

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

Ninety-seventh Legislature

OF THE

STATE OF MAINE

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Address of
Governor Edmund S. Muskie

to the

97th Maine Legislature

May 6, 1955

STATE OF MAINE
ADDRESS OF GOVERNOR EDMUND S. MUSKIE TO THE
NINETY-SEVENTH LEGISLATURE

May 6, 1955

Mr. President and Members of the 97th Legislature:

I would like first of all this morning to state briefly my purpose in coming before you. You are vexed by many problems and burdened by long sessions and the mounting pressures which plague every legislature toward the close of a legislative session. It is not my intent to impose unduly upon your time and patience. It is my purpose to contribute what I can to a clarification of some of the issues before you in an objective and non-partisan way.

In January I placed before you the broad objectives toward which I believe state government should reach in the years ahead. Our first objective should be to expand our capacity to produce a better life for ourselves and for our children. Progress toward this objective will enable us to approach our second objective, namely, to expand our educational facilities, to improve our state institutions, to provide for the needy and unfortunate, to construct an adequate highway system, and, in general, to make government a more effective instrument for service to our people. A third and immediate objective is to measure and take the first steps, which we can now afford, toward the first two, long-range objectives.

I discussed ways and means of achieving these objectives at length. Nothing which has occurred since last January has shaken my conviction that a vast majority of you and of our people are in agreement with me as to the long-range objectives. There are in evidence disagreements among you as to the first steps which we can and ought to take at this time. Many of these disagreements are based upon confusion and misunderstanding as to what the state's financial situation is and what it is likely to be in the next two years. Unless your decisions are based upon a sound foundation of fact in this respect, we are likely to stumble now at the very beginning of our journey into the future so seriously as to substantially delay the progress which we all want.

Under these circumstances, I conceive it to be my duty to place the facts before you as I see them in order that you may clearly understand my position.

BALANCED BUDGET

In considering our budgetary needs, I laid down as a first principle the fact that our people cannot afford luxuries. This is a principle which I have consistently supported and in which I still believe. To implement it, the following steps were taken in the preparation of the budget recommendations.

As you know, I presented a balanced budget in order that you might know to what extent current services can be continued in the next biennium within estimated income. As a base, I used the net appropriations made available by the regular session of the 96th Legislature in the amount of \$64,457,900.78. May I point out that this figure is \$2,200,435.24 less than actual appropriations made available by the regular session of the 96th Legislature. The downward adjustment represented adjustments for actual and estimated transfers from the con-

tingent fund and for actual and estimated departmental lapsed balances for the current biennium.

To that base was added \$5,039,995.22. This figure represents increases in current services authorized by the special session of the 96th Legislature, merit increases for state employees, the operating cost of new buildings, and other increases in current services described in detail on the second page of the budget message as it appears in the budget document.

The total balanced budget, then, was \$69,497,896.00. It was \$9,463,295.00 less than the total appropriation requests by state departments and agencies for the general fund operations. The appropriation bill, incorporating the balanced budget, is now pending final enactment with a net additional change of \$77,472.

Every effort, then, was made to get the balanced budget down to rock-bottom figures: and the work done was much more extensive than this brief recital suggests. In addition, still cognizant of the first budgetary principle which I have stated, I recommended economy measures such as line budgeting and the survey of state government which are outlined on the 5th and 6th pages of the budget message as it appears in the budget document. The savings which these measures, if enacted completely, may produce are unpredictable and should not be relied upon at this time, to support supplemental appropriations.

SUPPLEMENTAL BUDGET

Still recognizing that our people cannot afford luxuries, I was convinced, nevertheless, that our citizens are willing to make a reasonable investment to insure that we will take realistic steps forward to develop our state, to provide adequate schools, to improve our institutions, and to otherwise improve state services. The supplemental budget represents my judgment as to the minimum needs in this respect. May I emphasize that the recommendations in the supplemental budget do not represent luxuries, nor even the minimum needs which could be justified, but rather the rock-bottom price of progress in the various areas covered.

The total supplemental budget was \$9,691,840.00 for the biennium. Of this amount, \$5,691,840.00 represented operational appropriations, which, combined with the balanced budget, was still \$3,771,455.00 less than departmental requests for these purposes. And the supplemental budget included some services which were not included in departmental requests!

This analysis, it seems to me, establishes the essential conservatism of the budget recommendations. Every effort was made, all along the line, to make cuts consistent with maintaining current services while, at the same time, insuring reasonable progress.

GENERAL FUND REVENUES

Let us now turn, briefly, to the revenue side of the picture. Departmental estimates of revenue available for appropriation for the biennium totalled \$68,057,191.00. It had always been my position in the Legislature that revenue estimates over the years had been too low, that, in all fairness to the taxpayers, before new taxes were enacted, revenue estimates should approach as accurately as possible actual revenues. Consistent with that position, and on my own responsibility, I

increased revenue estimates by \$1,440,705.00. With this increase, I was able to support the budget recommendations in the balanced budget.

To support the supplemental budget, I suggested two possible sources of revenue. At this point you have eliminated the income tax from further consideration. The proposed increase in the sales tax, with additional exemptions benefiting lower income groups, is the only remaining tax source which will support the full supplemental budget.

In my estimates of revenue from this source, I projected a net of \$9,858,000.00 for the biennium, or \$166,160.00 more than enough to support the supplemental budget. Revised total estimates of revenue available for appropriation, based upon several months more experience in the current fiscal year, indicate that, if the increase in the sales tax is enacted, total revenues from all general fund revenue sources would exceed budget estimates by \$728,300.00 for the biennium. In addition there have been revisions in the administration supplemental budget which would add \$198,687 to this excess. These totals plus the original excess of \$166,160 would make available \$1,093,147 for use in connection with pending legislative documents. These should include the survey of state government, centralized planning of capital construction, a deputy commissioner of institutions, and such worth-while programs as you might select from the following:

1. Increase in educational subsidies to meet 100% of the proposed new formula.
2. Increased support of the state police department by the general fund to relieve highway revenues for use in connection with the allocation for state highway or state aid road construction and reconstruction under existing state law.
3. Other worth-while L.D.'s.

May I also point out that the proposed sales tax increase, with additional exemptions for clothing, shoes, fuel, and electricity, would support the supplemental budget in full, provide for some of the additional programs suggested, and, at the same time, actually decrease the tax burden of those least able to pay.

This, then, is a summary, up-to-date, of the administration's fiscal program. You also have before you an alternative program.

ALTERNATIVE PROGRAM

The alternative supplemental budget, in its present form, falls short of the administration program in the following respects:

1. It reduces the recommended appropriation for the Department of Development of Industry and Commerce by \$192,038.00 for the biennium.
2. It reduces the recommended appropriation for the Maine Port Authority by \$74,000.00 for the biennium.
3. It eliminates the recommended appropriation for vocational rehabilitation in the amount of \$79,033.00 for the biennium.
4. It eliminates an economy measure by eliminating the recommended appropriation for an inspector in the Bureau of Purchases in the amount of \$12,320.00 for the biennium.

5. It eliminates an appropriation designed to increase our Civil Defense effort in the amount of \$28,584.00 for the biennium.

6. It reduces the appropriation for the Water Improvement Commission by \$25,000.00 for the biennium.

7. It eliminates the proposed reserve for capital construction in the amount of \$4,000,000.00 for the biennium.

In some respects, also, the administration's program was adjusted to conform with appropriation's committee recommendations.

It is my understanding that a sincere effort will be made to increase the appropriation for the Department of Development of Industry and Commerce in alternative program by \$100,000.00 for the biennium. I have made note of the present status of the bill because of the impact of the revenue which the attached tax measures are likely to produce.

With reference to industrial development and the Maine Port Authority, I am sure it is not necessary to restate my keen interest in these programs and my belief that they are an important key to a higher level of economic activity in Maine. Surely, the goal is so important that we should not hesitate to provide the minimum tools necessary to do the job. The difference between the two programs in these fields is \$266,038.00 for the biennium. This is only 3/10 of 1% of proposed general fund appropriations.

I have discussed the importance of vocational rehabilitation, civil defense, water improvement and the inspector in the Bureau of Purchases in my inaugural and budget messages, and will not add to that discussion now. It is important, however, that further discussion of the proposed long-range building program be included at this point.

LONG-RANGE BUILDING PROGRAM

This program, as described in my inaugural and budget messages, has three important aims:

1. To provide centralized and uniform planning with respect to needs, types of architecture, specifications, engineering, bidding procedures, and contracts. Such planning could save the taxpayer thousands of dollars.

2. To provide, over a reasonable period of time, some over-due and other anticipated capital construction needs.

3. To set aside a reserve to finance such needs.

There appears to be no serious dispute as to the desirability of setting up now the machinery to achieve the first aim. It is my hope that you will approve it.

As to the needs, it should be pointed out that they are related to the basic requirements of flesh-and-blood human beings. It should be unnecessary for me to describe the unfilled needs of the unfortunates in our institutions, the minimum standards toward which we should strive in our schools and colleges if we are to properly equip our young people for lives useful to themselves and to

Maine, and the many other worth-while projects described in departmental requests and the many L.D.'s now pending before you. The proposed increases in appropriations for operational purposes are only a minimum first step. If you really want to provide adequately for our people who are institutionalized and who are depending upon you and me—if you really want teachers' colleges which will produce enough qualified teachers to teach your children and mine—if you really want a state university which will provide educational opportunities for all our young people who ought to have them—then you have got to think realistically about providing dormitories, laboratories, libraries, housing, and other construction needs. Our capacity to provide these things is admittedly limited. Shall we utilize that limited capacity to the fullest, or shall we gamble that providence somehow will find a way, whether or not we try to help ourselves?

This leads us directly to a discussion of general fund surplus as a method of financing these needs.

It is now estimated that, at the end of the current biennium, that surplus will amount to \$8,500,000.00. Of this amount at least \$1,000,000.00 to \$2,000,000.00 should be retained for additional working capital and for emergencies. In addition, \$325,000.00 should be retained in the institutional reserve fund as described in the budget message. This will leave \$6,175,000.00-\$7,175,000.00 available for capital construction in the next two years. Against this there are departmental requests amounting to \$11,853,776.00, plus other requests including armory construction, many worth-while L.D.'s and future anticipated construction needs which have not yet been projected.

Obviously, then, we cannot provide for all essential needs now. We must expect to do so in the future.

There are those who say that we can rely on recurring surpluses in the future as we have in the past. I cannot support this position for the following reasons:

1. Surpluses in the past have not been sufficient to meet needs as they arose. There are ample illustrations of this fact. As a result, some of these needs have not been met at all. In other cases, they have been met when long overdue at a cost substantially above what they would have cost if built when the need first arose.

2. Over the past ten years a substantial portion of the surplus was produced by factors which do not now exist and which will not recur. For example, at June 30, 1953 an all time high surplus was estimated to be available for legislative appropriation. \$5,500,000.00 resulted from the fact that the state continued to receive real estate tax revenues for one year after the sales tax went into effect. In addition, because of lack of experience, sales tax revenues substantially exceeded conservative first estimates. We now have the experience to project those revenues much more accurately.

3. I have stated that it is my objective to estimate revenues as closely as possible: and that I increased them, on my own responsibility, by \$1,440,705.00. To support their increases in the balanced budget, the appropriations committee increased my estimates by an additional \$217,300.00. To partially support the alternative supplemental budget, these estimates were again increased by \$800,000.00. This represents a total increase over original estimates of \$2,458,005.00.

Now obviously, if we achieve the goal of estimating revenues accurately for operations, we have eliminated the possibility of surplus for construction pur-

poses. We cannot have our cake and eat it too. We must make specific provision for capital construction in the budget. Otherwise, we may well face the need in two years for additional taxes for that purpose. I cannot share that responsibility.

ALTERNATIVE TAX MEASURES

The alternative supplemental budget calls for appropriations totalling \$5,004,706.00 for the biennium. To support these appropriations there are attached tax measures which, in the present form of the bill, will take effect on September first of this year. According to the Tax Assessor and other department heads concerned, these tax measures will produce revenue as follows:

| | |
|---|-------------------|
| 1. One cent increase in cigarette tax | \$1,800,000.00 |
| 2. Increase in liquor tax | 1,800,000.00 |
| 3. Increase in corporate franchise tax | 165,000.00 |
| 4. 2% sales tax on casual sales of motor vehicles | <u>225,000.00</u> |
| Total | \$3,990,000.00 |

Added to this is the increased estimate in revenues from existing tax sources already referred to and amounting to \$800,000.00. Thus total revenues to support the alternative supplemental budget amount to \$4,790,000.00. This added to the balance in the amount of \$139,828.00 remaining after providing for the basic appropriation bill would result in a deficit the first year of \$263,927.00 and for the biennium \$74,878.00, and, consequently, I would be forced to veto the measure if it reached me in this form.

The bill in this form obviously would not support the proposed increase of \$100,000.00 for industrial development, the centralized planning of capital construction, the survey of state government, nor any of the L.D.'s now pending.

If the bill is enacted in such form as to take effect on July first of this year, it would produce revenue in the amount of \$5,380,000.00 for the biennium. This added to the balance in the amount of \$139,828.00 remaining after providing for the basic appropriation bill, is \$680,122.00 more than the amount necessary to support the alternative supplemental budget. This excess compares with the \$1,093,147.00 available under the administration's program to support some of the many L.D.'s in which you are interested. And bear in mind that I have not included in the administration's program the proposed increase of \$800,000.00 in estimates from current tax sources.

Just a word should be said about the deficiencies of the alternative tax sources.

1. They impose on selected groups the burden of supporting additional appropriations which are of benefit to all of us.

2. They tend to increase the tax burden of those least able to pay, in contrast to the proposed sales tax which would reduce that burden.

3. With these deficiencies, they still do not produce the revenue necessary to do a minimum job. The proposed sales tax increase will overcome these deficiencies and at the same time raise the necessary revenue. These, then, are the facts as I see them. They represent a completely honest analysis on my part, and are offered as a guide to you in your deliberations. Together we have an opportunity to take a real step forward in the best interests of all our fellow-citizens. Isn't it a job worth doing?