

MAINE STATE LEGISLATURE

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LEGISLATIVE RESEARCH

STATE OF MAINE

SUMMARY REPORT

to

NINETY-FOURTH

LEGISLATURE

(SPECIAL SESSION)

LEGISLATIVE RESEARCH COMMITTEE

From the Senate

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Brooks E. Savage, Somerset

Frederick N. Allen, Cumberland

From the House

Harry M. Brown, Unity

William S. Silsby, Aurora

Romie L. Marsans, Monmouth

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Harry B. McKeen, Lovell

Linwood E. Palmer, Jr., Nobleboro

Jarvis L. Tyler, Farmington

Director

Samuel H. Slosberg, Gardiner

FEBRUARY 6th, 1950

To the Members of the Ninety-Fourth Legislature:

Since adjournment of the regular session of the 94th Legislature the Research Committee has followed, in continuing studies, the changing economic conditions with respect to the general fund appropriation bill. The members of this Committee were among those members of the Legislature who were hopeful that the sums appropriated might prove adequate to finance essential state services during the present 1949-50 year and the second year of the biennium, the 1950-51 year.

Governor Payne, even more closely, has followed income and expense trends in general fund accounting. His conclusions with reference to the need for additional appropriations were summarized in his announcement that we were to meet in special session to consider supplemental appropriations from the general fund surplus account.

The Committee realizes that the recommendations of Governor Payne and the careful consideration of those recommendations by each branch of the Legislature are of far more importance than any report on the subject that we might make. On the other hand, each member of the Legislature will be hopeful that the problems may be solved in a careful yet expeditious manner. Therefore, it is the purpose of this report to summarize the more important items that appear to require additional appropriations and in that summary to point out, briefly the essential facts related to each item.

We are appreciative of the assistance given to us in preparing what we hope will be a helpful report. Governor Payne, Finance Commissioner Mudge, Education Commissioner Ladd, Welfare Commissioner Stevens and other state officials have given to us their help in preparing this summary of the general fund finance problems likely to be considered at the special session.

LEGISLATIVE RESEARCH COMMITTEE

BUDGET PROCEDURES

The action that precedes the passage of the general fund appropriation bill is well understood. Budget hearings are scheduled in the fall preceding the regular session. A Legislative Committee of three, with the Governor and his finance officers, first hear the department requests. These requests are pared down and made to fit the prevailing income estimates. The result is the "Budget Document" presented to the Legislature early in the regular session. The Legislature then considers, among many other matters, those bills that would increase or decrease the costs of state services. As an example, the 94th Legislature received the Budget Document on January 12th and very soon thereafter enacted Chapter 1 of the Public Laws as an emergency measure. This action, commendable as it was in raising old age assistance maximum from \$40 to \$50 per month, made a new law effective in February that was not provided for in the January 12th Budget Document based on law as it existed at the start of the session. Similarly, just as budget accuracy is difficult in face of unknown future legislative action, so is the appropriation measure a difficult determination in face of unknown future economic conditions.

APPROPRIATION COMMITTEE ACTION

Again, following normal procedure, the Committee on Appropriations and Financial Affairs, after a long series of public hearings, brought out an appropriation bill but in bringing it out made the frank statement that the two year appropriations were some \$3,900,000 in excess of their estimates of general fund revenues. In the following weeks the Legislature concluded that the need did not justify new taxes and by a revised general fund appropriation bill, authorized expenditures that would be within estimated revenues.

In doing this the Legislature recognized that no one could forecast, with accuracy, the changing economic conditions that might prevail in the following twenty-four months. We now have the actual operating results for the first six months of the 1949-50 year. The results indicate that supplemental appropriations should be made, particularly in certain of the welfare programs provided for by law and certain of the educational subsidies that existing laws grant to the cities and towns.

SURPLUS ACCOUNTS

Fortunately, savings of prior years, in the unappropriated surplus of the general fund, are sufficient to meet these appropriation deficiencies. That such sums exist for use where need has now been demonstrated, reflects credit on prior legislative policy of denying the general use of these funds except for non-recurring expenditures.

The general fund surplus was \$6,145,930.13 on June 30th, 1948. The net gain in the year ending June 30th, 1949 was nearly \$1,000,000, bringing the surplus as of June 30th, 1949 to \$7,118,106.41. Our regular session appropriations from surplus amounted to \$4,204,426.19 of which \$90,000 was effective in the 1948-49 year, \$3,868,776.19 effective in the present fiscal year and \$245,650 will be effective in the next fiscal year. As of December 31st, 1949, unappropriated general fund surplus was \$3,233,579.57.

The Commissioner of Finance, Mr. Mudge, has stated to the Committee that in his opinion, based on current revenue trends, current year general fund revenues will not equal estimates. There will, however, be some lapsed balances and with expenditures from the contingent fund continuing at modest levels, the Committee concludes that year-end closings will not produce a reduction of serious proportion in the surplus account. Projections of operating results in the next fiscal year are even more difficult. Income from running races seems certain to be a general fund income item for the first time but what this figure will be is still unknown. At least it is not unreasonable to hope that the operating statements for 1950-51 will break even.

The Committee recognizes that any long term policy of financing state services out of surplus could lead only to a policy of continuing to finance services by state debt. The Committee is equally realistic in acknowledging as impractical the consideration, at a short special session, of any long term new revenue measure. Thus we concur in Governor Payne's announced intention of recommending the use of such surplus funds as may be necessary to carry on the essential state services not adequately provided for in the appropriation bill.

SUMMARY SCHEDULE

The Committee concluded that it should recommend to the special session that appropriations be made from surplus for:

1. Well established minimum needs for the current year, 1949-50.
2. Reasonably well known minimum needs for the 1950-51 year.
3. Where demonstrated need appears to be equally acute, for other appropriations.

In summary, therefore, the Committee submits the following schedule as indicating minimum need for supplemental appropriations from the unappropriated surplus of the general fund:

<u>Item</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>	
<u>WELFARE</u>				
Aid to Dependent Children	\$ -	\$ 100,000	\$ 100,000	
Board and Care of Neglected Children	-	100,000	100,000	
Support of State Paupers	250,000	250,000	500,000	
Old Age Assistance Benefits	250,000	450,000	700,000	
Old Age Assistance Burial	30,000	60,000	90,000	
<u>Welfare Totals</u>	\$ 530,000	\$ 960,000	\$ 1,490,000	47.4%
<u>EDUCATION</u>				
Aid to Academies	\$ 11,301	\$ 11,301	\$ 22,602	
High School Tuition	4,362	4,362	8,724	
Teaching Positions	388,646	388,646	777,292	
School Enrollment	22,056	22,056	44,112	
Conveyance in Lieu of Teaching Positions	25,103	25,103	50,206	
Vocational Education	39,274	39,274	78,548	
Handicapped Children	1,490	1,490	2,980	
Evening Schools	5,168	5,168	10,336	
Schooling Children in Unorganized Territory	25,000	25,000	50,000	
Equalization	-	75,000	75,000	
<u>Education Totals</u>	\$ 522,400	\$ 597,400	\$ 1,119,800	35.7%
<u>WAGE MAINTENANCE</u>	-	\$ 250,000	\$ 250,000	8.0%
<u>UNIVERSITY OF MAINE</u>	-	\$ 200,000	\$ 200,000	6.3%
<u>ELDERLY TEACHERS</u>	\$ 21,000	\$ 60,000	\$ 81,000	2.6%
<u>TOTAL</u>	\$ 1,073,400	\$ 2,067,400	\$ 3,140,800	100.0%

The supporting detail follows for each of the above five items.

WELFARE

The appropriation problems of the Department of Health and Welfare to a more marked degree than other state services, are directly related to changing economic conditions. Without pointing up any condition unusual to Maine, employment and payroll totals have been showing downward trends. Without a corresponding or greater decrease in general living costs, or even with such a downward trend in costs, fewer job opportunities and shorter work weeks in industry increased welfare demands.

Schedule

To keep within estimated general fund income, welfare appropriations were necessarily reduced. A study of the six months' operation, July 1, 1949 to December 31, 1949, appears to have demonstrated the inadequacy of some of the welfare appropriations to meet the requirements of existing statutes. In summary, these supplemental appropriation requirements are:

<u>Item</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Aid to Dependent Children	-	\$ 100,000	\$ 100,000
Board and Care of Neglected Children	-	100,000	100,000
Support of State Paupers	\$ 250,000	250,000	500,000
Old Age Assistance Benefits	250,000	450,000	700,000
Old Age Assistance Burials	<u>30,000</u>	<u>60,000</u>	<u>90,000</u>
<u>Total</u>	\$ 530,000	\$ 960,000	\$ 1,490,000

The suggested supplemental appropriations for the 1949-1950 year are of such amounts as to continue state programs through to June 30, 1950.

With respect to the second year of the biennium, there is not the same certainty with respect to adequacy. Computations and projections, all sound, can be made that might prove the inadequacy of the suggested supplemental appropriation of \$960,000 for the 1950-51 year. Such computations, however, assume a continued lowering in present economic levels. With the regular session of the 95th Legislature to be assembled in January, 1951, it seems wiser that we appropriate such sums as we are reasonably certain will be required under existing law, leaving to contingency fund allocations or to 95th legislative consideration, any inadequacies that then existing conditions may indicate. Each

item is described in brief detail.

<u>Aid to Dependent Children</u>	<u>ADC Program</u>		
	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$1,100,000	\$1,100,000	\$2,200,000
Supplemental requirement	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	\$1,100,000	\$1,200,000	\$2,300,000

This is the state program that provides care and maintenance of children who are deprived of parental support or care because of death, continued absence from the home or the physical or mental incapacity of the parent. The cost is shared among the state, federal government and town of settlement. The approximate divisions are: state 34.3%, federal government 54.5% and 11.2% by the town of settlement. Maxima have been established at \$40 per month for the first child, \$20 for the second child, \$15 for each additional child and an overall maximum at \$150 per month. The 1949-50 appropriation has been adequate and the supplemental appropriation of \$100,000, for the 1950-51 year, appears sufficient to finance this program as it is presently being operated.

<u>Board and Care of Neglected Children</u>	<u>Board and Care</u>		
	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 825,000	\$ 825,000	\$1,650,000
Supplemental requirement	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	\$ 825,000	\$ 925,000	\$1,750,000

This is the program that provides for children who are committed into custody of the state by the courts. The Department attempts to arrange adoptions, when possible to place children in free homes and whenever possible to collect from parents for the costs. There are about 2,100 of these cases with indications that the 1950-51 year will show increases of at least 10%. The average board rate is just over \$25 per month with the average cost of other expenses amounting to nearly \$100 per year per child. The entire cost is paid for by the state. How many cases must be cared for is determined entirely by the actions of the courts.

General Relief

<u>Support of State Paupers</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provisions	\$600,000	\$600,000	\$1,200,000
Supplemental requirement	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>
	\$850,000	\$850,000	\$1,700,000

State law provides that the state shall reimburse the cities and towns for costs of supplies and services furnished to needy poor who have no Maine city or town of settlement. Except for diligence in determining that no settlement exists, the state has no control over the number of cases in this relief account. Among all of the relief programs, this general relief, or "state pauper" program is the program that most quickly reflects a downward trend in general economic conditions, particularly as those conditions relate to employment levels.

The appropriation requirements for the current year are reasonably well established. The suggested supplemental appropriation appears to the Committee to be adequate for this year. A similar amount is suggested for the 1950-51 year.

Old Age Assistance

<u>Old Age Assistance Benefits</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provisions	\$2,610,000	\$2,610,000	\$5,220,000
Supplemental requirement	<u>250,000</u>	<u>450,000</u>	<u>700,000</u>
	\$2,860,000	\$3,060,000	\$5,920,000

This is the state welfare program that provides for the needy aged. As of January, 1950 there were 14,614 recipients receiving grants that averaged \$43.36 per month. The gross cost of the program, currently is provided by 38% in state funds and 62% in federal funds. Five basic items are provided: food, clothing, rent, heat and light. Not eligible are parents with sons or daughters who, by established departmental rule, are deemed able to support their parents.

The general change in economic conditions reflects both directly and indirectly in increased old age assistance load. Lower employment levels are likely to strike first upon the older workers. Indirectly, unemployment and shorter work weeks reflect on the ability of sons and daughters to care for parents. Still another factor is the continuing high cost of living as it serves to

deplete the savings of elderly persons.

Significant in average monthly grant trend is the result of the increase in the old age maximum from \$40 per month to \$50 per month, one of the first bills to be passed by the 94th legislature. Average grants were about \$34.50 per month in December, 1948, the month prior to our action of increasing the maximum from \$40 to \$50 per month. As of January, 1950 the average grant was \$43.36, an increase of nearly \$9 per month since the legislative action of January, 1949. At least a substantial part of this increase in average OAA grants may be attributed to generally unanimous legislative conclusion that grants under this program should be increased. A similar increase, from \$30 to \$40 was made as of July, 1943.

As in the preceding categories, the suggested supplemental appropriation for the 1950-51 year may or may not be adequate to carry out existing law and expressed legislative intent, but as in certain of the education suggestions and as in the other welfare comments, the 95th legislature will have more complete information upon which to exercise its judgment at the regular session.

<u>Old Age Assistance</u> <u>Burials</u>	<u>CAA Burials</u>		
	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	-	-	-
Supplemental requirement	<u>\$ 30,000</u>	<u>\$ 60,000</u>	<u>\$ 90,000</u>
	\$ 30,000	\$ 60,000	\$ 90,000

This item finances that section of the statutes that provides for the burial of deceased Old Age Assistance recipients who leave no estate or who have no responsible relatives able to pay for burial expenses. Not provided for in the general fund appropriation bill, this supplemental appropriation would permit the state to carry out the statutory provisions for Old Age Assistance burials.

EDUCATION

The 1949 General Fund appropriation bill made the following provisions for the Department of Education:

<u>Department</u>	<u>1949-1950</u>	<u>1950-1951</u>	
Departmental Operations	139,711	140,092	General
Aid to Academies	120,000	120,000	Subsidy
Farmington State Teachers' College	82,841	85,796	State School
Gorham State Teachers' College	110,254	104,766	State School
Washington State Teachers' College	46,284	46,761	State School
Madawaska Training School	53,214	51,116	State School
Presque Isle Normal School	41,192	35,128	State School
Subsidies to Cities and Towns:			
For Tuition	230,000	230,000	Subsidy
For Teaching Positions	3,200,000	3,200,000	Subsidy
For School Census	510,000	510,000	Subsidy
For Conveyance in Lieu of Teaching Positions	185,000	185,000	Subsidy
For Temporary Residents	3,000	3,000	Subsidy
Schooling of Children in Unorganized Towns	179,780	179,559	State Schools
Superintendents of Towns Comprising School Unions	183,000	183,000	General
Vocational Education - State	67,762	68,225	Part Subsidy
Vocational Training Program	36,611	36,223	State School
Vocational Rehabilitation	39,974	39,952	General
Administration of Federal Lunch Program	19,595	20,290	General
Special Education for Physically Handicapped Children	15,000	15,000	Subsidy
Industrial Education	135,000	135,000	Subsidy
Physical Education Subsidies	37,500	37,500	Subsidy
Equalization of Educational Opportunities	500,000	500,000	Subsidy
Secondary Education for Island Children	2,000	2,000	Subsidy
Board for Approral of Institutions	750	750	General
Education of Orphans of Veterans	750	1,200	General
Total Department of Education	\$5,939,218	\$5,930,358	

Except for departmental operations amounting to about \$280,000 or a little over 2% of the \$11,869,576 appropriation for the two years and the cost of superintendents of the 113 school unions, about \$366,000 or 3% of the appropriation educational money goes to the support of state schools and for direct subsidies to local education costs. State schools cost \$544,762 per year or about 9% of the total, leaving the subsidy type of expenditures totaling something over 86% of the entire appropriation, or about \$10,000,000 from the two year appropriation. All of this goes to the cities and towns, with the smaller communities receiving proportionately greater state aid.

Each of the subsidy programs is directed by a generally specific existing law and usually the amount of subsidy payment is determined by local school data, numbers of students, number of teachers, local tax rates and many other factors that make up a complex and at times confusing program. Parenthetically, the Committee concurs with the suggestion, expressed many times, that great good could be accomplished by simplification of the various complex calculations by which these subsidies are computed. However that may be, the subsidy laws exist and even in the accomplishment of simplicity it is doubtful that the financial conditions of Maine cities and towns could permit much reduction in the present level of state sharing of local educational costs since such reduction would reflect directly upon local real property taxes.

Faced with these laws and with appropriations insufficient to pay even the minimum lawfully provided subsidies, the Committee agrees that the state should provide means for the payment of the minimum subsidy requirements. The basis upon which this schedule was prepared was to provide 1949-50 supplemental appropriations in such sums, now known, as will carry out the provision of the subsidy laws for the current fiscal year that ends June 30, 1950. With respect to the 1950-51 year, many unknowns remain in each of the subsidy programs except the equalization fund. Equalization fund payments are now rather accurately known because the payments to be made during December, 1950 are based on financial data received in May, 1949. With respect to that subsidy program, the suggested supplemental appropriation assures 100% payment in December, 1951. There may be compelling arguments to support the predictions that increased school enrollment

next year will require still further increases in subsidy payments. However that may be, it appears certain that the requirements will not decrease and with 1950-1951 provided for at levels equal to current requirements, we would be leaving to the 95th legislature the final determination of total requirements, computed with the benefit of data that will be available to them early in their regular session, if later information proves the supplemental appropriations to be incorrect for the next year.

Schedule

In detail, the apparent requirements of the department of education, computed on the basis of the preceding considerations, are as follows:

<u>Item</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Aid to Academies	\$ 11,301	\$ 11,301	\$ 22,602
High School Tuition	4,362	4,362	8,724
Teaching Positions	388,646	388,646	777,292
School Enrollment	22,056	22,056	44,112
Conveyance in Lieu of Teaching Positions	25,103	25,103	50,206
Vocational Education	39,274	39,274	78,548
Handicapped Children	1,490	1,490	2,980
Evening Schools	5,168	5,168	10,336
Schooling Children in Unorganized Territory	25,000	25,000	50,000
Equalization	<u>-</u>	<u>75,000</u>	<u>75,000</u>
	\$522,400	\$597,400	\$1,119,800

A very brief description of each of the subsidy programs follows:

<u>Subsidy Aid to Academies</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$120,000	\$120,000	\$240,000
Supplemental requirement	<u>11,301</u>	<u>11,301</u>	<u>22,602</u>
	\$131,301	\$131,301	\$262,602

This is the state subsidy to local academies and is based on the courses approved and the enrollment in the school. In general, these schools serve as the local high school facility for the area surrounding their location.

<u>Subsidies for High School</u>			
<u>Tuition Payments</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 230,000	\$ 230,000	\$ 460,000
Supplemental requirement	<u>4,362</u>	<u>4,362</u>	<u>8,724</u>
	\$ 234,362	\$ 234,362	\$ 468,724

This is the apportionment to towns not maintaining secondary schools and amounts to two-thirds of the tuition paid to other towns for education of secondary pupils. There are established limitations as to charges for any pupil in any one year and as a maximum subsidy of \$1,000 to any one town.

<u>Subsidies for Teaching Positions</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 3,200,000	\$ 3,200,000	\$ 6,400,000
By Transfers	157,500	157,500	315,000
Supplemental requirement	<u>388,646</u>	<u>388,646</u>	<u>777,292</u>
	\$ 3,746,146	\$ 3,746,146	\$ 7,492,292

This is the largest of the state subsidy programs. With minor exceptions, the law provides for annual payments to towns and cities of from \$400 to \$850 for each regular teaching position maintained during the previous year. The actual amount per position depends on the tax rate for support of schools in each town. Unpredictable increases in this factor, together with a larger number of positions due to added enrollments, served to make needs under this activity substantially greater than the appropriation and even more than the Department's request.

<u>Subsidies for School Enrollment</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 510,000	\$ 510,000	\$ 1,020,000
Supplemental requirement	<u>22,056</u>	<u>22,056</u>	<u>44,112</u>
	\$ 532,056	\$ 532,056	\$ 1,064,112

This subsidy provides for the payment of \$3 for each pupil enrolled in elementary and secondary schools (public or private) on April 1st.

<u>Subsidies for Conveyance in Lieu</u> <u>of Teaching Positions</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 185,000	\$ 185,000	\$ 370,000
Supplemental requirement	<u>25,103</u>	<u>25,103</u>	<u>50,206</u>
	\$ 210,103	\$ 210,103	\$ 420,206

Towns are subsidized for cost of conveying pupils to other schools when small schools are closed. Payments are not to exceed one-half the cost of such conveyance nor more than the town would have received for the eliminated teaching position:

<u>Subsidies for Vocational Education</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision for Subsidy only	\$ 36,095	\$ 43,000	\$ 79,095
Supplemental requirement	<u>39,274</u>	<u>39,274</u>	<u>78,548</u>
	\$ 75,369	\$ 82,274	\$ 157,643

Among all of the state subsidy programs, the subsidies to cities and towns for vocational training in the secondary schools, in proportion to total cost, is the most liberal sharing program under present state laws. In general terms, any city or town may initiate and carry on courses in agriculture, home economics, trades and industry and retail selling. Having established such courses in their schools, the state is obligated to pay one-half the teacher salary cost. Fixed and limited Federal funds are available but as expansion of these vocational courses are voted for by local communities, state costs experience very substantial increases. During the current year the state subsidy liability, from this source, has been increased by the action of Maine communities in establishing fourteen new vocational teaching positions. Similarly, since the law provides for one-half payment of teacher costs, each teacher salary increase among those already operating imposes further obligations on the state.

<u>Subsidies for Special Education for Physically Handicapped Children</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 15,000	\$ 15,000	\$ 30,000
Supplemental requirement	<u>1,490</u>	<u>1,490</u>	<u>2,980</u>
	\$ 16,490	\$ 16,490	\$ 32,980

Cities and towns may be reimbursed for the excess cost by which their expenditures for educating physically handicapped children exceeds the average costs for educating the normal children, with maximum aid held to \$200 per pupil in town and to \$350 per pupil boarded out of town.

<u>General Industrial Education</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$ 15,000	\$ 15,000	\$ 30,000
Supplemental requirement	<u>5,168</u>	<u>5,168</u>	<u>10,336</u>
	\$ 20,168	\$ 20,168	\$ 40,336

This program provides for state subsidies for general evening schools for adult education.

<u>Schooling of Children in Unorganized Territory</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$179,780	\$179,559	\$359,339
Supplemental requirement	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
	\$204,780	\$204,559	\$409,339

State law requires the department of education to maintain schools in unorganized territory. Currently 35 teachers in 24 schools are educating 793 children. The law requires "suitable provisions" to be made. The above supplemental appropriation would be used as follows:

New School Buses	\$ 18,000	\$ 6,000	\$ 24,000
School Building Repairs	3,500	17,000	20,500
Maps and Reference Books	2,000	2,000	4,000
Seat and desk units	<u>1,500</u>	<u>-</u>	<u>1,500</u>
	\$ 25,000	\$ 25,000	\$ 50,000

<u>Equalization of Educational Opportunities</u>	<u>1949-1950</u>	<u>1950-1951</u>	<u>Total</u>
Appropriation provision	\$500,000	\$500,000	\$1,000,000
By transfers	16,799	15,500	32,299
Supplemental requirement	<u>-</u>	<u>75,000</u>	<u>75,000</u>
	\$516,799	\$590,500	\$1,107,299

This is the subsidy program to provide a minimum education program in towns which cannot provide adequate funds for the support of a minimum school program. This subsidy is paid in December of each year, based on financial data available eighteen months earlier or May of the prior year. The December, 1949 payment of \$516,799 was made in full by the transfer of \$16,799 from other appropriations. Payments to be made during December, 1950 will be based on financial data received during May of 1949 and the total is now known to be approximately \$590,500. Thus the recommendation that the 1950-1951 appropriation of \$500,000 be supplemented by the amount of \$75,000. The \$15,500 balance, it is estimated, can be made up from transfers.

WAGE MAINTENANCE

An emergency measure, passed at the regular session of the 94th Legislature, provided that the so-called "\$3 - \$4 - \$5" wage increases granted by the Personnel Board on October 4, 1948, should be continued at \$3 per week through the 1949-50 fiscal year. Such sums as were necessary for this purpose were appropriated from the unappropriated surplus of the general fund. Mr. Mudge indicated to the Committee that the sums so required will be about \$300,000 for the current year.

The Committee recognizes the apparent regular session intent that wage reductions of \$3.00 per week might be effective June 30, 1950. On the other hand, by legislative order, we expressed the hope that general fund appropriations, department by department, would be found sufficient to maintain wage and salary levels in the 1950-51 year at existing levels. Living costs have not declined substantially. The state now has underway a general survey of the entire state problem for which the Legislature provided funds last session. In view of these facts and in consideration of the obvious confusion that would result when some departments might find existing appropriations to be sufficient to carry employees at present rates and others would not, the Committee suggests that the present wage schedules be maintained. Based on the experience of the current year, supplemental appropriations of \$250,000 will be required. Not affected, of course, are wages established by statute or by Governor and Council.

In making this recommendation the Committee notes the hope that out of the current survey will come facts and recommendations that may lead to a more rational handling of general wage schedule problems. The present patchwork method must be undesirable from the point of view of the employees and certainly has presented a difficult problem to each of the past several legislative sessions.

UNIVERSITY OF MAINE

The current legislative appropriation for the University of Maine is the "mill tax", an appropriation of one mill from the seven and one-quarter mill tax on property. This amounts to \$762,176 for each of the 1949-50 and the 1950-51 years and is provided for in the general fund appropriation bill passed at the regular session.

Legislative Document 104, at the regular session, would have provided an additional appropriation of \$300,000 for each year of the biennium. In presenting this request at the regular session the University pointed out that in the prior two years, the University had been granted \$175,000 per year for the Orono operation and \$150,000 per year for the temporary Brunswick operation. The request could not be granted when the regular appropriation bill required all existing revenues.

Tuition rates were increased by \$75. per student. There are 2,260 non-veteran students. Of these 2,081 are Maine residents and 179 are out of state residents. The \$75. increase raised in-state tuition from \$225 to \$300 and out of state tuition from \$350 to \$425. This tuition rate increase is producing \$169,500 in additional revenue this year.

With respect to the 2,100 students who are veterans and under the "GI Bill", the government pays at the out-of-state rate but the Veterans Bureau ruled that the prior out-of-state rate, \$350. per year, could not be raised and the present Veterans Bureau contract may produce slightly less per veteran student.

To make up the remaining \$130,500 of the \$300,000 requested of the 94th Legislature, hoped for salary adjustments were curtailed, budgets for operation and maintenance were cut, and substantially all road repairs and other plant improvements were omitted from the 1949-50 budget. This increase in tuition rates and curtailment in maintenance work is resulting in a 1949-50 operation that will about break even.

Facing the 1950-51 year, however, presents a more serious problem. Tuition and student fee income accounted for \$1,279,013 of total 1949-50 income of \$3,050,524. This same income source in the 1950-51 year will be down by about 22% to less than \$1,000,000. The University estimate is \$996,264.50. Other income sources, endowment, federal subsidies, sales and charged services

will not materially change. The large drop in tuition income is from the loss of income from senior GI students, at approximately out-of-state rates, to a lower number of freshmen, few of whom are veterans.

Thus the University faces these serious problems in the 1950-51 year that starts June 30, 1950.

1. Tuition charges which include the \$75 increase must be continued.

2. The entire reserve fund of \$220,000, set up for the University's post-war conversion to a normal program and campus, must be used for operating expenses. (Temporary wooden buildings when no longer needed must be removed).

3. There will remain at least another \$80,000 to \$100,000 that must again be cut from some operating expense to accomplish a balanced budget.

Considering these facts, the University submits that while tuition rate increases and operation and maintenance cost cuts have served to make up the indicated deficit of \$300,000 in the current year, a balanced budget for the 1950-51 year will require continuation of the high tuition rates, the use of 100% of the \$220,000 reserve set aside for the conversion of the University's facilities to normal peace time operation, and the continued inadequate maintenance of facilities.

The granting of \$200,000 for the second year of the biennium, as listed in the Committee schedule, would permit:

1. A substantial reduction in the \$75 tuition rate increase. Financial hardship imposed on students has been severe and the prospective students, likewise, are finding it difficult or impossible to meet the higher rates.

Comparable rates for the other New England land grant colleges are as follows for resident students:

<u>State</u>	<u>Tuition</u>	<u>Other Fee Charges</u>	<u>Total</u>
University of Maine	\$300	\$30	\$330
University of New Hampshire	200	-	200
University of Vermont	225	-	225*
University of Massachusetts	100	40	140
University of Rhode Island	200	28	228
University of Connecticut	125	10	135

*Land grant section (agriculture and home economics) of U of Vermont

2. Whatever remains, after reducing the tuition rate, would permit some very modest but essential salary adjustments and the inclusion in a balanced budget of minimum needs for operation and maintenance, if the extremely valuable plant of the University is to be properly conserved. In order to carry out this program it may very well be necessary to use a portion of the conversion reserve as well, but every effort should be made to preserve this fund in order that the University's facilities may be restored to normal peace time operation, in the interest of economy of operation, as soon as the expansion required by the GI veterans is no longer needed.

The Committee concludes that it is no longer realistic to expect the University of Maine to continue its services with state subsidies that are little higher than prevailed twenty years ago. Neither is it realistic, in a State University, to have tuition rates at a level where the University of Maine will be denied to those whose parents are not in the more fortunate economic brackets.

ELDERLY TEACHERS

Expressed in very general terms, pension provisions for retired Maine school teachers (other than the University of Maine which is operated by the University as a separate plan) fall into one of three groups:

A. First is the "elderly" group where no teacher contribution was made during the working years. This group receives pension allowances of \$400, \$500 and \$600 per year, the amount depending upon the total length of service. Age 65 must be reached before pension eligibility and length of service must include service prior to June, 1924. Few, if any, teachers in the future will retire under the provisions of this particular pension law. As of December, 1949, pension payments were being made as follows:

363	received	\$50.00	per	month	or	\$600	per	year
120	"	41.67	"	"	"	500	"	"
135	"	33.33	"	"	"	400	"	"
<u>618</u>	"	<u>\$44.60</u>	(avg)	"	"	<u>\$545</u>	(avg)	"

B. Second is the group that have pension benefits common to both the "\$400 - \$500 - \$600" law and the present contributory plan. In general terms, this group, once pension contributions produce pensions greater than the provisions of the "\$400 - \$500 - \$600" group, the earned annuity is paid. Those who retire prior to the time that annuities equal the "\$400 - \$500 - \$600" levels, the provisions of the older law obtain. As of January 1st, 1950 there were about 2,000 teachers with service records dating prior to June, 1924. Nearly all, it is fair to assume will retire with benefits determined by the newer law provisions but some may take the old law provisions and some already retired are in the group that have made contributions but not in amounts sufficient to earn pension rates in excess of the "\$400 - \$500 - \$600" law.

C. The third group, with date of first service subsequent to June, 1924, is covered by the reasonably adequate contributory plan. This group would not be changed by any change in the "\$400 - \$500 - \$600" law.

Members of the legislature, in both branches, are well acquainted with the impelling justification for an increase in the "\$400 - \$500 - \$600" provisions. With respect to group "A", the 618 teachers now receiving the average pension of \$44.60 per month, there could be an increase of \$100 per year at a current

cost with respect to this group only, of about \$21,000 for the months of March, April, May and June of 1950. The cost, on the same basis would be about \$60,000 for the 1950-51 year, assuming an average of 600 pensioned teachers in the group. This same increase, \$100 per year, to this same group of elderly teachers would produce an estimated gross cost of about \$70,000 over the normal life span of the 600 teachers. This estimate is based on the fact that at the average ages of the present group, life expectancy is between eleven and twelve years.

To still complicate the problem is the probable cost of the increase with respect to the second or "B" group. Should the "\$400 - \$500 - \$600" be increased to "\$500 - \$600 - \$700" for the "A" group, it would be reasonable to consider a similar increase for the teachers who have retired or who may retire prior to the time that they have accrued, under the contributory plan, sufficient annuity credit to bring their pension totals above the "A" level. What this figure would be is difficult to determine because of the unknown factor - the dates upon which each teacher will retire. As annuity credits increase, the liability of "\$400 - \$500 - \$600" pension payments will decrease.

There will be some inequities if the law is changed so as to provide only for those 618 "elderly" teachers making up the December lists. On the other hand, such a change would give an increase limited to those who taught school during the low wage period and who had few, if any, teaching years during the higher wage rates periods.

Thus the Committee, acknowledging few inequities that will result, suggests that the "\$400 - \$500 - \$600" be changed to "\$500 - \$600 - \$700" and limited to the "A" group.

The resulting schedules would increase these pensions by \$8.33 per month or increase as follows:

Present pensions of \$50.00	would be	\$58.33	per month
"	"	41.67	"
"	"	33.33	"

This cost, for this group only, would require supplemental appropriations of \$21,000 for the current year and \$60,000 for the 1950-51 year.