

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

ACTS AND RESOLVES
AS PASSED BY THE
Ninety-first and Ninety-second
Legislatures
OF THE
STATE OF MAINE

From April 10, 1943 to April 21, 1945
AND MISCELLANEOUS STATE PAPERS
From April 10, 1943 to May 24, 1945

Published by the Revisor of Statutes in accordance
with Chapter 10 of the Revised Statutes of 1944.

KENNEBEC JOURNAL
AUGUSTA, MAINE
1945

BUDGET MESSAGE

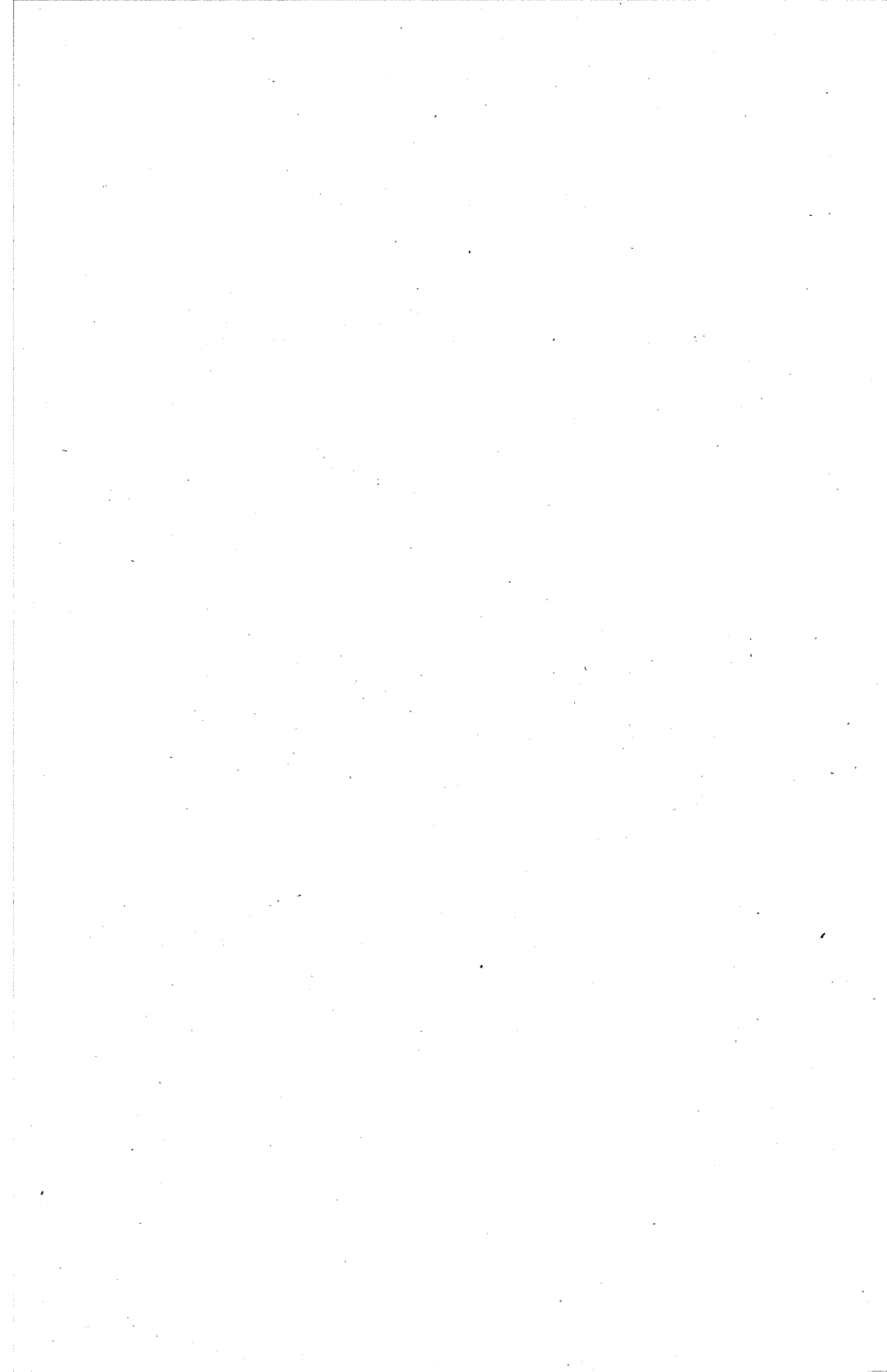
of

Governor Horace Hildreth

to the

92nd Maine Legislature

January 11, 1945



January 11, 1945

Mr. President and Members of the 92nd Legislature :

I transmit herewith the budget of the State government which presents a complete financial plan for each fiscal year of the coming biennium. For easy comprehension, the figures referred to here will be in round numbers.

The preparation of a budget covering a period which ends two and one-half years hence is, under any circumstances, difficult. In the middle of a war, with the date of termination entirely unpredictable but knowing it will inevitably have a momentous effect upon our economy, accurate estimates of revenues and expenditures become even more than ordinarily hazardous. With this in mind, consideration was given to recommending the adoption of a budget for one year only as has been done in other States. It was decided, however, to recommend a budget for the usual biennium but with the definite understanding that a special session will be called to revise the budget if it seems necessary.

Sound financial planning requires that estimated expenditures be within available revenues. Sound administration keeps actual expenditures within the estimates. At the outset, it should be very clear that the budget presented shows only a modest excess of estimated revenues over estimated expenditures. Accordingly, the Legislature should not adopt the proposed budget and also enact measures calling for substantial additional expenditures unless it provides additional revenue. The Legislature, of course, may change the proposed budget in any way it deems desirable but the total estimated expenditures must be kept within reasonable estimates of income or the administration is left no alternative other than a veto. If the Legislature so provides for adequate operation of the State's business, I would like it equally clear that the various departments and agencies will operate within the amounts provided.

The budget contemplates expenditures of \$37,285,000 in the first year and \$40,768,000 in the second. These totals include the unemployment compensation fund, the expenditure of proceeds of bond issues and various special revenue funds, which are already covered by existing legislation and require no action by this Legislature. Specific action by the Legislature is required only to put into effect the financial program relating to the General Fund and the Highway Fund.

To authorize these total expenditures of \$78,053,000, for the biennium it is necessary for the Legislature to appropriate only \$29,170,000 for the General Fund and \$17,907,000 for the Highway Fund. These amounts represent only 60% of the total expenditures. This discrepancy is caused

by the practice of earmarking various revenues for specific purposes. I strongly recommend to you the adoption of legislation which will simplify our financial structure by having many of these revenues, now earmarked, added to the General Fund.

General Fund

The budget for the General Fund projects expenditures of \$22,115,000 in the first year and \$22,624,000 in the second year, leaving an excess of estimated revenues over expenditures of \$329,000 and \$134,000 respectively.

For the past four years, General Fund revenues have been increasing. Restricted governmental activities, deferred maintenance, and fewer demands for general relief have greatly reduced expenditures. These factors are largely responsible for the current surplus. Revenues will not remain at present peaks indefinitely. By spending all our present swollen revenues for governmental functions intended to be permanent, we may be creating future tax problems if our economy returns to prewar levels. I have already called your attention to the wisdom of protecting our surplus. Its preservation might constitute the means by which we could get through a brief but difficult transition period from war to peace without the necessity of imposing additional tax measures on our people when their individual incomes might be at their lowest point.

In the present budget, liquor revenues are estimated at \$6,700,000 for each year of the biennium. This is approximately the amount received from liquor in the fiscal year ended June 30, 1944, which was the highest year in the history of the commission. This estimate probably represents the maximum amount we may hope to obtain from this source in this biennium rather than a conservative minimum. Increases in other revenue estimates to finance new proposals will be equally difficult to justify. Should these estimates not be attained, any consequent deficit must either come from unappropriated surplus or be provided for by a special session of the Legislature.

Estimated Operating Expenditures

The largest single increase in expenditures recommended which requires new legislation is for raising the minimum salary of teachers to \$900 per year instead of the present \$720. While \$900 still represents a low minimum salary, it has not seemed possible to go beyond this figure within budgeted revenues. This will require three-quarters of a million dollars per year. School superintendents too are entitled to salary adjustments proportionately to increases granted teachers but with the State increasing its contribution for teachers' salaries more than three-quarters of a million

dollars per year, the towns themselves should accept the responsibility for raising the salaries of this numerically smaller group.

An increase of almost a million dollars each year is projected to continue aid to dependent children and the aged at current levels of individual payment while providing for anticipated increases in the number of individuals requiring assistance.

Budgeted institutional costs are larger to allow full staffs, to cover maintenance work which has been deferred because of the war, and to meet greater operating costs caused by capital expenditures authorized by the Legislature last September.

Provision for State personnel returning from the military service and for the restoration of depleted staffs in State departments at present higher salary levels also notably increases total expenditures.

There is a much larger excess of revenues over expenditures in the first year of the biennium than in the second. Legislative costs are reflected in the second year. More nearly normal teaching staffs calling for larger expenditures in the Education Department and probable increases in welfare loads also weight that year.

I propose that \$500,000 of this excess in the first year be applied to complete the program for eradication of Bangs' Disease which it is hoped will avoid further bond issues for this purpose.

Budget recommendations to meet the foregoing needs increase expenditures to a level approximately \$2,000,000 over estimated expenditures for the current fiscal year.

Surplus

In addition to the regular operations of State government, there are certain capital expenditures and other non-recurring charges which need not be financed from current revenues but may very properly be taken from accumulated surplus.

One such deserving request is the payment of \$629,000 to the University of Maine. This is the amount by which previous Legislatures have failed to provide appropriations prescribed by the mill tax act enacted in 1929. This act committed the State to the policy of making available to the University annually an amount equal to one mill on the State valuation.

The operation of State-owned cars instead of the payment of mileage for privately owned cars, in those cases where it is practical, would apparently save the State approximately \$75,000 a year. This would call for the in-

vestment of \$100,000 to purchase automobiles and would seem good business.

We know that the State might overnight be obligated substantially for welfare costs; we know that substantial amounts have been necessary in the past biennium for institutional emergencies; we know that unless pending Federal legislation is enacted the expenditures required for State Guard purposes may be substantially increased. Because the cessation of hostilities may well bring other abrupt changes in State finances, provision to meet such of these contingencies as may arise by increasing the State Contingent Account from \$300,000 to \$450,000 annually would seem good judgment. Such a policy has been recommended by the Budget Officer and can be accomplished by allocating the funds heretofore set up as an Institutional Emergency Fund to the Contingent Account. This would give a desirable elasticity to meet rapidly changing conditions.

There is at present an authorization by a previous Legislature to issue bonds for a State office building. I suggest that this authorization be changed to permit the advance of funds for this purpose from the General Fund if any monies are available. It is not good business to issue bonds if funds already on hand may be substituted.

We have just received a report from the Maine Development Commission which summarizes many proposals for capital expenditures. This report is worthy of your study. However, it must not be forgotten that capital expenditures mean increased operating expenses. Like getting married, it isn't the initial cost but the upkeep that is expensive. At a later date I may submit to you a capital budget message dealing with this phase of State finances.

Highway Fund

I have already pointed out to you that the war situation has limited manpower, material and highway income and that as soon as men and material are available unusually large allowances should be spent for maintenance work. The budget recommends large increases for maintenance, but otherwise continues the present curtailed program. Estimates indicate that this program can be carried out within current revenues and present unexpended balances. While this program makes no additional provision for any road construction, special resolves, or maintenance of unimproved roads, present unexpended balances will permit the expenditure of almost \$2,000,000 for these purposes.

In addition to the known immediate needs for maintenance, required bond retirement and administration which are provided for from current

revenues and unexpended balances, this legislature should also formulate a program for new road construction to be effective when and if funds are available. Clearly there must be a balanced highway program in Maine with a fair share of highway development in rural areas. Federal Funds for new construction work will not be available until the official termination of the war. Present computations indicate that approximately \$7,500,000 of State Funds would be required to match Federal Funds which possibly might become available during the biennium.

For this purpose, we may safely use \$4,100,000 of the surplus expected to be on hand June 30, 1945. Should revenues approach prewar figures in the second year this amount may increase to \$5,300,000 during the biennium. This would leave \$1,000,000 for working capital and catastrophes.

Should the legislature see fit to re-issue bonds equal to the amount of bonded indebtedness retired during the biennium, the total amount available for a construction program would become \$8,700,000. In view of the fact however that only 9 states in the Union have a greater per capita debt service charge than Maine (largely on account of outstanding highway bonds) again I repeat that there is considerable question as to the wisdom of re-issuing bonds. Certainly if it is done at all there should be no re-issue of highway bonds in any year to a greater amount than the total amount of bonded indebtedness of the State retired in that year. Only a true emergency would seem to justify increasing the total bonded indebtedness of the State.

The establishment of policies as to the re-issue of bonds and the wise distribution of such funds as are available among the demands for matching Federal Funds, for returning to previous methods of allocation, or for a coordinated feeder road program presents problems that will call for your most earnest consideration.

Other Funds

Inasmuch as in most cases, other funds are governed by now existing statutes, they call for little comment here. There is, however, the matter of refinancing in connection with two of our toll bridges which should be studied by this Legislature.

In the first year of the biennium, the outstanding 4% bonds of the Waldo-Hancock Bridge will be callable. In the second year of the biennium, a million dollars of 4% Kennebec Bridge Bonds will be callable. There is little doubt that both issues can be refunded at a much lower rate of interest. I recommend the adoption of some plan for this refunding.

I desire to express to the Legislative Budget Committee of Senator Owen, Messrs. Jacobs, Boutin, and to Mr. Julian A. Mossman, our Budget Officer,

and his associates my sincere appreciation for the excellent work rendered in helping to prepare this budget. This Budget is presented two weeks earlier than in previous years and this should facilitate the work of the Legislature by allowing appropriation hearings to commence much earlier than usual.

In conclusion, I place this Budget in your hands knowing that it will receive your careful study and consideration and that as a result of your deliberations and findings our State financial structure for the next biennium will rest on a solid foundation.

HORACE HILDRETH,
Governor of Maine

A Correction

Both in my inaugural address and in the budget message just delivered I stated that three-quarters of a million dollars a year had been made available in the budget to raise the minimum salaries of teachers from \$720 to \$900 a year. These recommendations were based on information supplied your Budget Committee and me by the Commissioner of Education.

Twenty-four hours ago and after the budget message had gone to press the Commissioner of Education informed me that an error had been made in his department in estimating the number of teachers in the State to be subsidized and that the recommended three-quarters million dollars instead of raising teachers' minimum salaries to \$900 would provide minimum salaries of only \$850.

This error in computation is of course highly regrettable but I have no hesitancy in recommending that the State make available additional funds to raise the minimum salary of teachers in Maine to \$900. I believe this can be done by revising the budget estimates I have just submitted without involving any tax problems.