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GOVERNOR

GOVERNOR MCKERNAN'S BUDGET REDUCTION PACKAGE

DOWNSIZING AND RESTRUCTURING STATE GOVERNMENT

THURSDAY, NOVEMBER 6, 1991



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TABLE OF CONTENTS

	INTRODUCTION	Page 1
I.	FRAMING MAINE'S BUDGET NEEDS	Page 1
	Acknowledging Maine's Economic Decline Prioritizing State Services	
II.	ELIMINATING UNNECESSARY POSITIONS & PROGRAMS	Page 4
	Fairly Distributing Personnel Cuts Holding Programs to a Higher Standard Keeping State Government Within its Means	
III.	CONTRACTING SERVICES TO THE PRIVATE SECTOR	Page 9
IV.	CONSOLIDATING STATE FUNCTIONS FOR EFFICIENCY	Page 10
V.	TRIMMING ADDITIONAL GOVERNMENT PROGRAMS	Page 11
	Education General Government Community Mandates Human Services Economic Development Natural Resources Independent Agencies	
	CHARTS AND GRAPHS	Page 26

FACT SHEET

Governor McKernan today proposed revisions to the FY 1992 state budget to meet Maine's budget shortfall and the continuing decline in state revenues. The Governor's proposal cuts \$121.5 million from the state budget, and will reduce the number of state employees by more than 2,600 over the next year, while continuing to protect the health and safety of Maine's most disadvantaged citizens.

The Governor said the Administration examined every program, every entitlement, every position, and every state dollar to make state government affordable again. In addition, he proposed significant changes in the scope and structure of government to cut government to a level that we can afford, and extricate the state from services we need no longer provide.

Governor McKernan's budget proposal would:

- Frame state government's budget needs in the face of a declining Maine economy.
- Eliminate or curtail programs the state can no longer afford.
- Change the structure of state government by consolidating similar state functions and reviewing the state civil service system.
- Contract government functions that could be run more efficiently by the private sector to reduce costs and bureaucracy.
- Relax state mandates to allow local and county governments to reduce costs.

I. FRAMING MAINE'S BUDGET NEEDS

Governor McKernan believes that Maine's worsening fiscal conditions demand bold solutions. His budget proposal reflects the dramatic decline in income and jobs that have beset Maine. The Governor proposes to significantly alter the size and scope of government services so that the state can once again live within its means.

A. Acknowledging the Decline in Maine's Economy.

Revising Revenue Projections

National economic experts with Wharton Economic Forecasting Associates (WEFA) and Data Resources, Inc. (DRI) recently acknowledged Maine's declining economy. The Administration responded by revising forecasts of state revenues downward by more than \$100 million in FY 1992.

Since peaking in 1989, more than 33,000 jobs have been lost, reflecting our state's declining economy. Fewer jobs reduce revenues and the state's ability to provide services.

Forcing State Government to Live Within Its Means

The Governor believes that Maine citizens can no longer support the high level of spending that characterized the 1980s. He believes, for example, that Maine's generous welfare benefits are out of step with these difficult times. Maine ranks 29th nationally in per capita income, but our welfare spending is in the top five in the nation as a percentage of personal income.

The Governor believes that, like Maine families, the state must also tighten its belt when the economy slows.

B. Prioritizing State Services

Spreading Cuts Fairly Throughout Government

The Governor recognizes that every program and every position cut from the state budget is unpalatable to some special interests, but believes that the state cannot afford to continue to lead in entitlement spending. To help Maine onto the path to recovery, State Government must cut spending within established priorities.

When our state's working people are struggling to get by, Governor McKernan believes that government leaders must be willing to sacrifice at least equally. In presenting his budget proposal, the Governor calls on the Legislative and Judicial branches of government -- as well as state employee unions -- to join the Executive Branch in cutting the cost of government.

The budget package includes significant elimination of positions in the state workforce, and scales back government services in a variety of areas.

Holding the Line on New Taxes

Governor McKernan will not accept higher taxes to meet this budget problem. Maine people are already staggering from a tax burden raised just this year. The Governor believes that additional tax increases will only stall Maine's economic recovery.

Providing a Safety Net for Our Neediest Citizens

The Governor believes that Maine's most disadvantaged citizens suffer unduly in a declining economy. The state has already acknowledged the increased needs of these citizens through supplemental budget requests.

The Governor's budget proposal preserves essential services for our most needy, but sets a higher standard of need to ensure that able-bodied adults can no longer make their living off the state's welfare rolls.

Looking to the Private Sector to Enhance Services

Governor McKernan believes that the State should no longer offer services that can be provided more efficiently by the private sector. Significant savings can be realized by contracting some services to the private sector.

In the case of some smaller agencies and bureaus, privatization can actually increase available revenues by making use of grants and other opportunities not available to government. The Governor believes that the State must explore every opportunity to reduce costs in the face of our challenging economy.

Preserving Resources that Attract Jobs

The Governor believes that jobs offer the only long-term solution to Maine's economic morass; government is not the engine for growth and economic prosperity.

In his budget proposals, Governor McKernan seeks to preserve the progress we have made in education and training while softening the effect of funding reductions on Maine communities. In addition, the Governor will hold two Jobs Summits to identify obstacles to job creation in Maine's business climate.

II. ELIMINATING UNNECESSARY POSITIONS AND PROGRAMS

In the face of unpalatable budget cuts, Governor McKernan has set a higher standard of need for state programs that do not offer direct services or protect the health and safety of our citizens. In lean times, the state must apply this higher standard to every state department. The Governor believes that Maine simply cannot afford duplicative functions.

A. Fairly Distributing Executive Branch Personnel Cuts

The Governor's proposal reduces the State workforce by more than 500 positions immediately, and an additional 2,100 over the next year as privatization initiatives occur.

These eliminations affect all levels of state employees equally. The same percentage of management positions are being eliminated as non-management. Of the Governor's policy appointees under Titles II and V, 12 positions, or 8.1 percent of those appointees, have been eliminated.

B. Holding Programs to a Higher Standard

The Governor recognizes that the state often commits to programs and ideas that make good sense in good times. He believes that those decisions must be revisited when the economy lags -- and that programs must be held to a higher standard. Many of the Administration's initiatives have been scaled back or eliminated because of more pressing health and safety requirements.

Programs eliminated include:

Office of Comprehensive Planning

Governor McKernan's budget suspends the state's Comprehensive Community Planning mandates and eliminates the Office of Comprehensive Planning in the Department of Economic and Community Development.

The Governor believes that the urgency of the planning process has been dampened by Maine's lagging economy. As a result, growth management mandates passed during the "boom years" of the 1980s will be rolled back, with community comprehensive plans no longer required.

Community Industrial Building Program

The Governor proposes elimination of the Community Industrial Building Program (CIB) within the Department of Economic and Community Development.

The CIB fund was created to meet the needs of an expanding business community in the late 1980s by providing industrial space on a speculation basis. The Fund has sufficient remaining cash for any anticipated needs.

The Governor's proposal eliminates remaining CIB funding in recognition of Maine's changing economy.

Office of Volunteerism

The Governor acknowledges the tremendous contribution volunteers make to our State. As Maine makes dramatic cuts to its budget, however, the Governor believes that leadership in this crucial area should come from volunteers themselves.

Special Interest Advocacy Organizations

A number of independent advocacy organizations have grown up around government to lobby the Legislature for their own special interests. Many of these organizations simply duplicate the activities already performed by state departments.

Governor McKernan believes that these duplicate functions are expenses Maine can no longer afford. His proposal will eliminate six independent organizations resulting in significant savings.

Proposed eliminations include:

- Maine Advocacy Services (General Fund only)
- Maine Committee on Aging
- Health Policy Advisory Council
- Human Development Commission
- Maine Commission on Mental Health
- Maine Commission for Women

Agriculture Trademark Marketing Program

Governor McKernan's proposal will eliminate the Trademark marketing program in the Department of Agriculture. The Governor believes that this agriculture marketing program, while successful, does not meet the high level of need demonstrated by many health and safety concerns.

Under the proposal, commodities already using the Trademark program will continue to participate, although new commodities will likely not be able to join the program.

Maine Health Care Financing Commission

Governor McKernan proposes eliminating the Maine Health Care Financing Commission (MHCFC).

The Governor believes that MHCFC has not achieved its primary purpose, the containment of health care costs. In fact, comparisons of hospital costs in Maine, New England and the United States indicate just the opposite.

Throughout the late 1970s and early 1980s, Maine health care costs increased at rates comparable to the national average. During MHCFC's first two years, Maine health care costs grew slower than the national average. But since 1987, Maine's costs have remained at levels above the national average.

By 1989, annual growth in per capita hospital expenses had jumped to 10.5 percent, well above the national rate of just 8 percent.

There is no compelling evidence that MHCFC has had any significant positive effect on our health care costs. As late as July, 1991, the Commission was unable attribute any success in cost containment to its activities; in fact, federal medicare cost containment measures likely had a more significant overall impact.

The hospital assessment used to fund the Commission will be transferred to the Department of Human Services and used to support indigent health care programs.

The Certificate of Need program, currently managed by the Department of Human Services, will be transferred to the State Planning Office where it will continue to control hospital capital expenditures.

Division of Assessment -- Department of Education

Governor McKernan believes that in public education spending, accountability is among the state's top priorities. He will continue to strongly support the Maine Education Assessment (MEA) program to provide comparative data directly to school districts, teachers, parents and students.

The Governor's budget proposal eliminates, however, the Division of Assessment within the Department of Education. Student assessment activities in the future will be limited to the contract for the MEA, thus providing accountability standards at greatly reduced costs.

C. Keeping State Government Within Its Means

Governor McKernan believes that State Government must closely scrutinize all programs, including those health and safety functions whose costs have grown disproportionately.

His budget proposal will eliminate a number of programs whose costs have far outpaced inflation, and which duplicate other government functions.

Restraining Growth in the Future.

The Governor has called for limits in the future growth of state entitlement programs. For the past decade, state spending in Corrections, Human Services and Mental Health and Mental Retardation has grown dramatically.

Building Incentives for Cost-Containment.

The Governor recognizes that spending increases have not been limited to human service entitlement programs. Throughout the 1980s, Maine's educational system has also received significant spending increases.

Although General Purpose Aid to Education was spared cuts in the past, economic realities required a cut of approximately four percent in the Governor's budget package.

Nevertheless, the Governor believes that the State must continue to move from the current cost-based reimbursement system for local school districts toward a system that ties future funding increases to the state's ability to pay.

Eliminating Programs We Can No Longer Afford.

In reviewing state budgeting priorities, Governor McKernan strikes a balance between programs that provide important -- but expensive -- services to Maine citizens, and those whose costs have risen to levels where they are no longer cost-efficient.

The Governor recommends elimination of a variety of programs we can no longer afford:

Maine Health Program

Governor McKernan proposes to eliminate the Maine Health Program, a state-funded health program for those not eligible for Medicaid.

The Governor believes health care for low-income citizens should be a priority for the state; after elimination of the Maine Health Program, more than \$400 million in state dollars will support indigent health care during FY 1992-93. Combined with matching dollars from federal programs, state health care spending for low-income Mainers will top \$1.1 billion in the biennium.

Access to affordable health care remains a serious problem for our state. Yet expensive mandates have contributed to high health insurance costs, placing insurance out of reach for many of our citizens.

The Governor plans to reintroduce legislation to establish a no-frills health insurance plan to exempt small businesses and their employees from these mandates and significantly reduce the cost of such insurance.

In addition, as noted earlier, the hospital assessment that funded the Maine Health Care Finance Commission will be redirected to support health care for low-income Mainers.

Physician Fees

Governor McKernan's budget reduces fees to physicians treating patients in the Medicaid program. The Governor believes that health care providers must offer some contribution to the budget solution.

Optional Medicaid Services

The Governor's budget proposal will eliminate a variety of optional Medicaid reimbursement programs that do not meet the high standard of need the State must demand during difficult times.

Non-Medical Transportation

The Governor's proposal will eliminate approximately 55,000 miles of non-medical transportation for low-income elderly. He believes that the State is legitimately concerned with providing access to health care for the elderly; but the state cannot afford non-medical transportation costs when faced with more pressing health and safety concerns.

Local General Assistance

The Governor proposes eliminating local General Assistance, to be replaced by a supplemental program that will raise eligibility requirements and remove able-bodied adults from the welfare rolls.

General Assistance will no longer be provided to clients who continue to receive other welfare benefits, including Aid to Families with Dependent Children or Supplemental Security Income. During a one-month grace period, able-bodied citizens will be eligible to receive General Assistance while continuing job training or a job search.

Eligibility for General Assistance, which currently varies from county to county, will be lowered to the level of eligibility for AFDC for a family of three.

The Department of Human Services estimates that 12,000 people currently on General Assistance will be affected by the eligibility changes.

III. CONTRACTING SERVICES TO THE PRIVATE SECTOR

Governor McKernan believes that in difficult times, the State must examine every opportunity for cost savings. His budget proposal explores a variety of options to contract state services to the private sector.

Providing Mental Health Services More Efficiently

The Governor believes that some functions currently provided by the Department of Mental Health and Mental Retardation can be done more efficiently by private organizations. In addition, reduction in costs and bureaucracy will not mean reductions in service delivery or maximization of Medicaid dollars.

Privatizing Mental Health Facilities

The Governor proposes privatization of the functions of the major mental health facilities including the State's mental health institutions, the Pineland Center, Aroostook Residential Center, Elizabeth Levinson Center, and Bath Childrens' Home.

Increasing Efficiency at Some Correctional Facilities

The Governor also calls for privatization of treatment and education services at the Maine Youth Center, as well as health care services at the Maine Correctional Center in Windham.

Continuing to Streamline Government Functions

Other contract government functions include the services of the Long Term Care Ombudsman program to Legal Services for the Elderly.

In addition, the Maine Educational Assessment program will be operated under contract, allowing the elimination of the Division of Assessment within the Department of Education.

The Governor will continue to explore opportunities to extend privatization to a broader array of state services.

IV. CONSOLIDATING STATE FUNCTIONS FOR EFFICIENCY

At a time when revenue constraints require reductions in many worthwhile programs, every effort must be made to eliminate inefficiency and duplication in State agencies and services. Governor McKernan's budget proposes a number of agency and program consolidations to achieve those goals.

Combining the Departments of Finance and Administration

The Department of Administration and the Department of Finance both provide administrative support to departments and agencies through State government.

The Governor believes the state can achieve significant savings and improve services by consolidating administrative services within a single Department of Finance and Administration.

Eliminating the Division of Community Services

The Governor's proposal eliminates the Division of Community Services and folds its programs into the Department of Human Services.

The merger allows more efficient delivery of services to our disadvantaged citizens at a lower cost by reducing administrative overhead.

Consolidating the State's Cultural Bureaus

Governor McKernan proposes to consolidate the Maine Arts Commission, the Maine Historic Preservation Commission, the Maine State Library and the Maine State Museum into a single Bureau of Cultural Affairs.

Consolidation will reduce administrative overhead and achieve other spending reductions. The Governor believes that while cultural enrichment programs are important, they are a lower priority than essential "safety net" programs.

Combining Health Planning Functions

Governor McKernan assigns health policy and planning functions and Certificate of Need Program functions previously administered by the Department of Human Services to the State Planning Office.

This integration will allow close coordination of health planning with economic, fiscal, and natural resource policy development.

Consolidating the Animal Welfare Board

The Governor believes that the Animal Welfare Board can be returned to the Department of Agriculture to reduce administrative overhead demands on the board.

In addition to the consolidations and structural changes described above, Governor McKernan intends to propose further restructuring based on the forthcoming recommendations of the Commission on Governmental Restructuring.

V. TRIMMING ADDITIONAL GOVERNMENT PROGRAMS

Despite significant reductions in the size and scope of state bureaucracy through program elimination, privatization and consolidation, Governor McKernan proposes additional spending cuts by paring back existing state programs and initiatives.

In preparation for budget reductions, each State Department was asked to prepare a ten percent reduction in spending. Governor McKernan set priorities among programs and state departments to reflect the state's interest in protecting the health and safety of our citizens, and in maintaining our ability to attract jobs.

As a result, some departments sustained cuts of more than the targeted amount, while other programs were spared in the process.

Specific budget reductions include:

A. Maintaining Maine's Commitment to Education

The State plays a critical role in ensuring excellence in our education system in Maine. The investments we make will determine our standard of living today and in the future, as our educational system retrains our current workers and produces the workers of tomorrow.

Governor McKernan believes that if Maine is to compete both within the United States and in the new global marketplace, we must continue to seek ways to improve our educational infrastructure.

In past years, the State has been able to make significant investments in our public primary, secondary and high schools as well as to higher education. Governor McKernan believes that investing in our children is among the state's highest priorities.

Last year, the Governor was able to hold education funding constant even as other areas of government were cut significantly. With education costs totalling nearly half of the state's budget, however, Governor McKernan recognizes that some cuts must be made to education this year.

Maine Department of Education

1992 Budget Reduction	\$26,216,102
Positions Eliminated	24.5
Positions Eliminated Over \$40,000	6

The State Department of Education plays three critical roles in public education: increasing student aspirations and teacher expectations; providing technical assistance for local school districts; and enforcing state regulations for education.

Governor McKernan's budget sets priorities within the department to focus on classroom activities and technical assistance.

The Governor's most significant cut is in General Purpose Aid to communities, because direct educational grants to communities take up 96 percent of the Department's budget. The Governor attempts to lessen the effect of these cuts by relaxing state mandates and making significant reductions in central office administrative costs.

Specific proposals include:

- Reduction of General Purpose Aid to Education by \$21 million, or about four percent of the total allotment.
- Elimination of the Division of Assessment.
- Reduction of administrative staff.
- Elimination of subsidies for home-schooled students.
- Consolidation of the School Facilities Division with the Division of Transportation.
- Reduction in administrative and organizational aspects of Child Development Services, including the elimination of regional sites.
- Reduction of school-based child care grants by half, although the Department will meet all requests by local schools for these funds.

University of Maine System

1992 Budget Reduction	\$11,011,106
Positions Eliminated	N/A
Positions Eliminated Over \$40,000	N/A

Previous budget reductions spared the University of Maine system from the level of cuts endured by other beneficiaries of state funding. Governor McKernan recognizes the importance of higher education to Maine's future, but feels that the University can bear cuts of about seven percent of its budget.

The Governor recognizes the autonomy of the University System; specific cost savings measures will be developed by the Chancellor and the University Board of Trustees.

Maine Technical College System

1992 Budget Reduction	\$1,865,931
Positions Eliminated	N/A
Positions Eliminated Over \$40,000	N/A

Governor McKernan believes that technical college classes will help upgrade the skills of Maine workers and students, and better prepare the State for the new, high technology jobs of the future.

In the past, the Governor's budget has exempted the Technical College system from significant reductions. Although specific reductions will be determined by the Technical College President and Board of Trustees, the Governor believes that cuts of seven percent are justified.

B. TRIMMING GENERAL GOVERNMENT FUNCTIONS.

Department of Administration

1992 Budget Reduction:	\$552,906
Positions Eliminated:	9
Positions Eliminated Over \$40,000	2

Significant budget proposals include:

- Consolidating the Department of Administration and the Department of Finance to reduce the administrative overhead of providing centralized support services to State agencies.
- Eliminating the position of State Purchasing Agent.
- Reducing the Division of Safety and Environmental Services, limiting continued asbestos abatement and air quality testing.

Department of Defense and Veterans Services

1992 Budget Reductions:	\$80,294
Positions Eliminated:	22
Positions Eliminated Over \$40,000	0

Significant budget proposals included:

- Deferring of dam inspections except in the case of emergencies.
- Elimination of the Agent Orange/Atomic Veteran Program, with services to be assumed by Veterans counselors in regional officers.
- Elimination of the Rockland Veterans Services office.
- Reducing travel, fuel and supply consumption, except in the case of an emergency.
- Reducing support staff in the Military Bureau.

Department of Finance

1992 Budget Reduction:	\$5,455,221
Positions Eliminated:	87
Positions Eliminated Over \$40,000	2

Significant budget proposals include:

- Privatizing the Maine State Lottery.
- Increasing the threshold for reimbursement in the Maine Residents Property Tax Program from 4.5% to 4.85% of household income.
- Changing reimbursement to municipalities under the Tree Growth Reimbursement program to the amount appropriated by the Legislature, approximately 1988 levels.
- Closing 55 State Liquor Stores, and replacing those stores with agency stores. Fifteen stores will be retained for wholesale, licensee and retail purposes.

State Planning Office

1992 Budget Reduction:	\$100,000
Positions Eliminated	2
Positions Eliminated Over \$40,000:	0

Significant budget proposals include:

- Suspending the Critical Areas programs until FY 1994, resulting in the postponement of an outstanding voluntary landowner program, but allowing continued formulation, coordination, and management of policy.
- Delaying completion of the river management plans.
- Reducing office operating expenses.

Office of the Governor

1992 Budget Reduction:	\$38,705
Positions Eliminated	0
Positions Eliminated Over \$40,000	0

Significant budget proposals include:

- Retaining 1986 staffing levels.
- Reducing dues paid to the New England Governors Association.
- Scaling back personnel and administrative costs.
- Elimination of membership in the Coalition of Northeastern Governors as of July 1, 1992.
- Reduction of administrative and operating expenses at the Blaine House.

Office of Volunteerism

1992 Budget Reduction:	\$22,722
Positions Eliminated:	1
Positions Eliminated Over \$40,000	0

Significant budget proposals include:

- Eliminating of the Office of Volunteerism as a paid state government function.

Office of Child Welfare Services Ombudsman

1992 Budget Reduction:	5,307
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

- Retaining the position, which is currently vacant.
- Realizing savings caused by vacancy.

Department of Public Safety

1992 Budget Reduction:	\$994,896
Positions Eliminated:	15
Positions Eliminated Over \$40,000:	2

Given the critical and essential nature of the services provided by the Department of Public Safety, budget reductions are achieved primarily by:

- Eliminating vacant positions and holding others vacant.
- Delaying the replacement of 14 State Police vehicles
- Reducing operating expenses for the Maine Criminal Justice Academy and Emergency Medical Services.
- Reducing funds for contracted local and county BIDE agents.
- Reducing sworn BIDE agents by nearly 10%, resulting in fewer drug investigations.

C. SHARING THE BURDEN BETWEEN STATE AND LOCAL GOVERNMENT

Even with significant reductions to state government, Governor McKernan believes we must reduce state aid to communities as well. The Governor's budget proposal reduces two of the sources of revenue for local governments: General Purpose Aid to Education and General Revenue Sharing.

The Governor recognizes that local communities will need to scale back their spending as a result of these reductions, and his budget proposes options to reduce the impact on Maine towns and cities.

Suspending General Revenue Sharing

Governor McKernan's budget will suspend the General Revenue Sharing program for local communities in January. The Governor believes that local governments must share in reducing the size of government, particularly at a time when state government does not have revenue to spare.

Reducing General Purpose Aid to Education

Governor McKernan's budget reduces General Purpose Aid to communities by retaining unspent funds for school buses; reducing the FY 1992 General Purpose Subsidy; eliminating FY 1992 subsidies for home-schooled students; and reducing the FY 1992 foundation and minimum education subsidy.

The Governor considers General Purpose Aid to Education a priority, and reduced the targeted cut by nearly half in his budget proposal.

Requiring Counties to Reduce Property Tax Assessments

To mitigate the effect of reduced state aid on communities, the Governor's budget will direct the counties to reduce their property tax assessments for communities by ten percent. The Governor believes that county government -- as well as local and state functions -- should be trimmed during difficult times.

Reducing Burdensome State Mandates

Governor McKernan believes that the state must help reduce the costs to local government and provide local officials with the flexibility they need to set priorities.

Over the past ten years, unfunded State mandates have become a major factor in the increasing cost of municipal government and rising local property tax rates. The Governor's proposal waives or repeals dozens of State mandates, including:

Education Mandates for the school years beginning in the fall of 1991, 1992 and 1993:

- Class size restrictions
- Elementary guidance counselor requirements
- Gifted and Talented programs
- Certification Support Teams
- School approval and accreditation

These automatic waivers are in addition to the provisions of L.D. 1305, whereby school districts may seek approval of the Commissioner to waive any mandate which causes financial hardship.

Environmental Mandates have been eased, with extensions provided for the following mandates:

- Sand and salt shed storage
- Underground tank removal for municipalities and school districts
- New shoreland zoning ordinances
- Landfill closure mandates
- Comprehensive Land Use Planning

Mandates affecting municipal operations, record keeping operations, and other duties of municipal officers, have been waived or repealed.

D. MAINTAINING THE SAFETY NET FOR MAINE'S NEEDIEST CITIZENS

Department of Human Services

1992 Budget Reduction	\$5,656,835
Positions Eliminated	80
Positions Eliminated Over \$40,000	3

Specific budget proposals include:

- Elimination of the Maine Health Program.
- Elimination of local General Assistance, including stricter eligibility requirements and a one-month grace period requiring workfare or a job search. The proposal will also reduce the AFDC standard of need.
- Increasing co-pay and removing co-pay limitations on low cost drugs for the elderly. In addition, optional Medicaid services will be reduced.
- Reducing new enrollment for the ASPIRE program by 100 AFDC clients.
- Reducing fees for physicians participating in the Medicaid program by 10 percent.
- Reducing home-based care services, affecting approximately 500 current clients.
- Reducing congregate housing services by 10-15 percent.
- Reducing non-medical transportation services for the low-income elderly.
- Reducing child care vouchers for after-school programs.

Department of Corrections

1992 Budget Reduction:	0
Positions Eliminated	15
Positions Eliminated Over \$40,000	0

Significant budget proposals include:

- Reducing the number of state prisoners housed in county jails.
- Reducing spending for probation and parole services and employees.
- Cutting educational and social services at the Maine Youth Center.
- Reducing spending for community-based programs for probationers.
- Delaying the opening of two new facilities, including the Warren maximum-security facility and the Bolduc Unit.
- Privatizing services at the Maine Youth Center and contracting health care at the Maine Correctional Center in Windham.

Department of Mental Health and Mental Retardation

1992 Budget Increase:	\$3,254,579
Positions Eliminated:	42.5*
Positions Eliminated Over \$40,000	1

- * Privatized services may result in reductions of more than 2,000 employees.

Significant budget proposals include:

- Delaying computer purchase for administrative management.
- Delaying implementation of residential services under Consent Decree.
- Delaying implementation of crisis intervention services for children with special needs.
- Scaling back functions in the Bureau of Children with Special Needs by 25 percent.
- Closing four halfway houses at the Augusta Mental Health Institute.
- Closing one ward in the Program on Aging at the Bangor Mental Health Institute.
- Eliminating in-house security at the Pineland Center.
- Privatizing services at Pineland Center, Bath Children's Home, Elizabeth Levinson Center, and the Aroostook Residential Center, as well as portions of the state's mental health institutions.

E. PRESERVING RESOURCES THAT HELP ATTRACT JOBS.

Department of Economic and Community Development

1992 Budget Reduction:	\$2,760,000
Positions Eliminated:	17
Positions Eliminated Over \$40,000:	9

Governor McKernan believes the Department should focus resources to maintain the vitality of industries critical to our long-term economic health, such as tourism and manufacturing. Therefore, programs offered by the Office of Business Development, the Office of Tourism, and the International Commerce Division have been spared more significant budget cuts.

The Office of Business Development will target support to Maine companies to revitalize the economy and retain jobs for Maine citizens.

The Office of Community Development will continue to offer municipalities funding for infrastructure, affordable housing, and downtown revitalization.

The Governor proposes to eliminate the Office of Comprehensive Planning, and will return comprehensive planning to the discretion of local governments. The Governor believes that the Office has realized its goal of promoting planning for communities experiencing the greatest growth pressure. Since 1987, 223 communities have begun the comprehensive planning process with grants offered by the Office.

Significant budget proposals include:

- Eliminating the Office of Comprehensive Planning, returning comprehensive planning to the discretion of local communities.
- Returning \$520,000 from the Community Industrial Building Program that is no longer necessary for building industrial space.
- Scaling back department operating and administrative expenses.

Department of Labor

1992 Budget Reduction:	\$609,956
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

Significant budget proposals include:

- Reducing training opportunities in the STAR, HOT and Maine Training initiatives.
- Reducing of administrative and operating positions.

- Increasing or implementing fees for certain services.
- Reducing career information grants and certain displaced homemakers services.

Department of Professional and Financial Regulation

1992 Budget Reduction:	\$42,442
Positions Eliminated:	1
Positions Eliminated Over \$40,000	1

The only component of the Department budget currently funded from the General Fund is the Securities Division, which protects Maine investors from fraud and other abusive practices and is expected to take in \$2.3 million in FY 1992 -- a \$4 return on every dollar it spends.

Significant budget proposals include:

- Abolishing the position of Principal Securities Specialist, leaving the Securities Division with only 10 people to perform all licensing, registration, and enforcement functions.
- Discontinuing a program for small Maine businesses to facilitate capital formation
- Restricting large scale investigations.
- Paring back administrative and operating expenses.

Department of Transportation

1992 Budget Reduction:	\$205,844
Positions Eliminated:	1
Positions Eliminated Over \$40,000	0

The Department will continue to offer direct services including full funding for operation of the Maine State Ferry Service and the Augusta State Airport, state matching funds for federally funded public transportation providing services to low income, the elderly and the handicapped, and continuation of its air and rail safety responsibilities.

Significant budget reductions include:

- Transferring monies in the Ferry Service Capital Reserve Account to the General Fund for pier improvements.
- Eliminating some rail safety inspectors.
- Maximizing savings from active duty Operation Desert Storm personnel.

F. PROTECTING NATURAL RESOURCES AND OUR QUALITY OF LIFE.

Department of Agriculture

1992 Budget Reduction:	\$355,334
Positions Eliminated:	8
Positions Eliminated Over \$40,000:	1

Significant budget proposals include:

- Reducing funding for some regulatory programs in the food inspection program.
- Eliminating veterinary oversight for poultry disease eradication.
- Eliminating grants supporting the Maine Potato Quality Program.
- Reducing funding for the Harness Racing Commission drug testing program.
- Eliminating the Maine Trade Marketing Program for new commodities, although trademarks will likely continue on previously participating commodities.

Department of Conservation

1992 Budget Reduction	\$1,169,160*
Positions Eliminated	11
Positions Eliminated Over \$40,000	0

- * \$1.2 million will be transferred from the Department of Inland Fisheries and Wildlife to partially fund forest fire control.

Significant budget proposals include:

- Eliminating five positions in forest management, resulting in reduced training and enforcement.
- Reducing staffing and maintenance at state parks and historic sites.
- Reducing permitting and enforcement activities at the Land Use Regulation Commission.
- Delaying capital equipment replacement.
- Eliminating the Maine Rivers program.

Department of Environmental Protection

1992 Budget Reduction	\$470,114
Positions Eliminated:	13
Positions Eliminated Over \$40,000	3

Significant budget proposals include:

- Eliminating central purchasing positions, spreading responsibilities among administrators.
- Limiting training in water pollution control.
- Relaxing lower-priority solid waste licensing.

Department of Inland Fisheries and Wildlife

1992 Budget Reduction:	\$0*
Positions Eliminated:	10
Positions Eliminated Over \$40,000	0

- * Excludes \$1.2 million transferred to the Department of Conservation to partially fund forest fire control.

Significant budget proposals include:

- Reducing core administrative costs.
- Delaying capital expenditures.
- Changing emphasis from integral programs.

Department of Marine Resources

1992 Budget Reduction	\$191,560
Positions Eliminated:	8
Positions Eliminated Over \$40,000:	3

Significant budget proposals include:

- Eliminating Department fish pathology efforts, contracting out services on an as-needed basis.
- Eliminating fisheries technology services.
- Scaling back fisheries assessment programs for lobster, groundfish, and surface-dwelling fish.

G. HOLDING INDEPENDENT AGENCIES TO A HIGHER STANDARD

Maine Arts Commission

Maine Historic Preservation Commission

Maine State Library

Maine State Museum

1992 Budget Reduction:	687,458
Positions Eliminated	N/A
Positions Eliminated over \$40,000	N/A

Governor McKernan proposes creating a new Bureau of Cultural Affairs, consolidating the State's four cultural agencies. The Governor believes that the state will realize substantial long-term savings, and significant savings in the short term, by combining administrative functions.

The Governor proposes to reduce the combined staffs of the agencies, downgrade the salaries of current agency directors, and reduce grants and services to minimal levels. He encourages the Bureau to search for private funding as it moves toward incorporation as a privately endowed foundation.

Specific budget proposals include:

- Reduction of some programs sponsored by the Maine Arts Commission.
- Delay of the ongoing survey of historic resources.
- Elimination of most per capita grants to local libraries. The Governor's proposal will retain funds for Maine's largest cities, Portland and Bangor, to facilitate regional services.
- Reductions in museum staffing levels.

Independent Advocacy Organizations

1992 Budget Reduction:	248,316
Positions Eliminated:	13
Positions Eliminated Over \$40,000	2

Governor McKernan recommends the elimination of a number of independent agencies and organizations whose primary advocacy functions duplicate those made by State departments. The Governor believes that significant savings can be realized in both the near and long term by eliminating these duplicative functions.

The Governor's proposals include elimination of:

Maine Advocacy Services

1992 Budget Reduction:	\$56,917
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

Maine Committee on Aging

1992 Budget Reduction:	\$53,871
Positions Eliminated:	6
Positions Eliminated Over \$40,000	1

Maine Health Policy Advisory Council

1992 Budget Reduction:	\$27,966
Positions Eliminated:	3
Positions Eliminated Over \$40,000	0

Maine Human Development Commission

1992 Budget Reduction:	\$59,041
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

Maine Commission on Mental Health

1992 Budget Reduction:	\$23,772
Positions Eliminated:	1
Positions Eliminated Over \$40,000	0

Maine Commission for Women

1992 Budget Reduction:	\$26,749
Positions Eliminated:	3
Positions Eliminated Over \$40,000	0

Maine Health Care Finance Commission

1992 Budget Reduction:	\$80,612*
Positions Eliminated:	35
Positions Eliminated Over \$40,000	0

- * In addition to General Fund reductions by elimination of MHCFC, substantial balances in excess of \$500,000 will transfer to the General Fund from outstanding hospital assessment balances.

As previously mentioned, Governor McKernan proposes to abolish most functions of the Health Care Finance Commission, including elimination of the Commission.

Maine Development Foundation

1992 Budget Reduction:	\$20,538
Positions Eliminated:	1
Positions Eliminated Over \$40,000	0

Significant budget proposals include:

- Scaling back the Institute on Maine's Economy, leaving just one workshop in January for the entire year (from four workshops, two bus tours and 50 businessperson and legislator partnerships in prior years).
- Reducing work by the Coalition for Excellence in Education by 10 percent, scaling back communications and coordination efforts.

Finance Authority of Maine

1992 Budget Reduction:	0
Positions Eliminated:	0
Positions Eliminated Over \$40,000:	0

As loans have already been allocated, no savings were realized in 1992.

Maine State Housing Authority

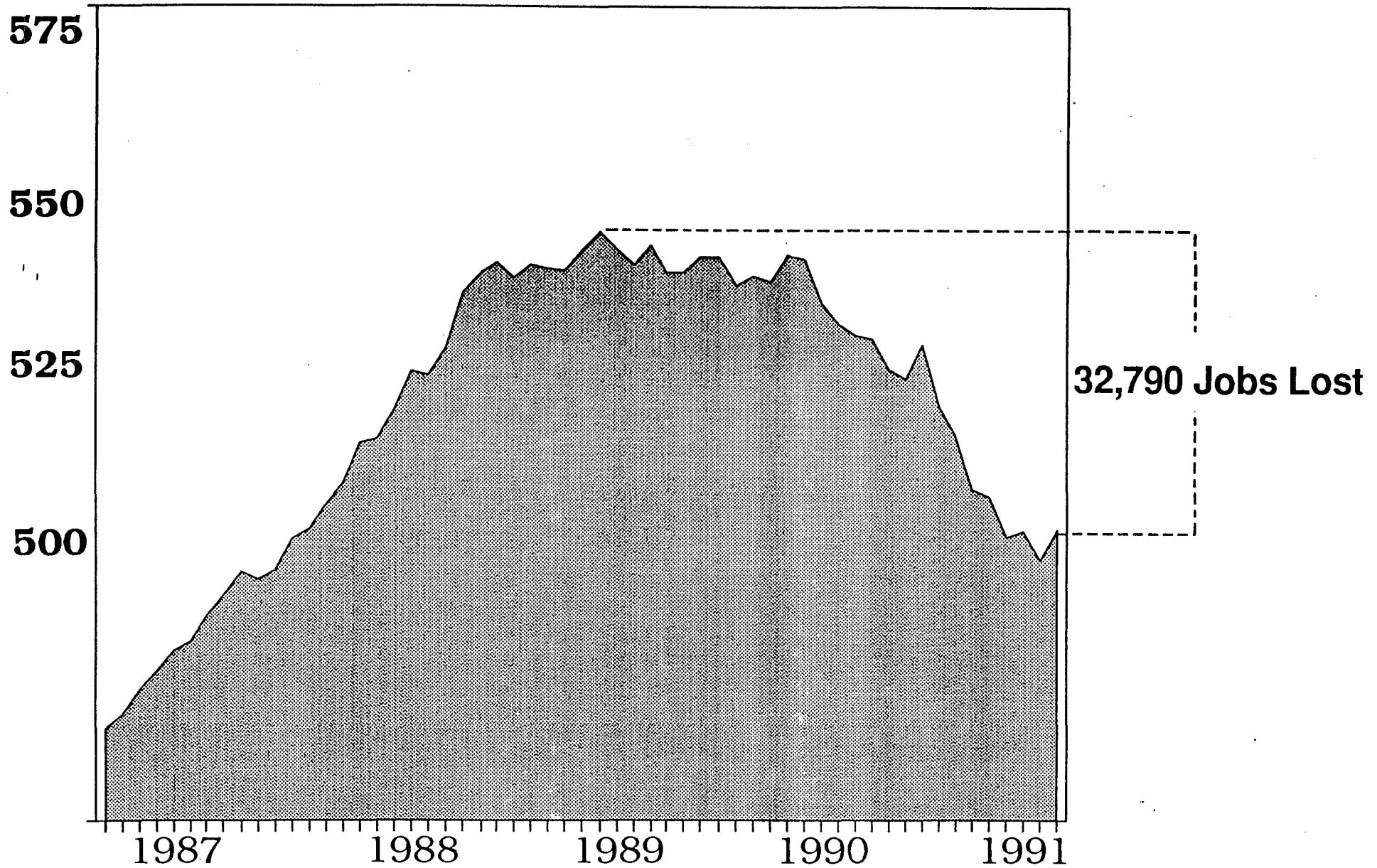
1992 Budget Reduction:	0*
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

- * General Fund dollars in the Maine State Housing Authority are used solely for homeless shelters. Governor McKernan believes this is a priority, so dollars were not taken to meet the target of \$49,482.

Board of Property Tax Review

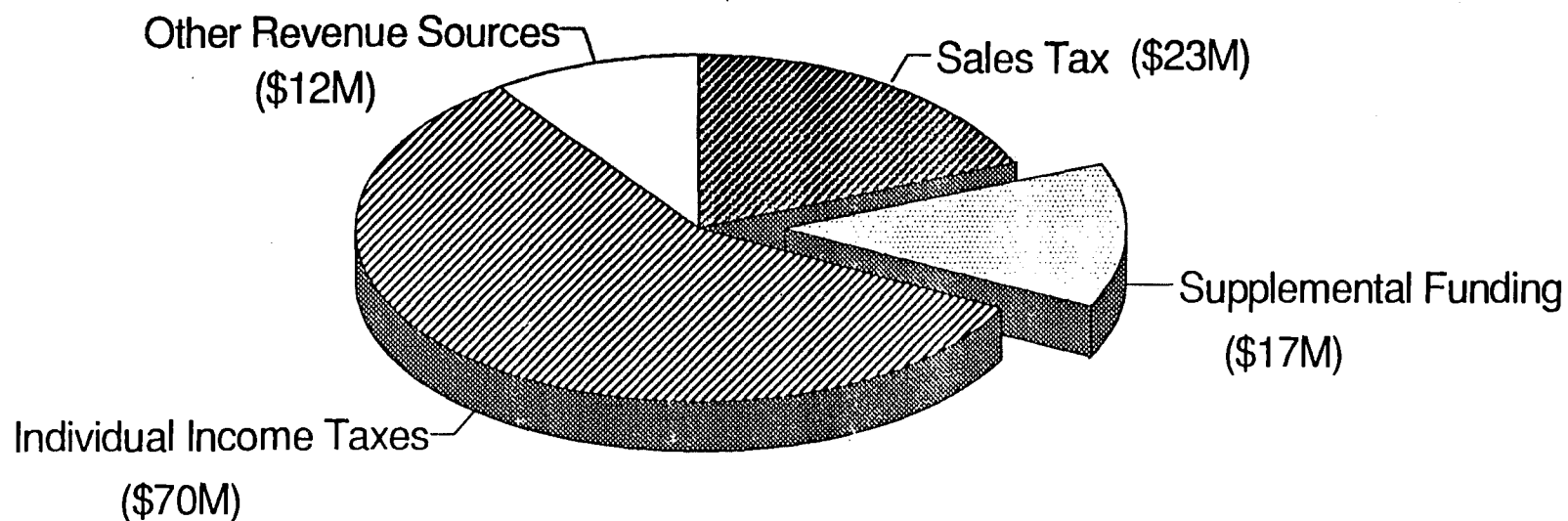
1992 Budget Reduction:	\$2,645
Positions Eliminated:	0
Positions Eliminated Over \$40,000	0

MAINE EMPLOYMENT (THOUSANDS)

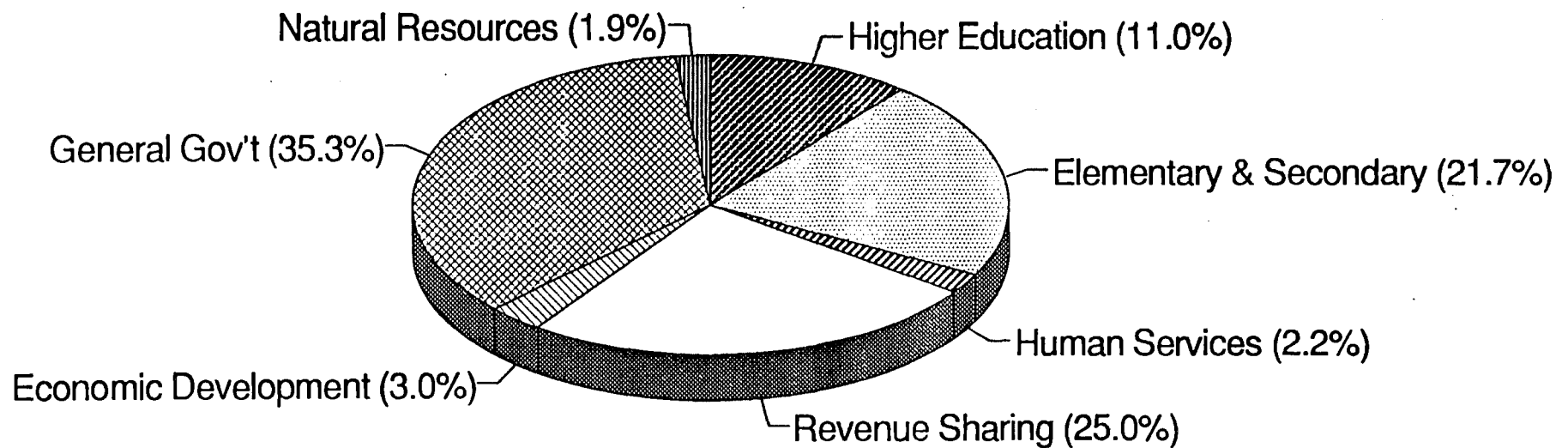


SOURCES OF THE BUDGET GAP

TOTAL = \$121.5 MILLION



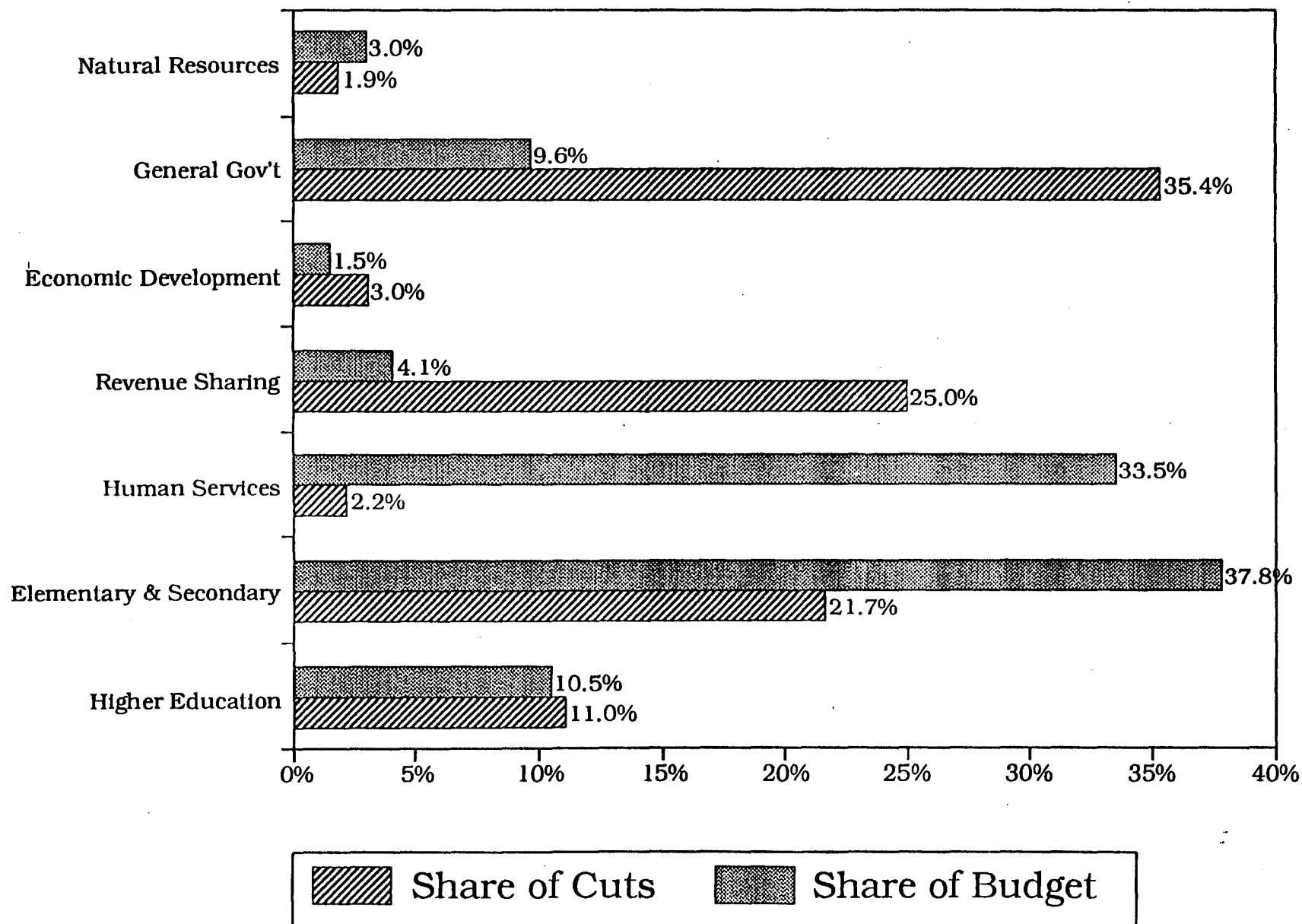
MEETING THE \$121.5 MILLION GAP FY 1992



CHANGES IN STATE EMPLOYMENT FY 1992

	General Fund <u>Positions</u>	Total Positions <u>All Funds</u>
Original FY 92 Budget	8,837	16,275
Position Eliminations:		
Proposed Reductions	474	529
Impact of Privatization	<u>2,100</u>	<u>2,100</u>
Total Eliminations	2,574	2,629
Percent Reduction	29%	16%

COMPARISON OF SHARE OF BUDGET CUTS AND SHARE OF BUDGET





PROPOSED BUDGET CHANGES

(SELECTED DEPARTMENTS)

	Budget FY92	Proposed Changes	Percent Change
Education:			
General Purpose Aid	\$529,906,768	(\$21,000,000)	-4.0%
University (incl. MMA)	\$146,814,745	(\$11,011,106)	-7.5%
Technical Colleges	\$25,008,127	(\$1,865,931)	-7.5%
General Government:			
Administration	\$11,241,727	(\$855,000)	-7.6%
Defense & Veterans Services	\$4,415,917	(\$80,294)	-1.8%
Executive	\$14,053,861	(\$1,139,141)	-8.1%
Public Safety	\$13,196,382	(\$994,896)	-7.5%
Revenue Sharing	\$69,673,824	(\$30,353,082)	-43.6%
Human Services:			
Dept. of Human Services	\$363,218,278	(\$5,656,835)	-1.6%
Mental Health / Retardation	\$145,323,907	\$3,254,579	2.2%
Corrections	\$63,741,139	\$0	0.0%
Economic Development:			
DECD	\$8,756,074	(\$2,767,078)	-31.6%
Labor	\$5,395,726	(\$433,328)	-8.0%
Transportation	\$2,813,383	(\$205,844)	-7.3%
Natural Resources:			
Agriculture	\$5,357,284	(\$355,334)	-6.6%
Conservation	\$17,981,056	(\$1,169,160)	-6.5%
DEP	\$6,058,623	(\$470,114)	-7.8%
IF&W	\$15,220,595	\$0	0.0%
Marine Resources	\$6,245,841	(\$226,186)	-3.6%