

# MAINE STATE LEGISLATURE

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

**From April 22, 1945 to May 14, 1947**  
**AND MISCELLANEOUS STATE PAPERS**  
**From May 25, 1945 to May 14, 1947**

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

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KENNEBEC JOURNAL  
AUGUSTA, MAINE  
1947

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# BUDGET MESSAGE

of

## Governor Horace Hildreth

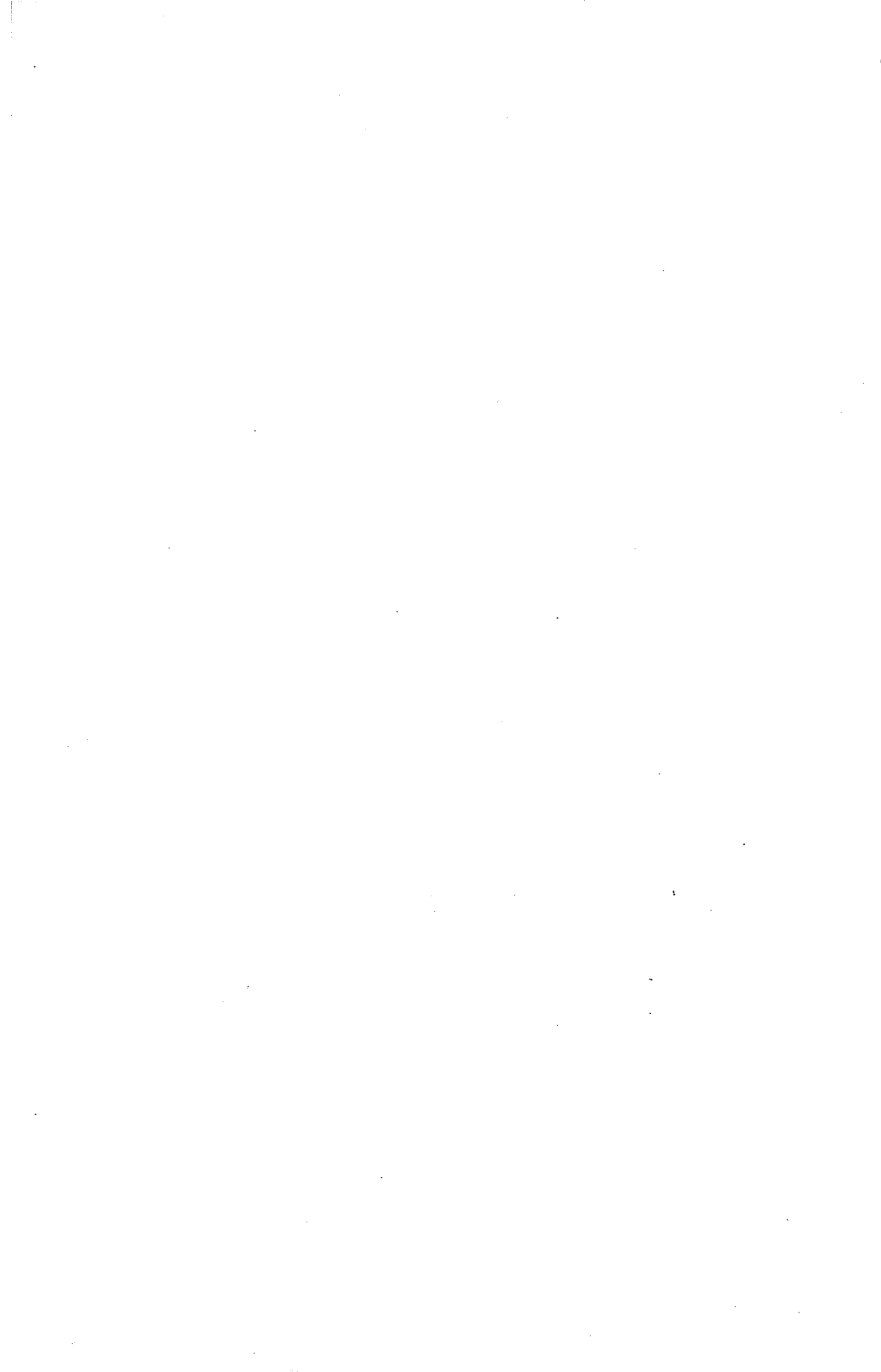
to the

93rd Maine Legislature

January 9, 1947

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## BUDGET MESSAGE

January 9, 1947.

Mr. President and Members of the 93rd Legislature:

In accordance with the laws of the State, I am transmitting to you this morning the State of Maine Budget Document for each of the two fiscal years of the coming biennium. The figures referred to will be in round numbers.

It is a difficult task at best to look ahead nearly three years and estimate all the requirements of a business the size of the State of Maine. Undoubtedly your own experiences tell you that the present unsettled condition of our national economy adds greatly to the difficulty of this task.

Please keep this thought in mind when considering the budget recommendations and department requests. Remember also that the Legislature meets regularly only once every two years; and, therefore, when the Appropriation Bill is passed and the Legislature has adjourned, irrespective of changes in conditions or requirements, the State Departments have no source of additional funds short of a Special Session, an increase in revenues over budget estimates, or recourse to the Contingent Account.

At the end of the Budget Hearings on October 29, the total over-all requests from all departments and agencies of the State exceeded the estimated revenues by more than \$14,000,000. I was, therefore, faced with one of two choices; either to present an unbalanced budget, leaving it to you to decide whether the deficit should be met by additional taxation or by borrowing, or to balance the budget by reducing services and thereby limiting expenditures to the amount of estimated revenue from our present tax laws. I chose the latter course, to balance the budget, for it seems fundamental to me that your Governor must limit the extent of State expenditures to the revenue provided for by the laws which the Legislature has enacted.

While the unbalanced Federal budgets of the last decade or more present ample precedent, my Yankee training, which I believe is similar to that received by most residents of Maine, absolutely precluded my presenting an unbalanced budget.

For the present fiscal year which ends next June 30, our estimated General Fund expenditures are \$26,500,000.

For each year of the next biennium, it is estimated that our General Fund revenues from all sources will be about \$26,740,000. In other words, the revenue for each year is only about 1% more than the amount we are spending this current year. There is no money in sight under present laws for any of the increases requested. There is only enough to

provide about the same number of dollars for each year of the next biennium as are being spent this current year.

The Budget Document which has been placed before each of you was prepared on this basis. We have distributed the available revenue, with very few exceptions, in approximately the same amounts as estimated expenditures for this year. These estimates include a continuation of the \$7.20 a week cost-of-living increase to State employees passed by the Special Session last July. There is practically no provision for major capital expenditures, new undertakings, salary merit increases, or increases in existing functions of government. The budget does not provide for the use of the General Fund or Highway Fund surplus which will be no larger than they should be.

My recommendations contemplate the exercise of every economy consistent with good government in our daily work and also the maintenance of our State financial structure on a sound basis consistent with current laws.

Now that you have the scope of our problem in mind, I will deal with it in detail under three major headings: General Fund, Highway Fund, and Other Funds.

#### General Fund

The General Fund is the principal operating fund of the State, and it is credited with most of the unearmarked revenues which the State collects.

In my Budget Message to the 92nd Legislature, I recommended strongly the adoption of legislation that would transfer many earmarked revenues to the General Fund. Such action was taken and as a result, sound forward progress was made toward simplification of the financial structure of the State.

I hope you gentlemen will keep this important matter in mind as you pursue your deliberations. The effectiveness of future Legislatures may be seriously handicapped unless we keep our revenues free from earmarking so that they may be available for appropriation by each Legislature to meet the changing needs of State Government.

The departments under the General Fund have requested appropriations for the next two years which, with their earmarked revenues and carrying balances, would permit expenditures of \$30,000,000 each year, or \$60,000,00 for the biennium. The total estimated revenues under present laws will amount to only \$53,000,000, a difference of \$7,000,000. I have recommended appropriations which will limit the amount of expenditures to the amount of revenues; that is, \$53,000,000.

No money is available for the increases requested by the Health and Welfare Department to furnish the service required by law to our needy.

No money is available to our Departments of Institutional Service, of

Education, or other State departments and agencies to meet their requests for increased funds so that they may carry on their obligations as they see them. I repeat, there is in sight for the next biennium only sufficient funds to provide our departments and agencies with approximately the same number of dollars each year of the next biennium as they have been allotted this current year which ends next June 30.

### Highway Fund

The Highway Fund is supported for the major part by earmarked income from gasoline taxes, motor vehicle registration fees, and operators' license fees, augmented at times by the proceeds of Highway and Bridge Bonds, frequently in substantial amounts.

These funds are appropriated by you for specific highway purposes on the basis of recommendations by the Highway Commission. The expenditures which they propose for the next biennium, a total of \$39,500,000, exceed the total revenues accruing to the Highway Fund, under present laws, by \$7,000,000. Even by using the proceeds of all reissuable highway bonds, we would still need an additional \$2,900,000 to finance the proposed Highway program. This, of course, assumes that you will continue the policy established by the previous Legislature, as stated in my Inaugural Address, of limiting the reissue of highway bonds to the amounts of highway bonds retired during the biennium, and that no provision will be made for new additional bond issues.

Under the above policy, \$3,358,000 in bonds can be reissued. The money in sight from all the above sources will permit the financing of the State Highway Program as submitted by the Highway Commission, and the matching of \$4,000,000 of Federal Funds available during the first year of the biennium, but will *not* provide for matching about \$2,700,000 of another \$3,913,000 of Federal Funds estimated to be available during the second year of the biennium.

Many States have this problem in one form or another and overtures have already been made to Washington by the Council of State Governments for a change in the present requirements. It is possible, and even expected, that the time limits now set for matching highway funds will be extended over a longer period. Under the present regulations, highway construction is competing unsuccessfully with private industry for men and materials in a market of scarcity and high cost, and with consequent delays in construction. It is desirable, therefore, to extend the period of availability of Federal funds so that the less essential construction can be deferred to a time when the money will mean more in miles of roads built and also in jobs when the need for jobs is more acute.

### Other Funds

The remaining funds of the State are so thoroughly controlled by existing laws that they require little comment from me at this time.

In accordance with my recommendation of two years ago and in compliance with action taken by the 92nd Legislature, the Waldo-Hancock 4% bonds have been refinanced with a resulting saving in interest of \$162,765 to the State of Maine.

We hope to refund similarly the Kennebec Bridge Bonds next June 1 at a substantial decrease in interest cost.

Unfortunately, there are no outstanding bonds which can be refunded during the next biennium.

Two years ago I questioned the wisdom of reissuing bonds. We then ranked tenth in the Nation in per capita debt charges. Today we rank only twelfth according to the U. S. Census Bureau although our bonded indebtedness is the lowest in 20 years. We have \$14,250,000 of bonds outstanding, of which \$14,000,000 are highway and bridge bonds.

This year we are paying about \$440,000 in bond interest. A pay-as-you-go policy would gradually eliminate that item. Of course for major projects of capital expenditures, such as a State office building, it may be advisable to issue new bonds, but provision should be made to eliminate such debt as soon as practicable. I am definitely opposed to floating bonds to meet ordinary capital outlays. We should instead establish a financing program sufficient to cover annual capital outlays.

### Summary and Conclusions

I now wish that I could thank you for your attention and conclude my remarks, but such is not the case. It is my belief that new sources of revenue are necessary if the State government is to continue to render the services which existing laws and precedent require it to provide. I have been aware for some time that this situation was developing.

The State of Maine has been very close to its present position on past occasions, but has carried on, on a more or less temporary basis, and by one means or another has paid its bills, not, however, without loading itself up with a very large per capita debt service charge.

A State government experiences the same increases in costs in conducting its business as you and I as individuals. While some of us have been able to make up for a part, at least, of these increases in cost by charging more for our goods or services, our State government has no such avenue of relief. It is entirely dependent on mortgaging our future by borrowing or on increased revenue from taxes, which revenue under our present tax structure, unfortunately, does not expand and yield sufficient additional income to keep pace with rising costs.



The big exception to this is our liquor revenue, and I might observe that it makes poor sense to attempt to solve our dollar problems by drinking ourselves to death.

The State is a large purchaser of almost everything used by the average citizen. We have nearly 20,000 people for whom we supply, through our Health and Welfare Department and our Institutions and Hospitals, all or part of their food and clothing. We buy medicines and drugs, automobiles and trucks, machinery and equipment. We have buildings, highways and bridges to build and maintain. Our employees also are affected by the same rising costs just as you are. In short, as the costs of living and doing business increase generally, by so much do the costs of State government increase.

The income in sight from existing sources of revenue for the next biennium is clearly inadequate, in my opinion, to provide for the maintenance of governmental functions even at their present levels. I have been unable to provide for the demand for shorter working hours in our institutions where 24 hour service 7 days per week is necessary, nor for the many deferred maintenance items or capital expenditures, to say nothing of the expansion in State Government services demanded by the people of the State.

During the war years, much of our normal upkeep and repair of State property had to be deferred. Many of these essentials must be provided if only to preserve our plants, and prevent much larger expenditures later when we may be less able to provide means of meeting the bill.

Therefore, I would not be realistic should I deny that provision for some of these expenditures, which I have not found sufficient funds to finance, should be made by you.

You will be asked to consider new measures to supplement existing, but as yet unused, appropriations for capital expenses. The amounts appropriated have not been spent for they have proven to be inadequate for the purposes intended on account of increased building costs. While, as a general policy, new construction should be held to a minimum during a period of shortages and high prices, the crowded conditions and lack of adequate facilities at some of our institutions is a pressing problem which should demand your careful attention. There are other capital expenditures which you will doubtless be asked to consider.

Our State University will ask you for additional funds to meet increased costs. Our Vocational Training School should be continued. Our highways and bridges have had a minimum of attention during the war years. It is time we consider whether or not we can afford to delay essential highway repair, and in some cases new construction, any longer. We compete with other States for our vacationland business. Let's not lose it.

Having in mind the direction in which we were headed, I asked two very

able and national known experts of wide experience in State government, Dr. Luther Gulick and Mr. Philip Cornick of the Institution of Public Administration, to come to Maine last October and to review our situation and advise us. Both of these gentlemen have had considerable previous experience in dealing not only with the financial problems of the State of Maine but with those of many other States. Most of you have, no doubt, read their letter to me, which was released to the press a few weeks ago, in which they made some very specific recommendations. Whether or not you agree or disagree with those gentlemen, you would do well to give serious consideration to their opinions.

Perhaps no greater compliment can be paid the opinions of Dr. Gulick and Mr. Cornick of the Institute of Public Administration than to refer to the conclusions of your own Legislative Research Committee following a very intelligent and comprehensive study of revenue sources. The Legislative Research Committee's conclusion is principally contained in these words:

"We were impressed with the general recommendations in the Gulick report and we agree with the general conclusions that a sales tax or an income tax or a combination of each should be enacted by the 93rd Legislature, along with an increase in the gas tax."

Whether or not the Legislature will determine that all these taxes are necessary is problematical, but I am certain that some additional revenue is necessary. In my message to the special session of the Legislature last July, I pointed out that 23 States have a sales tax; 32 States an income tax and 14 of these States have both an income and a sales tax.

I further pointed out that if we had been far-sighted enough to have had one of these forms of taxation operating during the war years, as many States did, we would not be facing the difficult financial road that now lies ahead of the people of Maine.

No one can actually tell, of course, what the Legislature is going to do by way of adding new expenditures. If the Legislature concludes that very substantial new revenues must be raised, then the Legislature should carefully consider revising our whole tax structure and give municipalities the relief they undoubtedly need, and for which they have long waited. On the whole, our municipalities face worse financial problems than the State. The towns and cities, dependent as they are on real estate taxes for their principal source of income, find also that revenues are not keeping pace with increasing expenses. They share with the State the property tax field. The State levy for the past fourteen years has been  $7\frac{1}{4}$  mills per \$1.00 of the State valuation, yielding the state about \$4,750,000 a year.

This is one tax which can be readily administered at the city and town level. You may well consider the advisability of the State withdrawing

from this field provided new sources of revenue can be found to replace the amount which would be lost to the State, should it vacate this field.

It is quite proper that our departments should want to do the best job possible. We want department heads who are eager to do so, but the Legislature must keep the department expenditures within reasonable limits through appropriations, and balance what the State can properly spend on government, as a whole, and on each department.

After much consideration, the most logical approach to our problems seemed to be the one which I have presented. It was not within our province to legislate new revenues or anticipate your actions. Your predecessor Legislatures have given the Executive Department its cloth in the form of revenues. We have cut our expenditures to fit it. It is now your obligation to examine the needs of our government as they may be presented to you and provide for them as your wisdom may direct.

I might add the words of your Research Committee when they said in their conclusion: "We recognize the competency of normal legislative procedures to solve the problem."

You have to decide first whether the proposed budget, which allocates all the estimated revenue, is adequate, and, if not, secondly, what additional needs you will choose to provide for, with, I hope, some consideration given to the recommendations in my Inaugural Address, and then finally what means you will choose to raise the revenue required to meet the provisions you enact. If the means are not provided to execute your decisions, the Executive Branch of our government has no alternative but to veto measures which cannot be carried out within the revenue you provide.

I express my thanks to the members of the Legislative Budget Committee, consisting of Senators Cleaves and Boutin, and Representative Bowker; to our Commissioner of Finance and Budget Officer, Mr. Raymond C. Mudge; Mr. Ford Campbell, Assistant Budget Officer, and others who worked with and for us, for their efforts in attempting to solve a most difficult problem.

HORACE A. HILDRETH,  
Governor of Maine.