OF NEW LEGISLATION

Summarized, along with very rough estimates of some of the possible yearly costs, is this tabulation of possible new appropriation requirements. The amounts are cost per year for each of the two years making up the next biennium:

Teachers' Salaries	-	\$1,000,000	per year
Teachers' Pensions	-	200,000	" "
Vocational Training	-	500,000	" "
University of Maine	-	700,000	" "
Institutional Capital	-	500,000	" "
School Building Fund	-	?	
Veterans' Legislation	-	?	
Other New Legislation	-	?	
		<hr/>	
		\$2,900,000	per year

In our summary estimates, we have used \$3,000,000 per year as likely costs of new appropriation provisions. This is in no respect a recommendation for or against any of the proposals that we have listed. Neither is it an indication that we have listed all of the requests that will be presented, each one worthy in at least the sponsors' opinion. In arriving at this figure of \$3,000,000 per year as an estimate of appropriations required to support new expenditures, we well understand that the 93rd Legislature may grant not a single one of these requests. We think it realistic, however, in attempting to arrive at the dimensions of the General Fund problem, to assume that the nature of the requests will be such as to make \$3,000,000 per year a reasonable estimate.

PROPERTY TAX LEVY

Maine cities and towns are expected to present insistent demands that the State retire from their part of this State revenue source, which was as follows in 1946:

State Tax on cities and towns	-	\$4,797,253
State Tax on wild lands	-	329,052
Other property Taxes (including interest)	-	24,134
		\$5,150,439

Without noting all of the arguments for or against the retirement by the State from this General Fund revenue source, it would amount to about \$4,800,000 per year in revenue loss to the State and a similar reduction in expenditures by Maine cities and towns. This assumes that by some tax procedure the State will retain the wild land tax income.

From the viewpoint of General Fund revenues this action would take from the State a tax source that yielded about 21.... of 1946 General Fund revenues. From the viewpoint of Maine municipalities, it would reduce their expenditures by about 14.... The merits of the proposal will be resolved by the answer to this question. Should real estate and personal property tax levies in the municipalities be relieved of the \$4,800,000 per year tax levy and the resulting tax revenue to the State be secured from some other type of State taxation?

The Committee is impressed with the arguments of the cities and towns and equally impressed with the trend in other states that is away from municipal property levies as a means of raising State revenues. For these reasons, we are including this \$4,800,000 per year in our General Fund deficiencies, convinced that if the State does not retire from this revenue source, the 93rd or subsequent Legislatures will enact grants-in-aid to the cities and towns or revenue-sharing provisions that will at least equal this \$4,800,000 per year. We think that there will be more merit in the retirement procedure than in the procedure that may make the local municipalities dependent for financial stability upon Legislative desires in matters of grants or revenue sharing. As evidence of this, we point to many Federal levies, shared or allocated to the states, that might more effectively have 100.... State administration without benefit of the round trip thru Federal administrators in Washington. Altho not an item that relates to State finances, basic county finances are derived by county assessments on the municipal valuations determined by the State. Thus the retirement by the State from this source must be accompanied by provisions for determination of a basis for County levies. This might be accomplished by continuing a State valuation determination to provide the base for county levies and for certain other financial relationships that exist between the State and the municipalities.

We would also point out, in respect to the abandonment by the State of this revenue source, that there are many other statutory references to the State valuation base. Each one must be studied in consideration of this major move toward broadening the State revenue base. This study, a legal one, we have not attempted.

SUMMARY OF GENERAL FUND DEFICIENCIES

Budget Data

With indicated budget deficiencies of \$6,880,037, we have assumed that the requests will be cut or the estimated income increased, or a combination of the two procedures so worked out that this apparent revenue deficiency will be reduced from \$6,880,037 to \$3,000,000 for the biennium, or \$1,500,000 for each of the two years

\$1,500,000 per year

New Expenditures

We have assumed that new expenditure items will require appropriations of \$3,000,000 per year.

\$3,000,000 per year

Property Tax

We have made allowance for the retirement by the State from this source of State revenue.

\$4,800,000 per year

Contingency Fund

We have assumed that this appropriation, not a part of budget requests, is continued in 1948 and 1949 at the same amount appropriated in 1946 and 1947. Very likely this will continue to be a charge against the unappropriated surplus of the General Fund, but since expenditures from the Fund are accounted for in the General Fund expenditures, and since this contingency Fund appropriation has within recent years grown to a very substantial sum, we include it to complete a true picture of revenue and expenditure comparisons for the 1948-1949 biennium.

\$ 500,000 per year

Total General Fund Deficiency

\$9,800,000 per year

Thus, with no attempt to predict what will be the summary of the Governor's budget message or what will be his new expenditure recommendations, or what will be final Legislative action, it appears that existing General Fund revenue sources may be as much as \$9,800,000 per year less than General Fund expenditure appropriations. If this projection has accuracy, the 93rd Legislature must choose between deficit financing by debt and increased revenue sources in the amount of this indicated General Fund deficiency of nearly \$9,800,000 per year. We are extremely reluctant to believe that the 93rd Maine Legislature will finance any substantial part of this sum by borrowed dollars. Thus, our conclusion that General Fund revenue sources in this amount may have Legislative consideration.

GENERAL FUND DETAIL

Year	Amount
1942	\$19,269,200
1943	20,671,851
1944	22,177,959
1954	22,369,805
1946	24,355,085
1947	26,593,192
1948	26,941,113
1949	26,567,441

For those interested in noting exact detail of General Fund revenues and expense, other state reports, particularly the Budget reports, serve as accurate and complete sources of official information. This report attempts to summarize information from those reports. By Committee comments we point out at least some of the apparent trends.

There are fourteen major divisions in the accounting of General Fund revenues. Each of these sources is known thru the year ending June 30, 1946. The current year, the period ending June 30, 1947, has been estimated, altho income for the first several months is known and has served to assist in these estimates. For the next biennium, the figures are those submitted at the Public Budget hearings, both as to estimated revenues and department requests for expenditure appropriations. Note carefully, please, that these tabulations for 1948 and 1949 are not the Budget tabulations that will be recommended to the Legislature in the Governor's Budget submissions.

GENERAL FUND REVENUES

1946 Revenues	% Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimate 1949
21.2%	Property Taxes	\$ 5,123,339	\$ 5,150,439	\$ 5,154,021	\$ 5,193,500	\$ 5,195,500
3.7%	Inheritance and Estate Taxes	813,476	938,758	900,000	900,000	900,000
8.1%	Cigarette Tax	1,371,515	1,964,411	2,167,790	2,167,790	2,167,790
1.0%	Taxes on Corporations	212,549	236,206	234,550	224,800	224,800
8.2%	Taxes on Public Utilities	2,048,360	1,995,892	1,863,200	1,763,350	1,660,350
3.7%	Taxes in Insurance Companies	853,196	913,694	911,830	913,130	913,430
.6%	Taxes on Banks	147,149	138,203	131,500	122,500	117,400
2.3%	Hunting and Fishing Licenses	445,051	551,798	516,052	517,799	517,799
12.0%	Federal Grants, Assist-Rel.	2,891,218	2,928,768	4,225,733	5,006,650	5,158,850
1.2%	Other Federal Grants	259,517	288,419	368,441	478,667	499,176
2.7%	Revenue from Cities and Towns	585,145	663,230	678,182	713,525	739,725
3.0%	Service Charges	405,258	725,393	860,401	855,205	870,448
29.5%	Net Profit from Liquor	6,704,591	7,177,496	7,813,200	7,200,000	6,700,000
2.8%	Other Revenue	509,441	682,378	768,292	884,197	902,173
100.0%	Total	\$22,369,805	\$24,355,085	\$26,593,192	\$26,941,113	\$26,567,441

Each of these fourteen revenue sources is shown in some detail on the following pages along with explanatory comment. Note again, please, that the 1948 and 1949 tabulations are accurate only in so far as are listed the estimates presented at the Budget hearings. Each one of these, after screening thru the Governor's Budget, the Appropriation Committee and the Legislature may be increased or decreased.

PROPERTY TAXES

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
State Tax on Cities and Towns	\$4,771,091	\$4,797,253	\$4,797,978	\$4,835,000	\$4,835,000
State Tax on Wild Land	330,293	329,052	330,000	330,000	30,000
Other Property Taxes	21,955	24,134	25,043	28,500	30,500
(Including Interest) Total	\$5,123,339	\$5,150,439	\$5,154,021	\$5,193,500	\$5,195,500

Year Amount

1942	\$ 4,932,995
1943	4,992,455
1944	5,132,236
1945	5,123,339
1946	5,150,439
1947	5,154,021
1948	5,193,500
1949	5,195,500

This first General Fund revenue source, the State tax on cities and towns, is the 7¼ mill tax levied by the State on municipal valuations as established by the State Tax Assessor. This rate is established by the Legislature but has remained at the 7¼ mill rate since 1933. It is this tax that many Maine municipalities believe should no longer be levied against municipal valuations.

The State tax on wild lands is also levied in a similar manner and is at the same rate. Wild land property also pays a Forestry District tax, the income from which is earmarked revenue in "Other Special Revenue Funds". In 1946 this amounted to \$132,855.

INHERITANCE AND ESTATE TAXES

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Inheritance and Estate Taxes	\$813,476	\$938,758	\$900,000	\$900,000	\$900,000
Total	\$813,476	\$938,758	\$900,000	\$900,000	\$900,000

In 1941 the Legislature doubled the inheritance and estate tax rates in all categories except one. 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

Amount	Year
\$ 836,759	1942
771,149	1943
759,336	1944
813,476	1945
938,758	1946
900,000	1947
900,000	1948
900,000	1949

CIGARETTE TAX

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Cigarette Taxes	\$1,371,515	\$1,964,411	\$2,167,790	\$2,167,790	\$2,167,790
Total	\$1,371,515	\$1,964,411	\$2,167,790	\$2,167,790	\$2,167,790

Year	Amount
1942	\$1,338,843
1943	1,440,369
1944	1,601,443
1945	1,371,515
1946	1,964,411
1947	2,167,790
1948	2,167,790
1949	2,167,790

This income is derived from a tax of 2 cents per package on cigarettes. In 1946 revenue of \$1,964,411 amounted to 8% of General Fund revenue. The 1945 total of \$1,371,515 reflects the period of cigarette shortages. Massachusetts, in 1945, increased the State levy from 2 cents to 4 cents per package. It is likely that similar action in Maine would not double existing income because of making evasion more profitable. It is likely, however, at current sales levels, that additional revenue of nearly \$2,000,000 per year might result from increasing this particular sales tax from about 10% (2 cents per package) to 20% (4 cents per package). Such action appears to be one of the most feasible among existing revenue sources, altho the resulting new revenue is far from the amount projected as the revenue deficiency in this report.

TAXES ON CORPORATIONS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Taxes on Corporations	\$212,549	\$236,206	\$234,550	\$224,800	\$224,800
Total	\$212,549	\$236,206	\$234,550	\$224,800	\$224,800

	Amount	Year
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. In may be doubtful if increased State taxes should be placed on existing industry in Maine or offered to discourage new industry.	\$224,632	1942
	228,364	1943
	219,176	1944
	212,549	1945
	236,206	1946
The tax yielded less than 1% of total 1946 General Fund revenue.	234,550	1947
	224,800	1948
	224,800	1949

TAXES ON CORPORATIONS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Railroad Companies	\$1,459,511	\$1,356,042	\$1,234,000	\$1,134,000	\$1,034,000
Telephone Companies	531,162	576,647	575,000	575,000	575,000
Telegraph Companies	31,039	32,843	28,000	28,000	28,000
Express Companies	25,222	29,142	25,000	25,000	25,000
Parlor and Sleeping Cars	662	510	500	500	500
Steam Boats	464	708	700	850	850
Total	\$2,048,360	\$1,995,892	\$1,863,200	\$1,763,350	\$1,660,350

Year	Amount
1942	\$ 1,572,809
1943	1,921,773
1944	1,931,887
1945	2,048,360
1946	1,995,892
1947	1,863,200
1948	1,763,350
1949	1,660,350

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.

The downward trend in the income estimated 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 '49 period, estimated at from \$400,000 to \$500,000 in excess of the 1941 revenues, is liberally projected.

TAXES ON INSURANCE COMPANIES

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Premium Tax on Companies	\$813,269	\$880,550	\$880,000	\$880,000	\$880,000
Licenses to Agents	39,927	33,144	31,830	33,130	33,430
Total	\$853,196	\$913,094	\$911,830	\$913,130	\$913,430

\$ 716,202 1942
739,537 1943

Taxes on Insurance Companies have reflected the increase from 1% to 2% in the premium tax on local insurance companies. Increased tax revenues also reflect the increases in the general level of the insurance companies' business.

779,835 1944
853,196 1945
913,694 1946
911,830 1947
913,130 1948
913,430 1949

TAXES ON BANKS

Item	Actual	Actual	Estimated	Department	Estimates
	1945	1946	1947	1948	1949
Savings Banks	\$125,299	\$113,304	\$108,000	\$100,000	\$ 95,000
Banking Resources	10,655	12,470	12,500	12,400	12,300
Building and Loan Association	7,078	8,829	8,000	8,000	8,000
Trust and Banking Companies	4,017	3,250	3,000	2,000	2,000
Fees, new Banks	100	350		100	100
Total	\$147,149	\$138,203	\$131,500	\$122,500	\$117,400

Year	Amount
1942	\$197,223
1943	163,268
1944	146,392
1945	147,149
1946	138,203
1947	131,500
1948	122,500
1949	117,400

State taxes on Banks are determined, in a substantial part, by the extent to which bank assets are invested in tax exempt securities. Competent State officials predict a continuation in the reduction of this State revenue source. The evidence recorded, 1941 thru 1946, seems to prove their earlier estimates.

HUNTING AND FISHING LICENSES

Item	Actual	Actual	Estimated	Department	Estimates
	1945	1946	1947	1948	1949
Resident	\$229,599	\$258,081	\$225,956	\$227,703	\$227,703
Non Resident	215,452	293,717	290,096	290,096	290,096
Total	\$445,051	\$551,798	\$516,052	\$517,799	\$517,799

We acknowledge the Commissioner of Inland Fisheries and Game to be entirely competent in projecting income from hunting and fishing licenses. He projects 1947 income about \$35,000 lower than 1946 and estimates 1948 and 1949 at about the same level as his 1947 estimate. With the advantage of making an estimate at a later date than when he projected his income figures, we think that each of these estimates, '47, '48 and '49, may be \$50,000 too low.

Amount	Year
\$415,628	1942
343,950	1943
409,922	1944
445,051	1945
551,798	1946
516,052	1947
517,799	1948
517,799	1949

FEDERAL GRANTS FOR ASSISTANCE AND RELIEF

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Old Age Assistance	\$2,493,430	\$2,470,353	\$3,465,283	\$4,051,400	\$4,154,600
Aid to the Blind	146,332	140,778	176,000	206,400	206,400
Aid to Dependent Children	247,352	313,704	580,600	745,000	794,000
Indians	4,104	3,933	3,850	3,850	3,850
Total	\$2,891,218	\$2,928,768	\$4,225,733	\$5,006,650	\$5,158,850

Year	Amount
1942	\$ 2,419,275
1943	2,540,357
1944	2,923,131
1945	2,891,218
1946	2,928,768
1947	4,225,733
1948	5,006,650
1949	5,158,850

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

Note, please, that of expenditure request of \$7,278,300 for Old Age Assistance in 1948, Federal grants are expected to provide \$4,051,400 or 55% of the total payments to Old Age recipients.

OTHER FEDERAL GRANTS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Welfare					
General Administration	\$162,127	\$171,710	\$235,000	\$300,000	\$310,000
Blind	4,514	3,641	1,775	5,000	6,000
Education					
Schooling, Unorganized territory	207	327	207	200	200
Vocational Rehabilitation	57,718	78,918	79,142	118,563	128,973
Fish and Game	15,571	14,889	33,527	33,024	32,123
Forestry	16,125	18,361	18,500	20,000	20,600
Other	3,255	573	290	1,280	1,280
Total	\$259,517	\$288,419	\$368,441	\$478,667	\$499,176

	Amount	Year
	\$ 516,967	1942
	422,582	1943
	239,119	1944
	259,517	1945
	288,419	1946
	368,441	1947
	478,667	1948
	499,176	1949

This income represents Federal Grants for State activities other than Assistance and Relief. A substantial portion of it represents welfare administration and vocational rehabilitation. It is also to be noted that this Federal Grant source of income supports a substantial part of Welfare General administration.

REVENUES FROM CITIES AND TOWNS

Item	Actual	Actual	Es'imated	Department	Estimates
	1945	1946	1947	1948	1949
For Public Health	\$ 26,073	\$ 25,136	\$ 30,300	\$ 33,300	\$ 33,300
For Aid to Dependent Children	304,021	381,524	367,437	399,800	426,000
For Neglected Children	205,678	219,544	255,000	255,000	255,000
For Education	32,475	24,069	25,445	25,425	25,425
Other	16,898	12,957			
Total	\$585,145	\$663,230	\$678,182	\$713,525	\$739,725

Year	Amount
1942	\$ 612,951
1943	556,200
1944	527,227
1945	585,145
1946	663,230
1947	678,182
1948	713,525
1949	739,725

This revenue represents payments to the State for services rendered to cities and towns. There has been and likely will continue to be Legislative effort seeking to reduce the municipal share in the aid to dependent children and other welfare costs that are shared between the State and the cities and towns. This may be presented as one of the considerations in the retirement by the State from the municipal property tax source

SERVICE CHARGE FOR CURRENT SERVICES

Item	Actual	Actual	Estimated	Department	Estimates
	1945	1946	1947	1948	1949
Service Charges for Current Services:					
Rents	\$ 48,426	\$ 45,749	\$ 46,719	\$ 50,441	\$ 54,019
Sales of Services	183,706	273,800	316,513	300,421	307,286
Sale of Commodities	161,562	394,917	491,519	498,693	503,493
Fees Charged Other Departments	11,564	10,927	5,650	5,650	5,650
Total	\$405,258	\$725,393	\$860,401	\$855,205	\$870,448

This income source represents income from rentals, sale of commodities and sale of services. Income from hospital services is one of the major items. The "sale of commodities" item shows large increases because of a change in accounting procedures in institutional accounting.

Amount	Year
\$379,547	1942
355,417	1943
427,328	1944
405,258	1945
725,393	1946
860,401	1947
855,205	1948
870,448	1949

NET PROFIT FROM LIQUOR

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates 1949
Net profit from Liquor	\$6,704,591	\$7,177,496	\$7,813,200	\$7,200,000	\$6,700,000
Total	\$6,704,591	\$7,177,496	\$7,813,200	\$7,200,000	\$6,700,000

This item has become the largest of the fourteen major sources of General Fund income. In 1945 it produced 30% of revenues and in 1946 it produced about 29½% of these General Fund revenues. The 1947 estimate of \$7,813,200 appears accurate from profits being recorded during the first few months of the 1947 fiscal year. Estimated at \$7,200,000 for 1948 and \$6,, 700,000 for 1949, the committee points out that this department estimate must have been a very difficult one to arrive at with any certainty of accuracy.

1946 profits of \$7,813,200 came from three major accounting divisions. Liquor sales were \$20,956,974 and produced a gross profit of \$5,404,659. Liquor licenses were \$53,050, malt beverage licenses and fees \$299,360. Malt beverage excise taxes, net, were \$2,079,535. Other income was \$311,167 and total expenses were \$970,255. Thus, between "beer" and "liquor", beer produced about one-third and liquor about two-thirds of the \$7,813, 200 in 1946 revenue. Malt beverage taxes of \$4.96 per barrel and liquor mark-up of 61% are each high rates among comparable states.

OTHER REVENUES

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Estimates ^s 1949
Other Revenues:					
Commission on Pari Mutuels	\$119,556	\$164,757	\$220,000	\$250,000	\$260,000
Other Taxes on Special Business	54,470	98,488	99,550	161,485	160,485
Other Taxes	6,981	8,072	9,090	9,090	9,090
Fines	20,785	28,342	27,020	28,020	28,020
Interest on Earnings and Rents	51,964	48,032	44,904	43,040	43,040
Private Contributions:					
O. A. A. Recoveries	58,421	56,264	40,000	50,000	50,000
Other	12,566	64,848	142,900	123,500	133,500
Contributions and Transfers:					
From Highway Fund	42,320	50,387	42,095	76,618	76,148
From Other Special Revenue Funds	14,708	11,443	9,272	18,050	18,130
From Public Service Enterprises	48,369	41,676	50,970	49,184	48,607
From Working Capital Funds	1,619	1,621	1,563	3,010	2,953
From Trust and Agency Funds	58,867	64,523	67,353	68,500	68,500
Sale of Properties	18,815	43,925	13,585	3,700	3,700
Total	\$509,441	\$682,378	\$768,292	\$884,197	\$902,173

These sums represent miscellaneous income sources. Assistance recovery is one of the large items. Other sources are other taxes on specific businesses or occupations, net profit from racing, \$164,757 in 1946, charges to the Liquor Commission and to the Highway Commission for accounting and legal services.

Amount	Year
\$ 323,657	1942
348,140	1943
382,233	1944
509,441	1945
682,378	1946
768,292	1947
884,197	1948
902,173	1949

EXPENDITURES

1942	\$16,903,206
1943	17,153,129
1944	18,309,022
1945	19,441,392
1946	22,808,298
1947	26,499,090
1948	29,836,077
1949	30,552,514

General Fund expenditures are accurately recorded for each year thru the fiscal year ending June 30, 1946. In our tabulations, 1947 is estimated, with benefit of known totals for the first few months of the current fiscal years. Expenditure figures for 1948 and 1949, the next biennium, represent REQUESTS of the departments at the Budget hearings recently completed. Note again, please, that these requests must be screened thru the Budget recommendations of the Governor, Appropriation Committee reports and final Legislative action.

% of 1946 Expended	Item	Actual 1945	Actual 1946	Estimated 1947	Department Requests 1948	Requests 1949
5.0%	General Admission and Financial	\$ 1,209,559	\$ 1,152,635	\$ 1,551,998	\$ 1,327,221	\$ 1,582,791
3.0%	Protection Persons and Property	472,676	688,187	681,592	644,259	664,960
6.8%	Development and Conservation	1,252,825	1,562,394	1,968,941	2,082,404	2,158,725
1.0%	Health and Sanitation	182,064	233,785	293,101	368,652	376,791
41.3%	Welfare and Charities	8,534,906	9,409,786	10,994,316	12,837,559	13,196,366
10.7%	State Hospitals and Sanatoriums	1,907,093	2,432,988	2,969,694	3,531,214	3,525,928
3.8%	Correctional Institutions	695,971	877,160	1,112,914	1,262,862	1,236,517
25.0%	Education and Libraries	4,508,937	5,684,506	6,849,540	6,849,540	6,925,309
.2%	Recreation, Parks, etc.	24,001	44,371	42,861	216,114	162,789
.2%	Miscellaneous	4,363	39,134	8,115	1,553	1,500
2.3%	Transfers	478,297	514,252	576,605	609,149	616,363
.7%	Debt Service	170,700	169,100	106,625	105,550	104,475
100.0%	Total	\$19,441,392	\$22,808,298	\$26,499,090	\$29,836,077	\$30,552,514

Noted in the tabulation is the percentage of 1946 General Fund expenditures accounted for by each of the twelve items. Welfare and Charities expenditures amounted to 41.3% with Education next at 25.0%. Combined, these departments, along with Health and Sanitation, spent 67.3% or more than two-thirds of total General Funds expenditures. Projecting this same calculation thru '48 - '49 requests these same three departments have requested \$40,554,217 of total requests of \$60,388,591 for the biennium. This fact we think is important in the consideration of any substantial reductions in General Fund expenditures. On the following pages are tabulations that indicate the major items making up each of the expenditure items. Please be reminded again that 1948 and 1949 expenditure listings represent department requests.

GENERAL ADMINISTRATIVE AND FINANCIAL

Accounts and Control, Bureau of	\$183,350	\$211,622	\$ 235,334	\$ 247,092	\$ 244,575
Attorney General, Department of	94,260	91,673	103,635	104,993	103,337
Audit, Department of	46,340	49,667	57,338	72,835	72,735
Emergency Municipal Financial Board	1,308				
Executive, Department of	61,893	69,250	102,292	71,327	76,967
Financial and Bureau of Budget	20,255	16,904	25,735	18,359	26,162
Legislative	290,185	73,538	323,474	37,847	284,418
Judicial	174,275	209,878	236,960	243,407	248,471
Personnel Board	15,652	17,548	18,301	29,246	30,246
Public Buildings, Superintendent of	135,357	191,422	184,009	197,030	175,380
Purchases, Bureau of	35,904	41,458	46,968	58,321	56,647
Secretary of State, Department of	50,090	34,029	41,714	39,568	54,315
Taxation, Bureau of	67,032	114,271	137,708	160,193	163,479
Treasurer of State, Department of	32,020	29,586	31,150	44,653	43,659
Interstate Cooperation, Commission for	1,940	1,789	2,000	2,000	2,000
Legislation, Commissions of Uniform	199		350	350	350
Total	\$1,210,060	\$1,152,635	\$1,551,998	\$1,327,221	\$1,582,791
Less: Interdepartmental Expense	501				
Net	\$1,209,559	\$1,152,635	\$1,551,998	\$1,327,221	\$1,582,791

Year	Amount
1942	\$ 864,033
1943	1,055,313
1944	935,673
1945	1,209,559
1946	1,152,635
1947	1,551,998
1948	1,327,221
1949	1,582,791

These expenditure appropriations are largely wages and salaries and with few exceptions the increases reflect general wage increases. In the Executive Department the larger amount in 1947 reflects estimated expenditures of fire insurance payments received and the cost of the recent outside audit. The Legislative totals account for odd year sessions with the 1947 figure increased to cover the July special session. The large increases in Bureau of Taxation come from a change in accounting wherein certain tax collection costs have been charged against the department instead of against the tax income.

The department requests for 1948 and 1949 appear to include wage sums sufficient to carry thru the biennium the wage increases granted by the 92nd Legislature. This question must be answered by the 93rd Legislature since the increases granted expire in part during February of 1947 and in full during July of 1947 unless extended by the new Legislature.

PROTECTION OF PERSONS AND PROPERTY

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Requests 1949
Adjutant General, Department of	\$182,334	\$220,110	\$324,502	\$236,560	\$248,316
Banks and Banking, Department of	48,903	67,163	75,396	81,541	84,673
Emergency War Fund	82,216	159,631	2,198	500	500
Industrial Accident Commission	40,536	52,054	64,300	66,900	67,800
Insurance Department	15,981	20,363	23,748	25,779	25,695
Labor and Industry, Department of	25,553	29,482	32,001	34,000	34,000
Public Utilities Commission	68,795	69,595	84,141	87,136	90,136
Fish and Game, Department of Inland Search for Lost Persons	604	398	1,500	1,500	1,500
State Police-Fingerprinting of School Children	8,531	8,378	11,644	11,476	11,832
Boxing Commission		3,732	4,322	4,471	4,494
Racing Commission		12,620	15,687	17,315	17,289
Veteran's Affairs Office		44,661	42,153	77,081	78,725
Total	\$473,453	\$688,187	\$681,592	\$644,259	\$664,960
Less: Interdepartmental Expense	777				
Net	\$472,676	\$668,187	\$681,592	\$644,259	\$664,960

Year	Amount
1942	\$ 365,664
1943	473,640
1944	512,577
1945	472,676
1946	688,187
1947	681,592
1948	644,259
1949	664,960

State expenditures for National Guard activities is the largest item in this group. While budget requests were the totals listed above for 1948 and 1949, it is likely that changes may be made in these requests when more accurate information is available from the Federal Government, Veterans Affairs Office, first established by Governor and Council, and approved at the Special Session, requests expenditures of \$77,081 and \$78,725 for the 1948 and 1949 years. Appropriations for Banking, Accident, Insurance, Labor and Public Utilities Commission reflect increases that are mainly salary and wage increases.

DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES

Items	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Request 1949
Agriculture, Department of	\$ 289,109	\$ 400,550	\$ 427,674	\$ 432,498	\$ 497,452
Development Commission, Maine	170,629	192,997	234,495	250,000	250,000
Fish & Game, Department of Inland	601,271	729,660	995,347	996,281	997,760
Forestry, Department of	73,399	108,057	153,244	201,925	206,480
Sea & Shore Fisheries, Department	121,206	130,030	157,081	200,200	205,520
Atlantic States Marine Fisheries Commission	1,000	1,000	1,100	1,500	1,500
	\$1,256,614	\$1,562,394	\$1,968,941	\$2,082,404	\$2,158,725
Less: Interdepartmental Expense	3,789				
Net	\$1,252,825	\$1,562,394	\$1,968,941	\$2,082,404	\$2,158,725

Year Amount

1942 \$ 1,172,742

1943 912,800

1944 1,114,232

1945 1,252,825

1946 1,562,394

1947 1,968,941

1948 2,082,404

1949 2,158,725

Agriculture tabulations include Bangs disease funds amounting to \$126,018 in 1946, \$100,000 in 1947, \$40,000 in 1948 and \$100,000 in 1949. The budget requests also suggested \$80,000 in 1948 from the unappropriated surplus of the General Fund. Fish and Game appropriations include the increased operating expenses incident to the operation of the new hatcheries.

HEALTH AND SANITATION

Item	1945 Actual	1946 Actual	1947 Estimated	1948 Department	1949 Requests
Health, Bureau of	\$181,468	\$222,090	\$281,576	\$355,652	\$363,291
Sanitary Water Board	1,290	11,695	11,525	13,000	13,500
	\$182,758	\$233,785	\$293,101	\$368,652	\$376,791
Less: Interdepartmental Expenses	694				
Net	\$182,064	\$233,785	\$293,101	\$368,652	\$376,791

Activities carried on by the Bureau of Health include 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. In judging net cost to the State of these activities, reference should be made in revenues received as Federal grants.

Amount	Year
\$ 140,892	1942
161,536	1943
164,631	1944
182,064	1945
233,785	1946
293,101	1947
368,652	1948
376,791	1949

WELFARE AND CHARITIES

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Request 1948
Administration-Welfare	\$ 566,732	\$ 635,906	\$ 794,510	\$ 962,190	\$ 984,800
Blind Aid to	294,741	299,917	333,527	368,300	368,300
Education of	18,404	20,942	25,000	36,700	36,700
Services for	4,156	5,550	7,745	8,745	8,745
Rehabilitation of	1,431	3,566	10,000	10,000	12,000
Charitable Institutions	36,915	31,707	38,320	53,300	53,300
Children, Aid to Dependent	945,916	1,207,143	1,609,037	1,892,800	2,016,000
Board and Care of Neglected	458,697	563,730	589,250	694,000	694,000
Home for Military and Naval	31,010	39,366		(See Institutions)	
Deaf, Maine School for	49,501	60,028		(See Institutions)	
Hospitals, Public and Private	287,977	288,000	288,000	459,000	459,000
Indians, Passamaquoddy	66,033	70,014	77,278	89,108	90,010
Penobscot	46,033	49,516	49,820	62,769	63,193
Insane, Examination and Commitment of	313	174	500	500	500
Indian Island Ferry			5,000		
Old Age Assistance	5,143,179	5,442,259	6,312,317	7,278,300	7,466,200
Paupers, Support of State					
(Including Jefferson Camp)	389,334	414,006	471,052	462,647	463,468
Pensions, Special	56,831	58,907	55,000	55,000	55,000
Soldiers, Sailors & Their Widows,					
Burial of	800	400	800	800	800
Soldiers, Sailors, Support of					
Dependent	38,793	34,936	35,000	35,000	33,000
World War Assistance	105,404	182,219	290,660	367,200	390,150
Towns, Emergency Aid to	735				
G.A.R. Department of Maine	1,500	1,500	1,500	1,200	1,200
	\$8,544,435	\$9,409,786	\$10,994,316	\$12,837,559	\$13,196,366
Less: Interdepartmental Expenses	9,529				
Net	\$8,534,906	\$9,409,786	\$10,994,316	\$12,837,559	\$13,196,366

Year	Amount
1942	\$ 7,467,054
1943	7,524,539
1944	7,891,758
1945	8,534,906
1946	9,409,786
1947	10,994,316
1948	12,837,559
1949	13,196,366

This is the largest expenditure item among the General Fund tabulations. Of the 1946 expenditures of \$9,409,786 more than \$7,800,000 or 84% was expended for Old Age Assistance, Aid to Dependent Children, Board and Care of Neglected Children, Paupers and World War Assistance. Budget requests for 1948 boost the total to \$12,837,559 of which about \$10,700,000 is in the above five items. The Committee points out that budget requests for 1948 are nearly \$5,750,000 more than actual expenditures for 1942, but we are impressed with the fact that the Legislature has prescribed, rather exactly, those who shall be eligible for this aid and within somewhat narrow range the amounts that shall be paid to the eligible recipients. We also acknowledge that food, rent and clothes are much higher than in prior years. Thus we conclude that any major economics

in this department will have resulted from changes in basic statistics covering the State Welfare and Charities program.

Federal Grants that help support this program are noted among the General Fund tabulations and should be considered in any study of these expenditure totals.

STATE HOSPITALS AND SANATORIUMS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Request 1949
Administration	\$ 11,997	\$ 14,526	\$ 20,034	\$ 25,536	\$ 25,197
Augusta State Hospital	534,099	652,083	814,553	1,060,244	1,041,864
Bangor State Hospital	483,658	586,320	707,554	798,205	796,355
Central Maine Sanatorium	234,017	264,227	315,805	338,179	345,778
Northern Maine Sanatorium	135,161	151,651	180,654	209,950	196,600
Pownal State School	458,302	538,266	639,867	782,703	796,188
Western Maine Sanatorium	198,174	209,182	249,927	275,097	278,946
Emergency Tuberculosis Fund		16,633	41,300	41,300	45,000
Total	\$2,054,408	\$2,432,988	\$2,969,694	\$3,531,214	\$3,525,928
Less Interdepartmental Expenses	147,315				
Net	\$1,907,093	\$2,432,988	\$2,969,694	\$3,531,214	\$3,525,928

Year	Amount
1942	\$ 1,731,911
1943	1,804,852
1944	1,939,162
1945	1,907,093
1946	2,432,988
1947	2,969,694
1948	3,531,214
1949	3,525,928

In Budget submission, the Department indicated that 70% of the requested increases were for increased number of employees and increased wage rates. Of the remainder nearly all reflects increased food costs. With very minor exceptions there are no provisions for needed capital expenditures. These capital requirements are noted in Committee summaries of possible new appropriation requirements.

CORRECTIONAL INSTITUTIONS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Request 1949
State School for Boys	\$ 166,401	\$ 159,531	\$ 188,713	\$ 266,708	\$ 213,176
State School for Girls	130,371	146,571	180,857	196,700	195,200
State Reformatory for Men	109,342	136,327	128,418	158,260	150,373
Maine State Prison	246,805	298,780	318,899	357,793	360,279
State Reformatory for Women	114,756	122,955	159,073	174,295	173,052
Parole Board	9,885	12,996	17,835	20,285	20,071
Total	\$ 777,560	\$ 877,160	\$ 993,795	\$ 1,134,041	\$ 1,112,151
Less: Interdepartmental Expenses	1,589				
Net	\$ 695,971	\$ 877,160	\$ 993,795	\$ 1,134,041	\$ 1,112,151
Institutions:					
Welfare:					
Deaf, Maine School for			77,155	82,557	82,516
Military & Navy Children's Home			41,964	46,264	41,850
Total	\$ 695,971	\$877,160	\$ 1,112,914	\$ 1,262,862	\$1,236,517

	Amount	Year
	\$ 516,934	1942
	527,187	1943
	630,366	1944
	695,971	1945
	877,160	1946
	1,112,914	1947
	1,262,862	1948
	1,236,517	1949

Altho headed "Correctional Institutions" this division of General Fund expenditures now includes the two welfare institutions, Maine School for Deaf and the Military and Naval Children's Home. Wages and food account for a substantial part of these expenditures and have been increased in Budget request in about the same ratios as indicated for Hospitals and Sanatoriums.

EDUCATION AND LIBRARIES

SUBSIDIES TO CITIES, TOWNS AND ACADEMIES FOR:	ACTUAL		ESTIMATED	DEPT. REQUESTS	
	1945	1946	1947	1948	1949
Plans and Surveys		250	21,800	20,000	20,000
State School Fund	156				
Tuition	150,803	183,387	193,000	209,000	222,000
Teaching Positions	1,024,273	2,020,535	2,039,000	2,039,000	2,039,000
School Census (and Enrollment)	697,099	638,881	500,997	505,000	510,000
Conveyance in Lieu of Teaching Positions	116,365	140,567	154,500	170,000	185,000
Temporary Residents	1,152	1,579	1,500	3,000	3,000
Industrial Education	129,319	122,341	129,600	140,000	150,000
Aid to Academies	98,436	120,000	120,000	120,000	120,000
Physical Education	28,615	32,255	35,000	45,000	50,000
Board of Island Children			1,000	3,500	5,000
Physically Handicapped Children		7,500	10,000	13,500	18,000
Equalization of Educational Opportunities	355,660	302,948	483,817	487,000	487,000
Sub-Total of Subsidies	2,601,878	3,570,243	3,696,214	3,755,000	3,809,000
Administration	80,500	93,463	117,645	156,691	157,642
Teacher Colleges and Normal Schools	382,933	388,107	506,582	638,045	653,085
Schooling in Unorganized Territory	87,090	112,394	118,544	136,400	148,400
Superintendents in School Unions	163,294	160,683	165,245	165,000	165,000
Vocational Education	23,757	39,634	61,771	76,296	80,156
Federal Vocational Rehabilitation	86,467	108,331	118,142	168,563	188,973
Vocational Technical School		12,538	121,562		
Pensions for Retired Teachers	285,316	371,994	399,535	400,000	415,000
School Lunch Administration			10,682	15,149	16,457
Education of Orphans of Veterans			1,200	Health and Welfare	
For G. I. Training		1,309	1,000	2,500	2,500
TOTALS	\$3,711,235	\$4,858,696	\$5,372,122	\$5,513,644	\$5,639,213
State Historian	414	557	1,218	500	500
Maine State Library	44,081	53,176	61,911	72,982	73,182
Maine Maritime Academy	50,000	50,000	50,000	200,000	150,000
University of Maine	704,000	707,077	707,077	1,062,414	1,062,414
U. of M. Housing		15,000			
	\$4,509,730	5,684,506	6,192,328	\$6,849,540	\$6,925,309
Less: Interdepartmental Expenses	793				
TOTALS	\$4,508,937	\$5,684,506	\$6,192,328	\$6,849,540	\$6,925,309

About \$509,000 of the increased appropriations requested of the Department for 1948 over 1947 is for the University of Maine and the Maritime Academy. Items not considered in the Budget are increased subsidies for teachers' salaries, increased pension cost and capital costs for the University of Maine. These and other items are noted in Committee summaries of possible new expenditure.

RECREATION, PARKS, ETC.

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Requests 1949
State Park Commission	\$16,505	\$27,554	\$38,474	\$ 206,439	\$ 153,114
Baxter Park Commission	2,064	2,935	4,387	9,675	9,675
Military Forts & Reservations	4,590	13,882			
State Museum	1,195				
	\$24,444	\$44,371	\$42,861	\$216,114	\$162,789
Less: Interdepartmental Expenses	443				
Net	\$24,001	\$44,371	\$42,861	\$216,114	\$ 162,789

Year	Amount
1942	\$ 25,225
1943	21,649
1944	24,844
1945	24,001
1946	44,371
1947	42,861
1948	216,114
1949	162,789

The increases indicated in the Park Commission's request for 1948 and 1949 are mainly capital expenditure requests. Of the \$216,114 requested for 1948, \$129,680 is for capital expenditures. They requested \$162,789 for 1949, of which sum \$73,100 is for capital expenditures. Reed Park totals are \$106,930 for the total capital requests for the bienniu,

MISCELLANEOUS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Requests 1949
Miscellaneous	\$4,363	\$39,134	\$8,115	\$1,553	\$1,500
Total	\$4,363	\$39,134	\$8,115	\$ 1,553	\$1,500

Legislative resolves are the major items in this division of General Fund accounting. The 1946 total of \$39,134 included Legislative action on pauper claims in the amount of \$16,853, \$6,328 for reimbursenent to towns for forest fires \$2,500 for the Maine Historical Society and \$1,000 to the Knox Memorial Association.

Amount	Year
\$ 423,255	1942
241,270	1943
43,301	1944
4,363	1945
39,134	1946
8,115	1947
1,553	1948
1,500	1949

CONTRIBUTIONS AND TRANSFERS TO OTHER FUNDS

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Request 1949
To Highway Fund:					
State Police	\$ 36,436	\$ 45,636	\$ 50,620	\$ 61,450	\$ 64,796
Miscellaneous		217			
To Other Special Revenue Funds:					
Board of Bar Examiners	27	15			
Maine Forestry District	1,506	1,525	1,525	1,525	1,525
Audit - Municipal Division	1,021	1,429	2,000	2,700	2,700
Bureau of Health		765			
To Public Service Enterprises:					
Augusta Airport	1,307	7,292	8,000	9,000	9,000
To Trust and Agency Funds:					
Employees' Retirement System- Pension Fund	260,115	227,760	230,732	318,894	323,862
Employees' Retirement System- Expense Fund	9,882	10,000	11,730	16,000	17,000
To Increase Trust Fund Earnings to Statutory Rates	24,630	24,811	32,698	29,580	27,480
Maine Teachers' Retirement Association	143,373	194,602	219,300	150,000	150,000
To Working Capital Funds:					
Business Enterprise Program for Blind State Employment Service		200	20,000	20,000	20,000
Total	\$ 478,297	\$ 514,252	\$ 576,605	\$ 609,149	\$ 616,363

Being mainly pension accruals, these expenditures are a function of payrolls and thus would reflect changes in payroll totals.

DEBT SERVICE

Thus, while consistency required that we tabulate Debt Service cost in accordance with Budget estimates, charges on existing debt will be reduced to the above figures.

Item	Actual 1945	Actual 1946	Estimated 1947	Department 1948	Requests 1949
Interest	\$ 25,700	\$ 24,100	\$ 11,625	\$ 10,550	\$ 9,475
Retirement	145,000	145,000	95,000	95,000	95,000
Total	\$ 170,700	\$ 169,100	\$ 106,625	\$ 105,550	\$ 104,475

The figures for Debt Retirement for 1945 and 1946 are correct for General Fund transactions. In 1946 \$750,000 of war bonds were retired with the payment coming from Unappropriated Surplus. An additional \$15,000 was paid in premiums at that time. On November 1, 1946 an additional \$700,000 with \$14,000 in premiums, was paid off also from Unappropriated Surplus. For 1947 interest will be actually \$7,562.50 and Retirement \$95,000. For 1948 interest will be \$1,800 and Retirement \$45,000, and for 1949 interest will be \$1,350 and Retirement \$45,000, all for Agricultural Bonds.

OTHER SPECIAL REVENUE FUNDS

REVENUES

TAXES:

Property Taxes:	
Maine Forestry District Tax..	1946 \$ 132 855
Selective Sales Taxes:	
Tax on Aeronautical Gasoline.....	25 391
Tax on Milk Sales by Dealers.....	21 571
Taxes on Corporations:	
Insurance Companies:	
Fire Prevention and Investigation Tax	38 009
Certificate of Qualification of Domestic	
Companies.....	20
Licenses on Insurance Companies.....	8 860
Other Taxes on Specific Businesses or	
Occupations:	
Sardine Packing Licenses.....	1 950
Milk Licenses.....	763
Insurance Brokers' and Agents' Exam-	
inations.....	4 140
Real Estate Brokers' and Salesmen's	
Licenses.....	6 713
Filing Fees—Annual Statements of	
Insurance Companies.....	8 760
Aircraft Pilots and Parachute Riggers'	
Licenses.....	640
Nursing Attendant Licenses.....	170
Licenses to Sell Prophylactic Rubber	
Goods.....	722
Licenses for Roadside Eating and	
Lodging Houses.....	31 726
Fees for Cosmetics.....	4 517
Licenses for Barbers and Hairdressers	19 339
Blueberry Factory Licenses.....	1 837
Registration Fees—Professional Resi-	
dent and Non-Resident Engineers ..	1 501
Other Taxes:	
Potato Tax.....	151 114
Permits to Install Plumbing.....	11 748
Tax on Blueberries.....	11 286
Tax on Sweet Corn.....	8 664
Fines Forfeits and Penalties.....	1 135
Revenue from use of money and property	30
Revenue from Other Agencies:	
Federal Grants for Public Health.....	445 473
Federal Grants for Assistance and Re-	
lief.....	26 412
Federal Grants for Education.....	121 770
Federal Grants for Unemployment	340 669
Compensation Administration	
Federal Grants for Other Purposes.....	165 523
Cities, Towns and Counties for Audit-	
ing Services.....	41 103
Cities and Towns.....	1 870
Other.....	12 971
Services Charges for Current Services:	
Auditing Services Rendered.....	695
Examination Fees.....	23 545
Inspection Services:	
Shipping Point.....	148 104
Certification of Seed.....	111 978
Other.....	41 913
Miscellaneous Fees.....	475
Sale of Commodities.....	528
Contributions and Transfers from Other	
State Funds:	
From General Fund.....	3 734
From Highway Fund.....	1 348
From Bond Fund.....	125
Sales and Compensation for Loss of Pro-	
perty.....	16 042
Total Revenues.....	\$1,999,294

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 statutes. This list of revenues and expenses is listed to indicate revenue and expenses for the 1946 year.

EXPENDITURES

GENERAL ADMINISTRATION

Audit Municipal Division.....	48,344
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PROTECTION OF PERSONS AND PROPERTY

Maine Aeronautics Commission.....	1946
Examining Boards.....	11,026
Insurance Department.....	17,404
Milk Control Board.....	41,483
Rea. Estate Commission.....	19,804
	4,592
	<hr/>
	\$94,309

DEVELOPMENT AND CONSERVATION OF NATURAL RESOURCES

Agriculture, Department of.....	343,285
Maine Development Commission	
(Potato Tax).....	157,605
Maine Forestry District.....	219,937
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	\$720,827

HEALTH AND SANITATION

Bureau of Health.....	564,839
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WELFARE AND CHARITIES

Child Welfare Service.....	17,793
Indian Township Administration.....	8,820
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	\$26,613

EDUCATION AND LIBRARIES

Education, Department of.....	100,185
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UNEMPLOYMENT COMPENSATION

Administration.....	330,979
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CONTRIBUTIONS AND TRANSFERS TO OTHER FUNDS

To General Fund.....	11,443
To Trust Funds.....	10,978
To Highway Fund.....	67
	<hr/>
	\$22,488

Total Expenditures.....	\$1,908,584
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Excess of Revenues over Expenditures.....	\$90,710
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NET PROFIT FROM LIQUOR

Since net profit from Liquor was the largest single source of 1946 revenue, this appendix is included to indicate the division of the \$7,177,406 among Store Profits, Malt Beverage Excise Tax, Licenses and other sources.

	Income
SALES	
Retail	\$18,993,924
Wholesale to Licenses	2,119,373
	<hr/>
GROSS SALES	21,113,297
Less: Licenses' Discounts	143,040
Returned Sales	13,283
	<hr/>
	156,323
	<hr/>
NET SALES	20,956,974
Less: Cost of Goods Sold	15,552,315
	<hr/>
GROSS PROFIT ON SALES	5,404,659
OTHER OPERATING INCOME	
Liquor Licenses	53,050
Malt Beverage Licenses	277,560
Malt Beverage Filing Fees	21,780
Malt Beverage Excise Yax (net)	2,079,535
	<hr/>
TOTAL OTHER OPERATING INCOME	2,431,925
ADMINISTRATIVE INCOME	
Time Discount—Purchases	128,698
Profit on Carload Purchases	174,240
	<hr/>
Profit or Loss on Sale of Capital Assets	123
Miscellaneous Income	7,108
Income from Returned Cartons	998
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TOTAL ADMINISTRATIVE INCOME	311,167
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TOTAL INCOME	8,147,751
Expenses	
Direct Store Operating Expenses	653,904
Commissioners' Salaries and Expenses	15,034
General Administration	47,747
Liquor Store Supervision	18,884
Enforcement	89,618
Merchandising	11,174
Warehousing	68,666
Accounting Services (Transfer to General Fund)	38,588
Other Accounting Services	268
Contribution to Employees' Retirement	26,472
	<hr/>
TOTAL EXPENSES	970,255
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Net Profit Transferred to General Fund	\$7,177,496

HIGHWAY FUND

The preceding pages have summarized Committee comments concerning the GENERAL FUND. This and following pages offer similar comments on the HIGHWAY FUND.

The Highway Fund is unlike the General Fund in a few general respects. It is a constitutional provision that all tax dollars related to highway use be expended for highway purposes. Although income from non-highway sources might be appropriated by the Legislature for highway purposes, such procedure is at least unlikely. The General Fund has been augmented, at times, by the proceeds from Bond issues but those occasions have not been numerous. In times of emergency General Fund debt has been authorized. For such purposes as Bangs disease eradication General Fund debt has been approved. On the other hand, Highway Fund income has often been augmented by proceeds from Bond issues. The justification for this appears to be based on the thought that highway or bridge construction is long term capital expense, the cost of which may be paid over the normal life or usefulness of the road and bridge program paid for by the debt thus created. During other periods, prior Legislatures have used current income to reduce highway debt. This trend in Highway debt is indicated in the following tabulation:

Year	Total Amount Outstanding	Year	Total Amount Outstanding
1918	\$ 1,860,500	1933	\$29,951,500
1919	2,000,000	1934	29,049,500
1920	1,921,000	1935	28,308,500
1921	4,633,500	1936	28,121,500
1922	6,164,500	1937	27,759,500
1923	7,295,500	1938	27,017,500
1924	8,776,500	1939	26,225,500
1925	9,662,500	1940	25,346,500
1926	11,982,500	1941	24,168,500
1927	16,384,500	1942	22,914,500
1928	15,918,500	1943	21,070,500
1929	17,312,500	1944	18,976,500
1930	18,137,500	1945	17,182,500
1931	21,256,500	1946 (Jun. 30)	15,438,500
1932	25,337,500	1946 (Dec. 31)	14,009,500

Thus, in the 15-year period, 1918 to 1933, debt was increased at a rate that provided nearly \$2,000,000 per year of Highway Fund income from proceeds of bond issues. From 1933 to 1937 the trend showed a slight reversal and from 1937 to December 31, 1946 about \$13,500,000 of this highway debt has been retired by maturities. It is thus important to note that Highway Fund income does not have the same close relationship with Highway Fund expenditures that may be noted in legislative action on General Fund revenues and expenditures. The Committee points this out as significant. During the past 10 years, Highway debt has been halved, approximately. There is much to be said for continuing this debt reduction program and little to be said for a Highway Fund policy that will increase debt during a period of inflated construction costs. We point this out as a fundamental conclusion in the consideration of any budget problem, private or public. Certainly there is ample evidence of this thought in Federal Budget procedures. Referring to the inaugural address in 1945, Governor Hildreth spoke of the highway debt when he said, in part "Maine ranks 26th among the states in per capita income. In expenditures however Maine ranks—10th in per capita cost for debt service— If what other states are doing is any criterion in our search for good government we definitely have too high per capita expenditures in debt service charges (largely on account of highway bonds).—" The Committee points out the wisdom of that advice, and recommends legislative action that provides an adequate Highway program without recourse to increased Highway debt.

HIGHWAY FUND SUMMARIES

In considering Highway Fund Summaries, the Committee points out a major difference between Highway Fund treatment and the concept of General Fund Budgets. In the General Fund there are statutory provisions requiring that definite services be rendered. Thus, General Fund revenue is estimated and from that estimate the Legislature determines the extent to which those statutory services may be supported by Legislative appropriations. The Highway Fund, on the other hand, is quite different. First, there is rarely a balance between income and expense. When income is greater than expense, Highway debt is decreased or reserves are increased. When expense is greater than income, Highway debt is increased or reserves are decreased. Thus, there is a wide range of "gain" or "loss", which range is reflected in debt or reserves, or both.

With 1942-1946 showing actual totals, 1947 estimated, and 1948-1949 as provided for in Budget submissions, Highway Fund revenue and expenditure totals are as follows:

	Revenues	Allotments	Highway Fund Surplus at the Year End
1942 (actual)	\$10,212,810	\$10,929,262	\$2,484,871
1943 (actual)	8,336,113	6,409,378	4,412,350
	\$18,548,924	\$17,338,640	
1944 (actual)	\$ 7,975,706	\$ 7,918,420	\$4,501,163
1945 (actual)	8,423,969	8,087,048	5,022,455
	\$16,399,675	\$16,005,468	
1946 (actual)	\$10,408,141	\$11,249,684	\$4,013,763
1947 (Est.)	10,825,040	13,441,912	1,396,891
	\$21,233,181	\$24,691,596	
1948 (Budget)	\$11,230,835	\$11,849,335	\$ 778,391
1949 (Budget)	11,552,605	11,742,619	588,377
	\$22,783,440	\$23,591,954	

Thus, as submitted at Budget hearings, 1948-1949, income of \$22,783,440 compares with expenditures of \$23,591,954 so that the Highway Fund surplus, \$5,022,455 at June 30, 1945, reduced to \$1,396,891 by the end of the current year (1947), will be further reduced to \$588,377 at the end of the biennium (1949). Since much of this surplus was created during the low construction levels prevailing in the war years, it is reasonable that it should be used during the early post-war period, but other factors noted in the 1948-1949 Budget make it appear that a basic revenue problem may exist in the Highway Fund.

HIGHWAY FUND DEFICIENCIES

The Budget submissions of the Highway Department point out major deficiencies in their expenditure budgets. These comments are summarized as follows:

Construction of Non-Federal State Highways

The Highway Commission points out a budget deficiency in calling attention to the fact that no funds have been provided for construction of non-Federal State Highways.

Their comments are:

"In consideration of the coming two fiscal years, we have made an effort to provide for activities of the State Highway Department, keeping in mind also the problem of matching Federal aid. No provision has been made for funds with which to construct state highways which are not included in any Federal-aid highway system. It seems to us that this is a matter which deserves serious consideration. With funds available for the construction of state highways pledged to match Federal aid, it leaves the Department without funds with which to construct or reconstruct other state highways."

Betterments and Salvaging of Old Roads

Another inadequacy in Highway revenues is pointed out by the Commission in their comments that no money is available for betterments and salvaging of old roads. They say:

"We believe there is a real need of funds in substantial amounts for the reconstruction and salvaging of existing highways to provide better drainage, widening and resurfacing, work of a character which would not involve substantial amounts per mile, but which would not be adapted to Federal aid standards. Two years ago, when our maintenance fund was increased substantially, it was hoped that funds would be available from this appropriation with which to do a substantial amount of so-called salvage and betterments, but with the increased cost in carrying on the routine maintenance work, it has been possible to do but very little in addition to regular maintenance activities. No provision has been made in the above schedule of funds (the 1948-1949 Highway Fund Budget) for this activity, but we believe that it is a matter which should also receive serious consideration in our highway planning."

Inadequacy of Highway Reserve

The Commission is further disturbed by the inadequacy of their reduced reserve. Their comments are:

"You will note that in accordance with the estimates made, there will be an estimated balance of \$588,377 in the unappropriated surplus general highway funds of June 30, 1949. This is the only contingency fund we have, and we believe that it is very small in consideration of the number of activities involved in the highway program, and in the uncertainties which are bound to enter into our work caused by conditions beyond our control."

Matching Funds

The Federal-aid Highway Act of 1944 provides Federal allocations (to be matched with State funds) as follows:

1946	-	-	-	-	\$3,913,509
1947	-	-	-	-	3,913,324
1948	-	-	-	-	3,913,324*
Total					\$11,740,157

*Estimated

The following sums have been provided for as partial sources of State funds with which to make Federal allocations:

By Legislative appropriation from Highway Fund surplus. This item is in the Budget for the current biennium.	\$2,500,000
By Legislative authorization the Commission may reissue matured debt up to \$3,453,000. (This authorization will likely be extended as to time up to the end of the next biennium)	\$3,453,000
	\$5,953,000

In their Budget submissions the Commission summarized the problem as follows:

"It is estimated that the amount of \$5,953,000 authorized by the 92nd Legislature for matching Federal funds will match the Federal apportionment of \$3,913,509 made for the fiscal year 1946 and one-half of the Federal apportionment of \$3,913,324 made for the fiscal year of 1947. It will require the same amount of State funds, \$5,953,000, to match the remaining half of the 1947 apportionment of Federal aid and the apportionment to be made for the fiscal year 1948. (State funds required are slightly more than Federal allocations since the State pays 100% of right of way costs, etc.)

"As we see it, therefore, the problem with reference to the Federal aid program is to provide \$5,953,000, approximately, for matching the balance of the Federal aid authorized by the Federal Highway Act.

"While in all probability the actual expenditure of funds in total would not be made previous to June 30, 1949, in order to make agreements and contracts with the Public Roads Administration, it is necessary that we have the legal authorizations all enacted in order that we may cite them in our contracts with the government.

"As to the methods of obtaining additional funds, it appears to us that there are only two sources if the other highway activities are to be carried on on the level indicated in the proposed allocations from the general highway fund. These are: Increases in our motor vehicle and fuel taxes, or borrowing, or a combination of both.

If debt procedure is followed as a source of matching funds, the Commission summarizes this possibility as follows:

"We understand that by June 30 of 1949 there would be in all \$7,173,500 of bonds issued previous to 1925 and retired which, with legislative action, could be reissued. Of this total, the Legislature has already authorized the reissue of \$3,453,000, leaving \$3,720,500 which might be reissued by June 30, 1949. This would leave \$2,232,500 to be provided from other sources during the biennium. You will note that in our proposed allocations from the general highway fund for the fiscal years 1948 and 1949, we have proposed that \$250,000 be apportioned for each year. If these apportionments were authorized, we would then be left with \$1,732,500 of additional funds to provide.

"Two years ago the amount of the authorized reissue of bonds was held to the amount of bonds to be retired during the same period. Should this policy be followed the amount of bonds which could be reissued during the biennium ending June 30, 1949, would be reduced to \$3,358,000, and it would be necessary to find from other sources \$2,095,000 during the biennium."

Thus, even if the Legislature determines, in effect, that Highway debt reduction shall be halted and that all maturing Highway bonds may be reissued, there would still remain \$1,732,500 of additional funds to be provided and there still would remain the three items questioned as to adequacy in Commission Budget submissions.

SUMMARY OF DEFICIENCIES

Thus, the Committee summarizes the Highway Fund problem for the 1948-1949 biennium by attempting to estimate the yearly amounts required for these Budget deficiencies. A reasonably adequate Highway program, we think, should acknowledge that each of the problems requires Legislative consideration. Our studies have not been as complete for each of these items but we think that there is reasonable accuracy in the yearly amounts tabulated.

	Per Year
1. To acknowledge the need of a program on the non-Federal State highways, say \$500,000 per year	\$ 500,000
2. To acknowledge the need of a program of betterments and salvaging old roads, say \$1,000,000 per year.	1,000,000
3. To acknowledge the inadequacy of a Highway Fund reserve of only \$500,000 and to provide for a minimum reserve of approximately \$1,000,000.	250,000
4. To provide for the matching funds deficiency, assuming that the Legislature authorizes the reissue of all debt maturing prior to June 30, 1949, approximately.	850,000
Total per year	\$2,600,000

NEW REVENUES

Thus it appears that if the gas tax yield is about \$1,500,000 per year per one cent of tax, it would require an increase of 2c in the gas tax if this source is selected as a means of accomplishing an adequate program under a balanced budget with Highway debt remaining unchanged during the period. If debts is to be retired as it matures to provide an eventual "pay as you go" procedure, the Highway Fund revenue problem, instead of \$2,600,000 per year or \$5,200,000 for the 1948-1949 biennium, is increased by \$7,173,500 of maturing debt assumed possible of reissue. Thus, assuming no reissue of matured debt the total problem reaches \$12,373,500 or more than \$3,000,000 per year. This, we acknowledge as a greater tax burden than would be reasonable, but we do urge Legislative consideration to the increase in the gas tax as a means of avoiding an increase in our present Highway debt of more than \$14,000,000.

HIGHWAY FUND DATA

REVENUES

Item	Actual 1945	Actual 1946	Estimated 1947	Commission 1948	Estimate 1949
Gasoline Tax	\$4,359,371	\$5,782,155	\$6,265,000	\$6,265,000	\$6,265,000
Used Fuel Tax	.....	9,771	10,000	10,000	10,000
Reg. & License Fees	4,007,654	4,547,298	4,489,960	4,925,755	5,247,525
Outdoor Advertising	.....	7,580	7,580	7,580	7,580
Permits	2,622	4,515	4,500	4,500	4,500
Court Costs	18,832	20,293	18,000	18,000	18,000
Interest, etc.	35,490	36,528	30,000	.....	.....
Total	\$8,423,969	\$10,408,141	\$10,825,040	\$11,230,835	\$11,552,605

ALLOTMENTS

Item	Actual 1945	Actual 1946	Estimated 1947	Commission Recommendations 1948	1949
Interest, Bonds Reissued	\$	\$	\$	\$ 43,162	\$ 43,162
Bond Interest	552,723	496,700	441,428	386,706	331,983
Bond Retirement	1,774,000	1,724,000	1,729,000	1,729,000	1,629,000
Administration & Planning	217,200	193,606	194,740	223,000	226,000
Bridge Maintenance	220,000	200,000	200,000	300,000	300,000
Highway Maint. & Betterment	3,202,473	4,198,996	4,004,000	4,004,000	4,004,000
Snow Removal	1,323,782	1,642,393	1,500,000	1,500,000	1,500,000
Bridge Construction	.....	456,608	455,978	750,000	750,000
Injuries	45,000	43,755	50,000	50,000	50,000
State Aid Road Construction	.....	740,000	870,000	870,000	870,000
Third Class Road Construction	.....	350,000	350,000	350,000	350,000
Special Resolves	159,750	171,903	150,000	150,000	150,000
Town Road Improvement	.....	200,000	200,000	200,000	200,000
State Police	335,850	406,953	422,123	558,440	588,579
Employees' Retirement	40,000	95,500	96,500	105,524	107,168
Auditing, Purchasing & Accounting	.....	49,424	48,755	58,241	57,771
Secretary of State	167,000	205,000	217,000	274,490	295,779
Maint. State Police Building	14,000	14,354	15,360	16,895	17,300
Bureau of Taxation	26,000	17,839	21,550	21,877	21,877
Richmond Bridge Deficit	3,000	2,550	3,180	.....	.....
Deer Isle Bridge Deficit	12,000	12,400	.....	.....	.....
Matching Federal Funds ('44 Act.)	30,000	27,702	2,472,298	250,000	250,000
Total	\$8,123,378	\$11,249,684	\$13,441,912	\$11,849,335	\$11,742,619

STATE OF MAINE

Statement of Bonded Indebtedness as of December 31, 1946

HIGHWAY AND BRIDGE LOAN BONDS

Date of Issue	Amount	Rate Int.	Sale Price	Amort.	Mature	Matured	Bal. Due
Sept. 1, 1913	\$300,000	4%	\$100.52	\$7,500	1914-1953 Inclusive	\$247,500	\$52,500
July 1, 1914	500,000	4%	100.319	(32,000 31,000 11,500)	1915 1916 1917-1954 Inclusive	408,000	92,000
April 1, 1920	2,500,000	5%	100.93	100,000	1930-1954 Inclusive	1,700,000	800,000
July 1, 1922	1,250,000	4%	(650,000 100.403) (600,000 100.55)	125,000	1943-1952 Inclusive	500,000	750,000
July 1, 1923	1,600,000	4%	(800,000 97.79) (800,000 97.317)	160,000	1941-1950 Inclusive	960,000	640,000
July 1, 1924	1,000,000	4%	(500,000 99.87) (500,000 99.68)	100,000	1949-1958 Inclusive	.....	1,000,000
July 1, 1930	1,500,000	4%	99.488	100,000	1936-1950 Inclusive	1,100,000	400,000
Sept. 2, 1930	1,500,000	4%	100.77	100,000	1936-1950 Inclusive	1,100,000	400,000
July 1, 1931	2,000,000	3 1/2%	99.555	100,000	1932-1951 Inclusive	1,500,000	500,000
Sept. 1, 1931	2,000,000	3 1/2%	100.3387	100,000	1932-1951 Inclusive	1,500,000	500,000
Dec. 1, 1931	500,000	4%	99.901	25,000	1932-1951 Inclusive	375,000	125,000
July 1, 1932	2,000,000	4%	99.499	200,000	1945-1954 Inclusive	400,000	1,600,000
Aug. 1, 1932	1,000,000	4%	102.179	(200,000 1951) (300,000 1952) (300,000 1953) (200,000 1954)	.....	.....	1,000,000
Sept. 1, 1932	1,500,000	4%	102.199	(300,000 1954) (400,000 1955) (300,000 1956) (500,000 1957)	.....	.....	1,500,000
May 1, 1933	1,000,000	4%	95.61	100,000	1939-1948 Inclusive	800,000	200,000
Sept. 15, 1936	500,000	2%	102.410	50,000	1941-1950 Inclusive	300,000	200,000
Nov. 1, 1937	1,000,000	2%	101.199	100,000	1939-1948 Inclusive	800,000	200,000
Oct. 1, 1938	1,000,000	2%	102.189	100,000	1940-1949 Inclusive	700,000	300,000
Aug. 1, 1939	1,000,000	2%	105.355	100,000	1940-1949 Inclusive	700,000	300,000
July 1, 1940	1,000,000	1 1/2%	100.165	100,000	1941-1950 Inclusive	600,000	400,000
July 1, 1941	500,000	1%	100.2902	50,000	1942-1951 Inclusive	250,000	250,000
Reissue April 1, 1942	700,000	1%	100.155	100,000	1947-1953 Inclusive	.....	700,000
	\$25,850,000					\$13,940,500	\$11,909,500

WALDO-HANCOCK BRIDGE LOAN BONDS

Mar. 1, 1946	\$600,000	7 1/10%	100.0006999	(60,000 1947) (30,000 1948-1950 Inclusive) (45,000 1951-1960 Inclusive)	Redeemable after 5 yrs. from date of issue	\$600,000
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WAR BONDS

May 1, 1941	1,000,000	1 1/2%	100.108999	50,000	1942-1961 Inclusive	\$250,000 Redeemable after 5 yrs. \$700,000 called 11-1-46	30,000
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AGRICULTURAL BONDS (Bangs Disense)

Feb. 1, 1943	225,000	1%	100.959	45,000	1947-1951 Inclusive		225,000
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KENNEBEC BRIDGE LOAN BONDS

Jan. 1, 1927	\$500,000	4%	100.40	(25,000 1951-1952 Inclusive) (30,000 1953-1956 Inclusive) (35,000 1957-1959 Inclusive) (40,000 1960-1963 Inclusive) (45,000 1964 1965) (20,000 1966)	Redeemable 20 yrs. from date of issue	\$500,000
June 1, 1927	1,000,000	4%	101.089	(50,000 1951-1954 Inclusive) (25,000 1965) (30,000 1966) (55,000 1967-1971 Inclusive) (60,000 1972-1973 Inclusive) (65,000 1974-1975 Inclusive) (70,000 1976-1977 Inclusive) (60,000 1978)	Redeemable 20 yrs. from date of issue	1,000,000
	\$1,500,000					\$1,500,000

SUMMARY BONDED INDEBTEDNESS DECEMBER 31, 1946

Highway and Bridge and Highway Loan Bonds	\$11,909,500
Waldo-Hancock Bridge Loan Bonds	600,000
War Bonds	50,000
Agricultural Bonds	225,000
Kennebec Bridge Loan Bonds	1,500,000
Total	\$14,284,500

REVENUE SOURCES

HIGHWAY FUND

With respect to all General Fund and Highway Fund revenue measures that may be considered by the 93rd Legislature, the Committee is unanimous in but few phases of the problem. With respect to the Highway Fund, we do agree that such increased revenues as may be necessary to support an adequate highway program should come from increased taxes and not from increased debt. As an example of expensive debt financing, note on the preceding page the 1920 issue of \$2,500,000 of 5% Bonds. When finally retired in 1954, twenty-five years after issue, this debt of \$2,500,000 will have cost about \$5,250,000. In other words, interest payments will have amounted to more than the original debt.

We are also agreed that increased gas taxes would have better acceptance than increased registration fees. Registration fees for Maine commercial vehicles are substantially higher than those prevailing in some of the competing areas and the operation of the reciprocity law, whereby foreign trucks are not required to pay the Maine registration fees, served to create a difficult competitive condition at least for some of the registrants under the high truck registration fees applicable to Maine commercial vehicles. On the other hand, a reduction to competitive registration schedules without compensatory revenue from some other major type of highway tax, such as a gross receipts tax on highway freight carriers, might further reduce revenue sources in the Highway Fund. Each of these problems has for the basic difficulty the fact that Maine has a highway system said to include half the highway mileage of New England with revenue sources that mainly depend upon a population no greater than the City of Boston.

Our summary calculations indicate that a 2c per gallon increase in the gas tax would provide reasonably adequate Highway Fund revenues without recourse to increased debt. This calculation assumes no decrease in truck registration fees and no new major revenue source such as a gross receipts tax on highway freight carriers. It also assumes the Highway debt may be reissued as it is retired by maturities.

GENERAL FUND

With respect to General Fund revenue sources the Committee agreement is far from unanimous, although we do agree that the services desired of the State by the citizens cannot be financed by revenues at existing tax rates from existing tax sources. Each member of the Committee also believes that while economies can and will be effected wherever possible, the aggregate savings are quite certain to be substantially less than the deficiency in General Fund revenues. We acknowledge that Budget cuts could be made to reduce appropriations to the level of existing revenues but those possible cuts would likely include such items as substantial reductions in teachers' salary subsidies, or reduction in Old Age Assistance allowances, or reductions in other desirable parts of the Welfare and Educational programs of the State. We cannot recommend these substantial reductions in State services, and we think it extremely unlikely that such procedure would have Legislative acceptance.

The Committee is also unanimous in the conclusion that prior Maine Legislatures should have enacted broader General Fund revenue measures. We realize, of course, that any legislative authority is hesitant to enact broad, general tax measures that may be opposed by a majority of the voters. The Maine legislative record has many references wherein members of the Senate and House have said that it is useless to pass this tax or that tax because the tax would be defeated in popular referendum. We are impressed with the accuracy of these repeated predictions and we acknowledge the truth of the general statement that voters never vote to tax themselves, yet we are realistic enough to conclude that some Maine Legislature must face the problem courageously and risk the wrath of many Maine citizens by their action in enacting new and broad revenue measures. We are hopeful that the 93rd Legislature will acknowledge this action as their major Legislative problem.

If our summary of the problem is correct, the 93rd Legislature must first answer a general question something like this, "Are we convinced that State services should be continued about as they now exist?" If the answers are positive the next question must be this, "Are we going to provide for such new expenditures as seem to be entirely essential?" The answer to this, we think, must be positive.

The result of those conclusions expressed in General Fund revenue and expense, will be a revenue deficiency. Deficit financing by General Fund debt should have little serious consideration. Increased General Fund revenues, therefore, will have to be considered. There are three general procedures for the enactment of such measures. Passed as emergency measures by both branches, the new taxes would become effective without an immediate vote by the people. There is some justification for this procedure. The revenues will be needed to support appropriation expenditures that start July 1, 1947. Some members of the Committee reluctantly agree that it is by this method alone that the problem can be solved.

A second procedure would be enactment without provision for a referendum vote. If this procedure is followed, referendum reference would require petition.

The third procedure, and that recommended by others of the Committee, would be normal enactment with specific provision for a referendum vote. We realize that such a procedure is in effect providing basic appropriations for revenue measures that will not exist if defeated in a referendum. On the other hand, some Committee members conclude that the issue must at some time face a ballot test and if the need cannot be amply demonstrated to a major-

ity of the voters, then it may well be that the State should retrench in such major items as the Education and Welfare appropriations.

REVENUE SOURCES

Concerning possible new and broad revenue sources, we are far from unanimous in selecting those that we think should be enacted. Some of us would select a sales tax, others an income tax, others a combination of sales and income. Our studies have necessarily been very general but we offer these general comments concerning possible General Fund revenue sources. Wherever we refer to yearly revenues to be produced from any tax source, our estimates are from sources that should be reliable, but we acknowledge that no estimate of this type can be entirely accurate and some may prove far from correct.

EXISTING TAXES

The largest source of revenue comes from the profit on liquor sales and the excise tax on malt beverages. With liquor mark-up now at 61% and the malt beverage tax rate at \$4.96 per barrel, Maine already has one of the highest liquor tax structures in the country. Further rate increases would not seem justified.

Excise taxes on corporations, utilities, banks and insurance companies now amount to about \$3,300,000 per year. There might be a possibility of deriving a small amount of additional revenue from these sources but, facing sterner industrial competition, it is doubtful if any substantial new tax burden should be placed on business and industry wherein are the payrolls upon which our economy depends.

The cigarette tax, now 2c, might be increased to 4c to yield about \$2,000,000 per year in new revenue. If the basic problem could be solved by this amount, this source would have much merit, but the problem appears to be well beyond this \$2,000,000 figure.

Taxes on intangible personal property are admittedly modest in comparison with taxes levied on tangible property. A 5% specific income tax on interest and dividends might yield \$1,500,000 per year, but net would be less than \$1,000,000 due to reduction in revenue from interest on bank deposits, franchise taxes on banks and decreased municipal taxes. Inheritance taxes appear to be as high as is practical.

Thus, if any such deficiency exists as has been projected in other parts of this report, increases in existing tax rates would not appear to offer a possible solution. We are impressed with the fact that liquor profits and cigarette taxes, now yielding nearly \$10,000,000 per year, are relatively "new" sources but since their imposition, not too many years ago, demands for new services, mainly welfare and education programs, have required appropriations equal to more than what was a "new" source.

SALES TAX

A 2% General Retail Sales Tax, the Committee has been told, will yield at least \$6,000,000 per year if based on tangible personal property. There are as many variations in this tax as there are number of taxing authorities collecting it. In general, a low rate goes along with minimum exemptions and as the tax becomes selective, then often called a "luxury" tax, the rate goes up. Proponents point to the large revenue and the broad source and opponents point to the regressive feature wherein the lower the yearly income of a taxpayer, the higher is the percentage of his income paid in sales taxes. Opponents also point out the wide fluctuations in yield as well as the administrative difficulties, both to the State and the retail merchant.

INCOME TAX

The Committee has listened to many revenue estimates from individual income taxes. Like the sales tax we have come to doubt the accuracy of any of these estimates applicable to either tax but it may be that these three estimates are reasonably accurate for individual income taxes in Maine. As legislative discussion progresses we are confident that the Bureau of Taxation will be able to produce more accurate figures.

- a. With \$600 personal exemption, \$300 exemption per dependent and other exemptions that generally follow the Federal pattern, a rate of 1% for the first \$2,500, 2% for the next \$2,500, 3% for the third \$2,500, and 4% over \$7,500 would yield about \$3,000,000, the Committee was told.
- b. With the same exemption but rates of 1% to \$2,000; 2%, \$2,000—\$3,000; 3%, \$3,000—\$5,000; 4%, \$4,000—\$5,000; and 5% over \$5,000 the yield may be about \$4,500,000 per year.
- c. A third tax, which has some of the characteristics of a combined sales and income tax, is said to yield \$9,000,000 per year. This would be an individual income tax limiting the exemption to the \$600 personal exemption and \$300 for each dependent but no credit for any of the other items usually deductible and a straight line rate of 4%. For instance, a single man earning \$2,000 per year would pay 4% on \$2,000 less \$600, or 4% on \$1,400 or \$56.00 per year.

Proponents of an income tax measure point out that it best recognizes ability to pay and being deductible from Federal tax returns gives the effect of withholding for State use a part of the individual income tax payments now going to Washington. They claim that at least 30% of any State income tax would, in effect, be paid for by the Federal Government and thus be no burden to a Maine taxpayer. Opponents point out the high Federal income taxes now being imposed and recite the difficulties of another income tax return each year.

OTHER STATES

Early in 1946 the Commissioner of Finance requested data from each of the other states to show something of their experience in sales tax and income tax collections. We have summarized this data to show the approximate revenue that Maine would receive by imposing the individual income or sales tax rates of the other states. Necessarily this is not exact because 800,000 people in Maine do not have the exact same income as 800,000 citizens of every other state and Maine people may spend more or less than the same number in other states, but with that qualification we think that the figures are reasonably accurate in showing the amount of yearly revenue that might be derived from these taxes. We have used 800,000 as the approximate population of Maine.

YEARLY REVENUE PER 800,000 OF POPULATION

State	Sales Tax	Income Tax	Both
Alabama	\$ 5,600,000	\$ 1,600,000	\$ 7,200,000
Arizona	11,300,000	4,500,000	15,800,000
Arkansas	4,800,000	600,000	5,400,000
California	19,200,000	4,768,000	23,938,000
Colorado	10,104,000	2,472,000	12,576,000
Connecticut	.....	.....	.....
Delaware	.....	3,744,000	3,744,000
Florida	.....	.....	.....
Georgia	.....	3,784,000	3,784,000
Idaho	.....	6,520,000	6,520,000
Illinois	9,600,000	.....	9,600,000
Indiana	.....	10,952,000	10,952,000
Iowa	8,472,000	2,408,000	10,880,000
Kansas	8,744,000	2,616,000	11,360,000
Kentucky	.....	1,392,000	1,392,000
Louisiana	3,656,000	2,032,000	5,688,000
Maine	.....	.....	.....
Maryland	.....	2,792,000	2,792,000
Massachusetts	.....	5,280,000	5,280,000
Michigan	14,784,000	.....	14,784,000
Minnesota	.....	3,824,000	3,824,000
Mississippi	5,848,000	1,352,000	7,200,000
Missouri	9,192,000	2,816,000	12,008,000
Montana	.....	2,480,000	2,480,000
Nebraska	.....	.....	.....
Nevada	.....	.....	.....
New Hampshire	.....	.....	.....
New Jersey	.....	.....	.....
New Mexico	11,520,000	1,832,000	13,352,000
New York	.....	9,496,000	9,496,000
North Carolina	5,208,000	14,096,000	19,304,000
North Dakota	8,456,000	2,712,000	11,168,000
Ohio	8,480,000	.....	8,480,000
Oklahoma	8,280,000	4,952,000	13,232,000
Oregon	.....	10,992,000	10,992,000
Pennsylvania	.....	.....	.....
Rhode Island	.....	.....	.....
South Carolina	.....	2,272,000	2,272,000
South Dakota	7,720,000	.....	7,720,000
Tennessee	.....	512,000	512,000
Texas	.....	.....	.....

State	Sales Tax	Income Tax	Both
Utah	\$9,960,000	\$3,200,000	\$13,160,000
Vermont	.....	4,368,000	4,368,000
Virginia	.....	2,320,000	2,320,000
Washington	19,312,000	.....	19,312,000
West Virginia	16,032,000	.....	16,032,000
Wisconsin	.....	14,448,000	14,448,000
Wyoming	8,660,000	.....	8,660,000

The table shows that 22 states now impose a sales tax with rates that yield \$13.00 per capita. The income tax is used by 31 states and the average rates yield \$6.50 per capita. Total sales tax collections were \$724,338,000 for the year. Total income tax collections were \$499,579,000. All of this is made a part of this report as a means of indicating that Maine is one of the few states that has not turned to the sales or income tax or both as a means of financing the services desired of the State by the people.

OTHER TAXES

Maine now receives about \$165,000 from pari-mutuel betting on horse racing. We have heard proponents of running races in Maine estimate that Maine could receive several million dollars per year if running races were legalized. Dog racing has also been suggested as a substantial revenue source. Opponents claim that the net results of either source will be harmful to the economy of the State. Proponents of a state lottery have also said that any General Fund deficiency could be financed by their proposals.

The Committee acknowledges that there have been many other revenue sources suggested but for the purpose of this report we think that we have noted those that have had consideration in recent Legislative sessions.

CONCLUSIONS

The Committee made no effort to design specific revenue recommendations for presentation to the 93rd Legislature. We were impressed with the general recommendations in the Gulick report and we agree with the general conclusions that a sales tax or an income tax or a combination of each should be enacted by the 93rd Legislature, along with an increase in the gas tax. We recognize the competency of normal legislative procedures to solve the problem. If our earlier predictions were helpful in pointing out the existence of the problem, and if this report is helpful in spelling out the dimension of the problem, we will think that our efforts and study have been worthwhile. Mr. Stevens, State Tax Assessor, has our appreciation for his helpful assistance in his work with the Committee.

SUMMARIES OF OTHER LEGISLATIVE STUDIES

The 92nd Legislature gave each of the specific interim study problems to a specific interim committee. The Recess Committee to study Pension Laws, the Commission to study the Atlantic Salmon, and the Committee on Technical and Vocational Institutes were each established and financed by appropriations of \$5,000. With no thought that this Committee should have undertaken any of these studies, we point out that there may be problems presented to the 93rd Legislature that require interim study and that some of those problems could be assigned to the Legislative Research Committee with resulting economy to the State.

Thus with no specific instructions from the 92nd Legislature, the Committee undertook the major study of income and expense, and, from department heads and others, heard such other problems as are outlined in this part of our summary report.

FIRE INSURANCE

There have been suggestions that economy might result by the State becoming a self-insurer of its fire insurance risks. The plan had been to accrue into a reserve account a sum equal to yearly insurance premiums and to that reserve charge all fire losses. The basic figures, from State Auditor Berry, indicate that in the 1931-1944 period the State paid out \$604,257 in premiums and collected \$494,073 in loss claims. Considering the loss ratio of 72.3%, the Committee concluded that there were no sound grounds upon which to recommend any change in present policy of providing insurance company coverage. This net cost of about \$110,000 for 13 years is about \$8,500 net per year.

INTANGIBLE PROPERTY

Mr. Stevens, State Tax Assessor, presented data to the Committee concerning the apparent deficiencies in our tax procedures on intangible property. Although more properly a subject for consideration in State income tax discussions, a summary of his presentations is here noted.

He says that the total value of intangibles in the State is \$700,000,000, a figure about equal to the assessed valuation in the State. The total valuation in intangible personal property listed by local assessors (1944) was \$4,932,777 or 7/10 of 1% of what he estimates is the total of intangibles. Portland assessors list \$2,750,210 or well over 50% of the total. Total taxes levied in 1944 were \$240,049.86 of which \$133,762.89 was from Cumberland County. No one knows the exact true value of either tangibles or intangibles, but even after acknowledging the vast number of exemptions allowed to intangible property, there appears to be inequity in assessing 7/10 of 1% of the value of intangibles and 68.55% (Steven's figure) of the value of tangible property.

To exempt all intangibles would produce revenue loss of \$240,050 to the municipalities, \$93,415 to the state (7 1/4-mill levy) and \$23,392 to the counties. Without benefit of exemptions he points out that a 2-mill levy on intangibles would produce \$1,400,000 and 5 mills would produce \$3,500,000.

The Committee is not sure that this is realistic but we do point out that if his \$700,000,000 is a good estimate, then very likely the yield from these intangibles is at least 2% per year or \$14,000,000 of income per year from intangibles. This income, if taxed via an income tax and at an average rate of say 3%, would yield over \$500,000 of total income tax payments. The Committee acknowledges that inequities exist in present tax procedures on intangibles, but at least one solution to the problem is a State income tax with rates imposed on income from intangibles being the same rates imposed on earned income. In fairness to the State Tax Assessor we note that in place of our estimate of \$14,000,000 of income from intangibles, his estimate is \$30,000,000. Our estimate tries to be realistic in acknowledging present very low interest rates.

Mr. Stevens' report was very complete on this problem, and any member of the Committee will be pleased to go over it with any interested Legislator.

ACCOUNTING SIMPLIFICATION

The Committee discussed at great length with interested department heads the need for more understandable accounting presentations. We offer our own complete confusion as evidence that average Legislators soon become lost in the maze of many state financial reports. As we look over our own reports we are willing to admit the difficulties of accomplishing completeness and at the same time retaining simplicity. Each official listened with apparent sympathy and indicated his intention of making future reports more understandable. We are hopeful.

EMPLOYEE-OWNED *vs.* STATE-OWNED AUTOS

Homer Orr, State Purchasing Agent, told us that \$75,000 to \$100,000 per year might be saved by the State through the use of more state-owned cars to replace much of the mileage now paid to state employees who are required to drive their own cars on state business. He said that 8,000,000 to 12,000,000 miles of auto travel is recorded by state employees each year. The plan had little support in the 92nd Legislature and very likely the effective savings could not be gained until new cars are in better supply. The submission certainly appeared to have merit and if presented to the 93rd Legislature ought to have careful consideration. His report to us was very complete and is available to any interested Legislator.

EXPENSE WITHOUT APPROPRIATION

The 92nd Legislature passed at least one bill that required a department to render a new service, but in passing the bill the Legislature failed to provide an appropriation with which to pay for the services. The department head responsible appeared before the Committee to suggest legislation that would free him from responsibility in administering a bill for which no dollars were provided by the Legislature. The Committee was impressed by the logic of his argument and it may be that such legislation should be enacted. An equally good solution, however, would be a procedure wherein the sponsor of each bill checks it through as to appropriation.

UNEMPLOYMENT COMPENSATION COMMISSION

Chairman Fortier and Professor Hormel met with the Committee on a general discussion of U. C. C. Legislative problems. The first recommendation was that U. C. C. benefits in Maine should be extended to cover the employers of employees of one to eight employees. His statement is summarized as follows:

"Under present provisions there are 3,500 employers subject to the tax and their employees are benefiting by the payments. There are 17,000 employers who are presently exempt. Mr. Fortier's arguments for the more liberal coverage were:

1. His Advisory Board of six representing Public, employers and employees, has voted their desire for the change.
2. The G. I. Bill of Rights recognizes the principle of benefits without limitation to number of employees.
3. In New England, one state (Massachusetts) covers the one or more, three others (Connecticut, Rhode Island, New Hampshire) provide for four or more, while the Maine-Vermont combination stays at the eight level.
4. Employers of the larger number are subject to unfair competition from the smaller competitors free of this particular tax burden."

The Committee was impressed by the logic of his arguments. We were told that the 93rd Legislature would be asked to consider this liberalization of the U. C. C. program. It is also expected that the so-called "double penalty" provisions will also be under consideration in the 93rd Legislature. The Committee acknowledges the very presentation of these problems made by Mr. Fortier and Professor Hormel. Any member of the Committee will be pleased to discuss each of these problems, in detail, with any member of the 93rd Legislature.

STATE LIBRARIAN

Mrs. Theresa C. Stuart, State Librarian, and Mrs. Marion B. Stubbs, her assistant, presented to the Committee a grievance that seemed well justified. They said that for fifty years the Maine State Library had handled the distribution of the Laws and Revised Statutes which the State provides free of charge for its public officials, institutions and libraries and for exchange with other States. This duty, they said, was quite consistent with the primary purpose of the State Library. The 91st and 92nd Legislature have given to them the responsibility of all State sales of revised statutes and laws. While the Committee was not impressed with their argument that they should not be charged with this merchandising problem, we were impressed that prior legislatures did not give to them reasonable appropriations with which to support their added duties. The problem appeared to be one of administration and not of legislation but when these two very sincere people appear before Appropriations Committee we are hopeful that their demonstrated needs will have fair and equitable acknowledgment. There is undoubted merit in having the State Librarian responsible for sales-accounting of this type of State property. Their own sincerity is the best evidence of this conclusion.

LIQUOR COMMISSION

Chairman Emery of the Liquor Commission presented three problems to the Committee, two of which may be subject to consideration by the 93rd Legislature.

His first problem relates to the statute that provides that the Commission is required to sell all merchandise on the basis of a 61% mark-up. For example, an item costing \$1.00 must be sold for \$1.61, according to statutory provisions. "Mark downs", as such, are possible only when the price originally paid by the Commission is later reduced. He said that while one-half of 1% would be the limit of inventory that should be marked down, he thought that good merchandising procedure would suggest that the Commission have that authority. His arguments were logical, and the Committee agreed that the Commission should have that authority by Legislative enactment.

His second problem related to store promotions. It was his thought that present statutes, in prohibiting window displays or interior displays, were not consistent with good merchandising. Acknowledging the logic of his arguments as a merchandising practice, the Committee was not impressed with the wisdom of changing present provisions that prohibit these displays.

His third suggestion related to Commission accounting. He presented the thought that \$ 20,000,000 business ought to have its own accounting, independent of the State Controller. The Committee conclusion indicated that this problem was one of Administration. We thought that accounting should continue to be a centralized function with every effort being made by the Controller's office to accommodate the Commission accounting convenience.

Although not related to the Commission presentation, the Committee discussed the statutory provision that requires Governor and Executive approval of Commission personnel employed as inspectors. Some members of the Committee believe that this function should be a Commission responsibility and not a problem of the Governor and Council.

PERSONNEL DEPARTMENT

Professor Dow, Miss Manter and Mr. Lincoln (the Personnel Board) and Mr. Hayes (the Director) presented to the Committee some of the problems and some of the plans of the State Personnel Board. We were impressed with the sincerity of purpose of this Board, that is, in effect, the State Civil Service Commission, responsible for state personnel problems. They explained the examining function, the function of establishing hiring rates, wage ranges and merit increase procedures. The Board presented the following items as those under consideration by the Board and Staff:

1. Establishment of a Classification Plan. This, the Chairman said, would involve wage rates and a continuity of a wage program.
2. Establishment of proper procedures to recognize desirable veterans preference.
3. The publication of an employees manual that would attempt to define the joint obligations of both employer and employee.
4. The consideration of an "in service" training program wherein regular employees might be trained for increased responsibility and skill and prospective employees be offered helpful training for their future work.
5. Determination of an equitable and satisfactory promotion plan.

6. The possible establishment of an Advisory Council. Suggested representation might be from the Legislature, the Governor's Council, the employee group, the tax payer, etc.
7. The establishment of a plan somewhat similar to the Shop Steward Plan wherein one designated employee in each employee group would represent his fellow employees in dealing with the Board. The Chairman said that in an informal manner, the Highway Department had such a practice now established.
8. More frequent meetings with Department Heads might be desirable to better acquaint them with Board procedure and better acquaint the Board with the problems and complaints of the operating people.
9. An improved and expanded examining program is desirable, they said. While current labor shortages might make it ineffective at this time, long range planning requires more careful employee selection procedures.
10. Cumulative vacation plans may be desirable wherein the present one week after six months and two weeks after eighteen months may be retained but where employer and employee agree, vacation time may be allowed to accumulate through two vacation periods to permit the longer vacation in lieu of two shorter vacation periods.
11. A salary contingent fund might be desirable to take care of new employees or deserving wage increases in a department where, because of unforeseen conditions, a hardship might result because of appropriation deficiencies.
12. An employee suggestion system, very successful in industry, may be desirable in the State operation.
13. The development of a code of ethics to guide employee rotations. This, the Chairman said, should be worked out by the Board after joint consideration of the wishes of both employees and department heads.

Governor Hildreth joined the Committee in the general discussion with the Board. As a Committee, we conclude that the Board is doing a conscientious job; but in their relations with the department heads and with the Legislature, they may find means of improving their own procedures. We are unanimous in supporting the concept of the Board and hopeful that their difficult problems will have better Legislative understanding.

STATE POLICE SALARIES

We had a comprehensive report from Chief Upton supporting his statement that State police wages were in need of revision. At the Special Session of the 92nd Legislature we think that these inequalities may have been removed.

FORESTRY PROBLEMS

The Committee enjoyed a two-day hearing with Commissioner Rendall, and his supervisors, Mr. Faulkner, Mr. Tingley and Mr. Gilpatrick. We saw at first hand many of the problems of the Forestry Department. In summary, we learned that up to 1909 wild land fire protection was an unorganized function of the land owners. Since 1909, the State Forestry District has administered this service. Revenue for the District was at first based on a $1\frac{1}{4}$ mill tax, then raised to $1\frac{1}{2}$ and $1\frac{3}{4}$ and since 1921 has been at $2\frac{1}{4}$ mills. This tax is in addition to the $7\frac{1}{4}$ mill State Property Tax. Four district supervisors direct twenty-six chief wardens having 77 fire towers connected by 2,500 miles of communication lines. The District patrols about 12,000,000 acres of the 16,800,000 acres in Maine.

The Committee was impressed with Mr. Rendall's statement that the yield from the Forestry District tax of $2\frac{1}{4}$ mills has been reduced from \$180,000 per year to about \$130,000 per year, resulting from lower valuations established for wild lands, and at the reduced figure it is not adequate to maintain an efficient service. We are equally surprised with Mr. Rendall's opinion that land owners would oppose an increase in the Forestry District tax, in spite of his conclusion that increased wage and material costs indicated the need of a rate increase.

In the frank discussions concerning land-owner Forestry Department problems, the Committee presented arguments that the Forestry Commission might be in the difficult position of serving two authorities, one the authority of the State and the other the authority of the land owners. The Committee conclusions indicated there was much merit in the thought that Maine statutes ought to be revised to recognize but one authority in control of the Forestry Commission. If it is to be the land owners, they should select the administrator and to them alone he should be responsible. If it is to be State authority, then reluctance on the part of the land owners should not deter the Legislature in establishing Forestry District tax rates consistent with the cost of the service.

REVISOR OF STATUTES

We had been quite certain that at least one Committee bill would be presented to the 93rd Legislature. It was to have amended the existing statute describing the duties of the Revisor of Statutes. Mr. Slosberg, Revisor of

Statutes, reminded us that his office, by statute, has no concern with assistance to Legislators in drafting private and special laws and resolves. He said:

"I wish to bring to the attention of the Legislative Research Committee a problem which deals with my office, and although not particularly important, perhaps should be clarified.

Chapter 10 of the Revised Statutes of 1944 deals with the appointment and duties of the Revisor of Statutes. This law was originally enacted in 1931 and has never been completely revised since that date.

"There are innumerable functions which this office performs and which are not specifically set forth by statute; for example, it has always been the practice of this office to help members of the Legislature to draft private and special laws and also resolves. The statute is silent in this respect. As another example, this office has aided the several administrative departments in drafting Legislation and aiding them in preparing their various booklets. The law here, also, says nothing.

"It would seem to me to be a benefit to set out exactly in the statutes the various duties of the Revisor of Statutes."

The Committee agrees with Mr. Slosberg and recommends that his supporting statutes more exactly define the efficient service rendered by his office.

MAINE STATE EMPLOYEES ASSOCIATION

This report does not require extended detail of our meetings with the Maine State Employees Association. The wage requests of that group were acknowledged in the Special Session of the 92nd Legislature. We would report, however, that Maine is indeed fortunate in having the intelligent leadership that is evidenced in this employee group. Future Legislatures may well accept their requests as likely to be reasonable and their leadership as sound. Certainly this was the impression of your Legislative Research Committee.

DEPUTY TREASURER OF STATE

The illness of the Treasurer of State pointed out a weakness in our statutes. It was suggested that the following amendment would be desirable.

"R. S., Chap. 15, 1, amended. Section 1 of Chapter 15 of the Revised Statutes is hereby amended by adding at the end of the 3rd paragraph thereof the following:

'In the event of a vacancy in the office of Treasurer of State or during the absence or disability of that officer, the Deputy Treasurer of State shall perform the duties of the office. When a vacancy occurs, he shall give bond to the State, with sureties, to the satisfaction of the Governor and Council, for the faithful discharge of his trust.' "

STATE MEDICAL SCHOOL

Dr. Arthur Hauck, University of Maine President, Dean Murray and Dr. Edward L. Herlihy presented to the Committee their thoughts on a Maine Medical School. Since the closing of Bowdoin Medical in 1921, Maine has had no medical school. At present only Idaho, Wyoming, Nevada, Florida, New Jersey, Mississippi, Rhode Island and Maine do not have medical schools. In proving his point that a medical school is insurance to the State for adequate medical service, he pointed to Vermont where 84% of Vermont doctors are Vermont graduates.

His plan visualizes the combined use of the facilities of the University of Maine at Orono and the Eastern Maine General Hospital and Bangor State Hospital at Bangor.

The plan has had further study and development since the March, 1945, presentation before the Committee, and thus we have omitted preliminary estimates on operating costs and capital costs.

VETERANS LEGISLATION

During the first half of 1945 much of the Committee work related to Veterans Legislation. In an interim report issued prior to the Special Session the Committee presented summaries of that problem. In brief, we said, "With reference to cash bonus demands, we are far from convinced that the cash-type of payment by the State is the sound approach to this problem, and we are far from convinced that a majority of Maine veterans favor new taxes with which to pay for this cash distribution. Certainly our hearings produced much evidence of desire but little evidence of need."

By very large majorities, both branches of the Legislature passed a bonus bill at the Special Session. By majorities nearly as large, the bonus bill was defeated in the September referendum. The Committee continues convinced that the recommendations in our interim report were reasonably sound.

MISCELLANEOUS

This summary does not record all of our meetings and studies. There were many other Legislative problems that were presented to us, many of which will be presented to the 93rd Legislature. A partial list of the other suggestions follows:

Disposition of Uncollectible Accounts
Farm Lands Loan Commissioners
Propagation Funds
Emergency Municipal Finance Board
Inmates and Patients Funds
Records of Pari Mutuel Racing
Teachers' Retirement Board
Income Collections
NET versus GROSS Settlements
Publication of Statement of Teachers' Retirement Funds
Bank Accounts and Deposits of Town Treasurers
Credit of Private Educational Institutions, etc.

COMMITTEE ACKNOWLEDGMENTS

The Legislative Research Committee is hopeful that its efforts are consistent with its modest expenditures of State dollars. Each of us has gained substantial knowledge of Legislative problems. We hope that our conclusions have been reasonably sound and that our expenditures have been consistent with our services to the Legislature.

The enabling legislation under which the Research Committee operates is found in R.S. 1944, Chapter 9, Sections 23 to 33 inclusive. Section 32 provides that our reports shall be made 30 days prior to the time that the Legislature convenes. This provision we were unable to follow because budget hearing summaries were not available in time to permit this. A future Legislature may wish to change this provision.

The Committee also makes note of the fact that this report does not have the accounting accuracy of official State reports. The employment of an accountant would have removed this qualification but for the purpose intended we ask you to excuse the many minor accounting errors that quite likely exist in our many tabulations.