

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

Ninety-ninth Legislature

OF THE

STATE OF MAINE

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Inaugural Address
and
Budget Message
of
Governor Clinton A. Clauson
to the
99th Legislature
January 8, 1959

INAUGURAL ADDRESS AND BUDGET MESSAGE OF CLINTON A.
CLAUSON, GOVERNOR OF MAINE, TO THE NINETY-NINTH
LEGISLATURE OF THE STATE OF MAINE

January 8, 1959

Mr. President and Members of the 99th Legislature :

This morning I am breaking a custom of long standing.

It has been traditional for the Governor to deliver an Inaugural Address to the Legislature on the day he takes the oath of office, and, then, to deliver his Budget Message to the Legislature one week later.

I have decided to part with precedent, to combine my Inaugural remarks and Budget Message into one address, and to deliver it today.

I do so, not for the sake of departing from custom, but for your convenience. Because of the vagaries of the calendar, the 99th Legislature has convened a week later in the year than did the 98th Legislature two years ago.

Therefore, rather than wait a week before outlining my financial program for you, I have decided to do that today so that you can start reflecting immediately upon my Budget recommendations. It could mean a shorter session. I know that farmer members of the Legislature, especially, desire to return to their homes as soon as possible in the spring since the planting season waits for no man. Furthermore, all of us as public servants want to complete the session as expeditiously as possible in the interest of economical operation of government.

I shall devote the first part of my address to brief Inaugural observations, limiting them to some of the matters not dealt with in the section on the Budget.

INAUGURAL REMARKS

The citizens of Maine, in the electoral process, chose to place their confidence in you and in me to keep Maine on the progressive course upon which she is embarked. They have trusted us, as do the owners of a vessel its mariners, to provide a fast but safe passage.

As we gather here to chart the biennial voyage of the State of Maine, I think it well that we ponder for a moment on our objective.

Broadly speaking, the duty of a state government is to advance the well-being of the people. That is the beacon on the horizon. Progress toward it is always across seas of constantly changing conditions and shifting needs. We hold these periodic navigational sessions to make sure that we shall progress, that we shall keep on course and that we shall skirt rocks and shoals.

The sailing ship depends upon the winds and the engined vessel upon its fuel for their movements. A state government relies upon two major sources

of impetus: ideas and finances. Both have been utilized well in the past few years to propel Maine far in the right direction. I am convinced that the course is true and that we should adhere to it, traveling as fast as possible toward a brighter tomorrow.

At the same time, I am well aware that the impact of the national recession upon Maine has been severe and that its effects will not permit us to progress as far in the period immediately ahead as we had hoped. However, to say that is by no means to imply that we should drop anchor. We should press forward as far as prudently possible.

I shall sketch some of the ways in which I believe we can continue to progress at this time despite the effects of the recession.

EDUCATION

Nearly everyone in this day realizes the importance of education to the well-being of a state and its people. To scant the education of our young now would be to consign Maine to lowly position on the roster of states for a long time to come.

The last Legislature took a giant step toward improving education in Maine by passage of an Act which increases school subsidies and encourages school consolidations. The increased school subsidies should be provided fully at this session. We must continue to improve our system of public education.

The University of Maine and our teachers' colleges are in obvious need of expanded and improved facilities. Their most urgent projects should be included in our biennial construction program.

The Maine Vocational-Technical Institute has proved itself a valuable part of our educational system and it merits continued improvement. A study of additional vocational education needs in the State has been undertaken and its results, not available at the time of this writing, should be given careful consideration.

GOVERNMENT

Legislation will be presented at this session providing for annual legislative sessions, abolition of the Executive Council, confirmation of gubernatorial appointments by the Senate, realignment of the terms of department heads so they coincide with those of the Governor; elimination of the office of State Treasurer, and appointment by the Governor, rather than election by the Legislature, of the Secretary of State, the Attorney General and the Commissioner of Agriculture. All these measures are designed to provide more efficient operation of State Government by tightening its structure and strengthening the lines of responsibility and authority. Furthermore, the principle of consolidation of departments is a sound one and should be implemented. The Citizens' Committee on the Survey of State Government is making studies in these areas and I hope that the Committee will be able to make specific recommendations to you at this session.

JUDICIAL REFORM

The powers of the state's Judicial Council should be enlarged and the Council should review, evaluate and sponsor legislation affecting the judicial system.

Replacement of Municipal Courts and Trial Justices by a District Court System is most desirable. Legislation will be presented to provide for a professional survey of the lower courts to lay the groundwork for the proposed system of District Courts.

A complete revision of the patchwork laws relating to juvenile offenders should be undertaken.

MAINE RESOURCES

There is a better opportunity now than ever before to utilize the resources of Maine to their fullest extent.

The State has effective instruments for economic development in the Department of Economic Development and an industrial loan act which has passed its legal test.

The conference technique for exploring ways of using our natural resources for the benefit of all should be pursued further in the days ahead. That approach—bringing together conservationists, industrialists, sportsmen and other interested parties—was initiated last summer at a statewide conference on natural resources. The results were rewarding.

THE INCAPACITATED

Humaneness dictates that we improve our efforts to care for the incapacitated among us. Our institutions have taken long strides in recent years. However, their construction needs are great and we must strive to meet them.

We should continue to address ourselves to the problems which face our aged citizens. It is gratifying that a much-needed five dollar increase in the maximum grant for Old Age Assistance goes into effect shortly. Provision should be made, also, to extend the life of the Committee on Aging which is alerting communities to the needs of their aged people and initiating action to meet those needs.

LABOR

The record of labor-management relations in this state convinces me that most problems in this area can be solved best by the enlightened leaders of our workers and employers.

There are, however, some economic and social problems affecting our wage earners which need attention at the legislative level. The recession is still affecting Maine. I therefore suggest that you give immediate consideration to a temporary extension of the benefit period for workers who already have exhausted their unemployment benefits or who will exhaust them before April 1 of this year. I also suggest that you consider :

1. a state minimum wage law prescribing a minimum wage of one dollar per hour ;
2. legislation prohibiting discrimination in employment because of age ;

3. improvements in our Employment Security Law to (a) eliminate the waiting week, (b) remove unfair disqualifications, (c) provide additional compensation for dependents, and (d) extend the benefit period;
4. improvements in our Industrial Accident Law, especially in regard to permanent disability and occupational disease;
5. legislation to provide for immediate review by the state's highest court of the granting or denial of any temporary injunction in a labor dispute;
6. legislation to provide time off for voting; and
7. legislation which would authorize the Industrial Accident Commission, in disputed cases, to award reasonable counsel fees on behalf of an injured employee.

THE RIGHT TO KNOW

Citizens of a Democracy have a right to information concerning operations, policies and decisions on all levels of government. This principle is so vital to the well-being of the state and its people that it should be protected by a Right-to-Know law which would insure the exposure to view of governmental processes and actions.

HIGHWAY SAFETY

The time has come when, in the best interests of highway safety, persons between the ages of 15 and 17 should be required to complete a driver-education course before they can be issued licenses to drive.

MILK CONTROL

Legislation will be introduced to provide that the Milk Commission be composed of three consumers, a milk producer, a milk dealer and a produce-dealer. I suggest, also, that you consider revising milk price controls at the retail level to provide cash and carry and volume discounts.

STATE PARKS

The need for new state parks and expansion and improvement of present parks is critical. Immediate attention to this need is essential if Maine is to provide adequate park and camping facilities for the ever-increasing numbers of Maine residents and visitors from other states who want to use them.

ATOMIC SAFETY

Atomic energy is being used increasingly in medical research and industry. A Safety Code to control the use of radioactive materials should be enacted to protect the people of Maine from possible dangers from radiation.

PUBLIC UTILITIES

Legislation is desirable to promote organization of non-profit Power Districts qualified to obtain low-interest loans from the Rural Electrification Administration in order to serve areas where power is unavailable.

These, then, are a few of the ways that we can continue to progress at a time when the economy of the state has been depressed by a national recession.

I shall turn, now, to a detailed discussion of our budget problems and the manner in which I recommend that the 99th Legislature deal with them.

BUDGET MESSAGE

Last October, in accordance with present laws, I called into session the Legislative Advisory Committee on Budget and, at the same time, requested heads of all departments and agencies of State Government to appear before the Committee with presentations of facts to support their requests for State funds for the next biennium.

The Committee consisted of Senator Norman R. Rogerson of Houlton, Representative James S. Stanley of Bangor and Representative Carleton E. Edwards of Raymond.

On the first day of the Committee hearings, the State Budget Officer presented summary schedules showing the financial positions of the State General Fund and the Highway Fund.

For the sake of brevity and simplicity of presentation I will describe our financial problems to you in terms of biennial figures.

The schedules showed that estimated General Fund revenues available for appropriation in the next biennium amounted to \$104,510,978 while requests for appropriations to continue current services and to add expanded and new services amounted to \$123,164,037, leaving a deficit gap of \$18,653,059. During the following three weeks of public hearings, three additional requests for General Fund appropriations were presented:

(1) \$1,528,000 to raise the average Aid to Dependent Children grant to a minimum to meet 90 per cent of need which would compare with present adult categorical assistance grants;

(2) \$950,000 to meet the requests of public and private hospitals for increases in State Aid, and

(3) \$2,000,000 to provide salary adjustments for state employees on a selective basis to alleviate present recruitment difficulties and to adjust these salaries to a comparable level to those paid in Maine industry and to state employees in the other New England states. Of this amount \$300,000 would be set aside to create an Employees' Salary Adjustment Fund to be used for these same purposes during the periods between regular sessions of the Legislature.

These additional items increased the total General Fund appropriation requests to \$127,642,037. Since no changes in revenue estimates were indicated, this increased the deficit to \$23,131,059.

Further analysis revealed that to continue current services for the next biennium, based on departmental requests, would require appropriations amounting

to \$117,207,806, leaving a Current Services Budget deficit of \$12,696,828, and that expanded and new services would require \$10,434,231 more.

It should also be noted at this time that the General Fund Surplus Schedule, including total requests for capital outlay, projected a deficit amounting to \$51,302,823.

I am happy to say the Highway Fund Schedules presented a different story.

Highway Fund undedicated revenues for the coming biennium were estimated at \$63,066,600. The addition of \$14,243,000 in proceeds from the sale of bonds would increase total funds available for allocation to \$77,309,600. Allocation requests for the next biennium totaled \$77,303,622, leaving the Highway Fund budget in balance by \$5,978.

These then represent the basic financial problems confronting us. These are the problems that will be referred to your Legislative Committees on Highway and Appropriations and Financial Affairs when public hearings, similar to those held by myself and the Advisory Committee on Budget, will be scheduled for the purpose of reviewing presentations made by members of the general public and State department and agency heads in support of their respective requests.

At this time, I should like to praise the department and agency heads for so ably presenting and substantiating their requests for State funds. They have made my task easier:

In my presentation, I shall deal first with the General Fund current operating and the General Fund surplus problems. In an attempt to be helpful to you as you prepare to wrestle individually and collectively with these same problems, I feel it desirable that you have the advantage of the months of research performed by myself and my staff in consultation with many department and agency heads.

Here are the steps I took:

1. I requested the State Budget Officer and his staff to review the Current Services Budget for the purpose of effecting economies wherever possible without curtailing such services. I further requested that where reductions were indicated, the Budget Officer and his staff consult with the head of the affected department or agency to be certain that there was mutual agreement that such reductions would not prevent continuance of current services.

This was the result:

After many weeks of concentrated effort on the part of the State Budget Officer and his staff, it was determined that current services could be continued on a minimum basis for \$107,051,376. This means that the deficit gap between estimated undedicated revenues and appropriation requests had been narrowed from \$12,696,828 to \$2,658,032. It should be noted that \$4,000,000 of the total reduction represents the proposed elimination of the Construction Reserve Fund.

2. My staff and I devoted a considerable amount of time to analyzing all requests for expansions of current services and requests for new services.

This was the result:

In reviewing all the requests for expanded and new services and some of the reductions to current services—requests which would cost \$15,285,044 to imple-

ment—I was struck by the desirability of most of the proposals. However, it seemed obvious to me that it would be a lack of fiscal realism seriously to consider making all the suggested improvements at once. Thus, I went through the list, winnowing the requests in order to put before you the most desirable of proposed new and expanded services. At the conclusion of the winnowing process I had left requests which would require a total of \$12,627,012 in additional appropriations. For your information I shall list some of the most important items:

BUREAU OF PURCHASES\$ 16,225

This would provide two additional buyers to improve service to state departments and agencies while, at the same time, effecting economies in State purchasing.

BUREAU OF THE BUDGET \$ 24,933

This would provide two additional Budget examiners to lighten the present work load.

LABOR AND INDUSTRY \$ 44,853

This would provide additional personnel to increase the effectiveness of the department.

ECONOMIC DEVELOPMENT \$437,466

This would provide for expanding the State's efforts in recreational advertising and industrial advertising. It also would provide additional brochures and booklets to promote Maine, and make possible a broad study of industrial and recreational opportunities in Maine by a well-qualified firm.

FORESTRY

At the State Forest Nursery \$ 17,000

This would permit purchase of seventeen forest tree planting machines to facilitate planting in conjunction with the Federal Soil Bank Program.

For Entomology \$ 22,000

This would provide for one additional entomologist and for increased grants to cities and towns to encourage efforts to combat Dutch Elm Disease.

SEA AND SHORE FISHERIES \$ 20,000

This would provide for a comprehensive study of fishery market problems by a nationally-recognized Development Council.

HEALTH & WELFARE

Municipal Sewerage \$216,000

This would provide grants to cities and towns to assist in solving sewerage problems.

Public and Private Hospitals \$950,000

This would provide increased assistance to our public and private hospitals.

Advisory Council on Alcoholism	\$ 42,542
To expand the services of the Division of Alcoholic Rehabilitation.	
Aid to Disabled	\$ 54,740
Aid to Blind	\$ 11,280
Aid to Dependent Children	\$150,840
Old Age Assistance	\$293,600
	<hr/>
	\$510,460

These sums would increase the medical allowance by one dollar per case in the various assistance programs.

Aid to Dependent Children \$1,528,000
 To increase average grants to meet 90 per cent of needs as do grants in the adult categories.

Aid to Dependent Children \$2,000,000
 To relieve cities and towns of financial responsibility in this field.

Old Age Assistance \$ 90,000
 To liberalize the requirement of residence.

Old Age Assistance
 Aid to Blind
 Aid to Disabled \$1,211,600
 To relieve relatives of financial responsibility in these areas.

INSTITUTIONAL SERVICE

Administration \$127,926
 To provide for a new Division of Mental Hygiene and for supervisory employees to centralize control of all institutions.

Probation and Parole \$128,374
 To provide additional parole officers in order that the Division may more nearly fulfill its many responsibilities imposed by law.

Augusta State Hospital \$274,636
 To provide additional employees to meet basic requirements for full accreditation and to expand out-patient clinic services.

Bangor State Hospital \$103,593
 To provide additional employees to expand out-patient clinic services and to pay fees for eligible patients to live in private homes with the objective of re-introducing them to general society.

Pineland Hospital and Training Center \$ 90,326
 To provide additional employees to improve present services.

School for Boys \$ 65,457
 To provide additional employees to improve educational opportunities and the medical program.

Maine State Prison \$ 67,810
 To provide additional guards to increase protective security.

EDUCATION

Student Scholarship Fund	\$ 40,000
Farmington State Teachers College	93,328
Gorham State Teachers College	126,448
Washington State Teachers College	25,268
Aroostook State Teachers College	47,072
Fort Kent State Normal School	9,431
	\$301,547

To provide for salary adjustments and one new course of instruction at each of the above colleges in accordance with recommendations of the State Board of Education.

Special Education of Physically Handicapped Children \$ 58,374
 To provide for a Director of the program and for increased subsidies for classes for the mentally retarded.

University of Maine \$1,034,500
 To provide for additional operating funds and instructors and for a salary adjustment in order that the University may retain present personnel and attract desirable new personnel.

MAINE PORT AUTHORITY \$ 96,200
 To provide one additional employee and additional funds for over-all port promotion.

STATE EMPLOYEE SALARY ADJUSTMENT FUND \$2,000,000
 This would provide \$1,700,000 to adjust certain salary ranges of state employees and \$300,000 to adjust salaries between regular sessions of the Legislature.

3. In the last week of November I met with the Commissioner of Finance and Administration, the State Budget Officer and the State Tax Assessor to review projected estimates of revenue, recognizing that statistical information gathered in additional months of experience since the estimates were prepared

for the Advisory Committee on Budget might necessitate revision of those estimates.

This was the result:

There was general agreement that the original revenue estimates—including those for sales tax—should not be changed. Sales tax receipts were scrutinized particularly because they are among the best gauges available to determine the level of the State's economy. The value of sales tax receipts as indicators of Maine's economic condition is evident when one considers that those receipts represent 47 per cent—nearly one-half—of our total General Fund income available for appropriation.

The study of sales tax receipts disclosed these facts:

Actual receipts from the sales tax for the first five months of this fiscal year, July through November, were 8.75 per cent below estimates; and actual receipts compared to those in the corresponding period in the previous fiscal year were down slightly.

The study revealed an additional fact which I found significant. As you know, the two per cent sales tax was increased to three per cent during the year 1957. It was reasonable to expect, therefore, that revenues from this tax would increase at least 50 per cent. But this was not the case. Actual sales tax receipts in the eleven months of the 1957-58 fiscal year, when the increased tax was actually reflected, rose only 40 per cent above revenues received in the same eleven months of the previous fiscal year when the tax was still at two per cent and the recession had not begun. The impact of the recession upon our economy is indicated by that missing 10 per cent.

Realizing that the figures for sales tax receipts furnish a barometric reading of the condition of the Maine economy, I became convinced that the revenue estimates arrived at in September should not be increased. Whatever the situation might be in other sections of the country, it was clear from the figures that Maine continued to suffer the effects of the recession. There are reasons, perhaps, for believing that we are in the tail-end of the recession, but it would be imprudent to go beyond the facts as we have them.

4. I requested the State Tax Assessor to compare Maine's selective taxes with such taxes in other states to determine our relative positions.

This was the result:

The comparison of Maine's selective taxes with those in other states included these taxes: sales and use tax, cigarette tax, inheritance and estate tax, telephone gross receipts tax, insurance premium tax, railroad gross receipts tax, real and personal property tax and corporate franchise tax.

I was informed that where comparisons could be made of these Maine taxes with similar taxes in the other states, the Maine taxes, generally speaking, were equal to or above those in the other states. For example, the Sales and Use Tax in Maine is three per cent. Only one state, the State of Washington, has a higher sales tax rate: three and one-third per cent. Fifteen states have the same rate as Maine and seventeen states have lower rates.

5. I asked the State Tax Assessor to review present Sales tax exemptions:

This was the result:

The State Tax Assessor completed his review of Maine's present Sales tax exemptions and reported to me that elimination of the various exemptions would provide the General Fund with the following estimated additional revenues:

(1) Food for human consumption	\$16,700,000
(2) Seed, feed and fertilizer used in agricultural production	4,600,000
(3) Motor Vehicle Trade-Ins	3,000,000
(4) Cigarettes	850,000
(5) Fuel used for domestic cooking and heating	1,200,000
(6) Liquor	1,300,000
(7) Items consumed or destroyed in manufacture	920,000
(8) All other exemptions	900,000

6. I discussed with the Liquor Commission the possibility of increasing the selling price of liquor, wine and beer.

This was the result:

The Maine State Liquor Commission and I gave consideration at our conference to increasing the state "take" from sales of hard liquor and wine by increasing prices and by raising the beer tax. However, information developed by the Commission showed that both beer and wine sales had dropped sharply in the past two years while hard liquor sales remained at a constant level. This caused us to consider increasing only prices of hard liquor. The Commission pointed out a further reason for an increase in prices: the rise of its operating costs over the past several years.

As you know, such price increases can be authorized by the Commission and require no legislative action.

7. I requested certain department heads to report to me the progress made during the last four years in terms of expansion of established services and addition of new services.

This was the result:

I found most impressive the results of the survey made of our major State departments to determine the progress made in the past four years in terms of expansion of established services and addition of new services.

During the past four years the level of General Fund appropriations necessary to continue current services has risen from \$66,704,836 to \$104,393,344—

an increase of \$37,688,508. The improvements in services made over the past four years are many and varied. For your information I shall describe some of the most important advances.

(1) **Creation of the new Department of Economic Development.**

(2) **In Education:**

School Administrative Districts—The School Administrative District law, providing a foundation program for the distribution of State school subsidies and a plan for the reorganization of school districts was enacted in 1957, increasing State subsidy aid by \$6,258,535.

The State's share as a partner in the support of public schools has increased from 21 per cent to approximately 26 per cent. The portion of the law permitting the reorganization of school districts has been well accepted. Since the law became effective in January, 1958, six school administrative districts have been formed, involving 30 separate municipalities.

Teacher education—a broad program of improvements in teacher education, involving new plant facilities, improved faculty salaries, and expanded curricula has been placed in operation. New buildings include a men's dormitory, a women's dormitory, and a science classroom building at Gorham State Teachers College; a multi-purpose building at Aroostook State Teachers College; a library-classroom building and a men's dormitory at Farmington State Teachers College; an administration and classroom building at Fort Kent Normal School, and a men's dormitory at Washington State Teachers College. Funds made available for this program totaled \$3,185,592.

New courses in art, music, health and physical education have been introduced.

An increase of 14 per cent in enrollments has been realized, due, in large part, to the improvements made.

One of the state teachers' colleges—Farmington State Teachers College—has been nationally accredited. This is the first Maine teachers' college to achieve this standing.

Approval and accreditation of secondary schools—a law passed in 1955, and becoming effective in 1960, provides for approval and accreditation of secondary schools. A good percentage of Maine's secondary schools will be inspected for accreditation when the law becomes effective.

Maine Vocational-Technical Institute—The Maine Vocational-Technical Institute has become more firmly established at South Portland. Title to the site has been obtained from the Federal Government, and plant and facilities have been improved. A new auto shop is under construction, and a new course in cooking and baking has been initiated.

Practical Nursing—a second school in practical nursing was opened in Waterville, and the original school at Presque Isle was improved and expanded.

Vocational Education Survey—a survey was undertaken to determine the needs of Maine for more vocational education.

Driver Education—driver education has been encouraged. Several new courses have been started and a plan for summer school instruction has been developed.

Maine School Building Authority—during this period, the Maine School Building Authority constructed 13 school buildings and issued \$826,000 in bonds.

Vocational Rehabilitation—in the field of human resources, the Vocational Rehabilitation Division expanded its services to the handicapped.

University of Maine—increased funds have been provided for improved pay scales for teachers and for better facilities at the University.

(3) In Health & Welfare:

In the past four years the Aid to the Disabled Program has been developed to the present caseload of about 1,600 with many consequent benefits to individuals, towns, families and our own State General Relief Program.

Establishment of the Hospital Pool Fund for public assistance recipients and its subsequent expansion to provide nursing home care were major advances. At the present time, this pool is providing about 70,000 days of hospitalization and 300,000 days of nursing home care per year at a cost of over \$1,500,000.

Two increases have been provided for in the maximum grants permissible in the adult public assistance programs and these changes have been supplemented by liberalization of requirements for responsibility of relatives.

The citizenship requirement was removed as a prerequisite for public assistance.

Requirements relating to property transfers and the definition of responsible relatives have been revised to minimize hardships.

The tuberculosis sanatoria have been strengthened greatly, both directly and indirectly, by such means as providing out-patient drug therapy.

Surplus food distribution has been more than doubled in terms of the number of towns participating and the amounts of food handled. We now distribute more than 60 carloads of food per year.

The Mental Health Program has undergone some degree of re-orientation, and the Alcoholic Rehabilitation Program has increased materially in scope and size.

An Indian housing project has been completed.

Nursing home standards have been improved.

New services, such as those relating to radiation hazards, have been developed.

The Water Pollution Control Program has been expanded greatly.

(4) **Institutional Service:**

Augusta State Hospital—there has been a large increase in funds for staff. Most of the funds enabled the hospital to improve ward services. In addition, services in the following areas were improved: occupational therapy, recreational therapy and social service.

An out-patient clinic was started in Lewiston under the direction of the hospital. The clinic provides services to prevent, detect and treat incidences of mental illness at the community level in an effort to reduce admittances to the hospital.

Provision was made for segregation of tuberculosis patients.

Arrangements, also, were made to segregate the most disturbed female patients.

Bangor State Hospital—an out-patient clinic was started in Bangor under the direction of the hospital for the same reasons that the Lewiston clinic was established.

Provision was made for the improved care and treatment of aged patients, male and female.

Pineland Hospital and Training Center—there was a large increase in funds for staff, resulting in a revision in staff structure with considerable improvement in both treatment and care services.

There was a greatly improved educational program in all areas—academic, vocational and occupational.

Facilities were established to provide for the segregation of those suffering from communicable diseases.

Funds were provided for the segregation and special care of disturbed patients.

Funds were provided for the centralization of treatment service and facilities.

Funds were provided for a pre-release program for selected patients as a final step in their education.

Accelerated training and treatment has enabled the institution to increase the incidence of people returned to the community.

State School for Boys—considerable increase in staff, improvement in the academic, vocational and recreational programs, and in psychological and social services.

Reformatory for Men—funds were provided for facilities to house individually 96 inmates. This enables the administration to segregate properly various types of inmates. Facilities were added to provide for indoor recreation.

Maine State Prison—a sizable increase in staff, mostly in the area of custody, was effected. For the first time provision was made for two full-time teachers and a barber instructor.

Probation and Parole—a new State Probation and Parole Board was created. This unit of Government centralized all probation and parole services at the State level, with the exception of juvenile cases in Cumberland County.

(5) **Other Improvements:**

Funds were provided for full-time chaplain service for the first time at the Maine State Prison. At the Reformatory for Men and the State School for Boys, one chaplain was employed to provide service for both institutions. Existing chaplain services at the Augusta State Hospital and Pineland Hospital and Training Center were strengthened by providing funds for additional chaplains.

Many new buildings have been completed at the State Institutions, increasing efficiency and improving the care and treatment of inmates and patients.

8. I asked the Director of the Bureau of Public Improvements to analyze all requests for major capital outlay and to establish priority ratings, listing for me those items which should be considered mandatory, those which should be considered essential, those desirable but not as pressing, and those which most reasonably could be deferred.

This was the result:

The departments and agencies of State Government had requested \$46,061,233 for major construction and plant improvements of which \$10,882,963 would be provided by sources other than State appropriations, leaving a balance of \$35,178,270 to be appropriated from the General Fund Surplus. This was the magnitude of the problem I submitted to the Bureau of Public Improvements. The Director and his technically-trained staff put in weeks of arduous work and then reported to me. Their study showed that \$742,537 in appropriations would be required for the projects considered mandatory, \$11,887,789 for those considered essential, \$12,403,355 for those considered desirable and \$10,144,589 for those which most reasonably could be deferred.

I have reviewed carefully the process used in assigning the various projects to the four categories and am convinced that the analysis by the Bureau of Public Improvements is completely realistic.

As you know, it has been a custom in Maine to finance construction from General Fund Surplus. You will note in the Budget document that estimated surplus projected for the end of this current fiscal year was \$3,409,840. However, from experience and additional study this estimate has been increased to \$6,000,000.

All of this sum would not be available for capital outlay. The law provides that the General Fund Surplus must be used to replenish the Contingent Ac-

count in the amount of \$450,000 a year. This would require \$900,000 for the biennium.

Provision also must be made to restore the state employees' and teachers' Group Life Insurance Account in the amount of \$48,000.

Provision should be made to increase the working capital of the Liquor Commission from \$3,000,000 to \$3,500,000. Experience has shown that the present working capital is insufficient to meet peak loads. An additional appropriation of \$500,000 is needed.

Provision also should be made to re-establish a Construction Reserve Account in order that construction of buildings authorized by the Legislature would not be held up because of lack of funds. This would require \$500,000.

I am advised by the Commissioner of Finance and Administration that increased funds should be set aside as additional working capital to protect the state's cash position. For this purpose I am recommending \$1,488,340.

Income to the Surplus Fund is estimated at \$66,666 for the biennium. Thus: \$6,066,666, minus the funds necessary to carry out my above recommendations, leaves a balance of \$2,630,326 available to meet construction requests totaling \$35,178,270.

Conclusions:

I have described to you in detail the ways in which I have approached the Budget problems. Now I shall state the conclusions I have reached, conclusions based upon the best information I could gather in three months of study.

I am convinced:

that the economy of the State of Maine is still suffering from the effects of the recession;

that the substantial progress made in the past four years can be maintained with a relatively modest increase in revenues;

that to add desirable services to our present level of operations, without discriminating against any particular area of State Government, would require a major increase in taxes; and

that to increase the Sales and Use Tax, or eliminate exemptions under it, or to establish an Income Tax would be the logical alternatives if a major increase in tax revenues were sought.

A BALANCED BUDGET

I feel it is my duty to present for your consideration a balanced General Fund Budget. In order to balance this Budget it has been necessary to reduce the appropriations, which would fully implement present laws for General Purpose Education Aid, from \$25,937,223 to \$23,279,191, a reduction of \$2,658,032.

Why, you may ask, should the reduction for a balanced Budget come in the vital area of General Purpose Educational Aid? The answer is a simple one. Education is an activity, common to every city and town, which may be con-

tinued by appropriation at the local level for the same dollar appropriated at the state level. In contrast, to cut Health & Welfare programs in which Federal matching monies are a factor would increase the burden at the local level by the amount of these Federal dollars because the Federal Government will not subsidize cities and towns directly. The communities would not only lose the State contribution, but the Federal contribution as well.

To reduce appropriations for Institutions would mean a definite curtailment of services as Institutions are a direct responsibility of the State rather than a shared responsibility with the cities and towns. The same is true of most other State activities. Thus, the unique shared responsibility in the field of education would enable the local communities to restore cuts in subsidies if they desired to do so.

The balanced Budget made possible by not appropriating full General Purpose Educational Aid would keep state services operating at the level to which they have risen in the past four years. And, despite a failure to increase General Purpose Educational Aid fully, it would be \$1,977,875 greater than in the present biennium.

Up to this point I have discussed with you the manner in which I have approached the General Fund Budget problems and the facts to which the various lines of inquiry have led me. Also, I have presented to you a balanced Budget within present revenue sources.

The time has come for me to spell out my recommendations.

I am a firm believer in a philosophy of progress for Maine. I want our state to go forward as fast and as far as possible. At the same time, I am acutely conscious of the fiscal problems arising from the recession still affecting our economy. After long consideration, I have come to the conclusion that we should progress at this particular time only as far as we can without a major tax increase.

Only in four areas do I recommend that we go beyond the balanced Current Services Budget. Here are my supplemental recommendations and the reasons for them:

1. We should provide the \$2,658,032 necessary to restore the reduction in General Purpose Educational Aid. In passing the school subsidy act, it seems to me, a promise has been made to the people of Maine to carry out its provisions fully. I think that promise should be kept.

2. We should provide a State Employees' Salary Adjustment Fund to meet changing conditions in the interim periods between regular sessions of the Legislature. In this way the State could remain at all times in a competitive recruitment position with private industry and with our neighboring New England states. I recommend appropriation of \$1,200,000 for this fund.

3. I think it would be extremely shortsighted in the Capital Improvement field to make fewer repairs and improvements and provide fewer new buildings than those which a professional survey has labelled "mandatory" or "essential." To provide for this minimum necessary construction would require a \$10,000,000 bond issue, to be paid for over the next twenty years. Thus, we should provide funds, beginning with the next biennium, to retire the bond issue. This would

require \$546,250. Here is an area where real progress can be made without imposing major increases in taxes. My recommendations would provide for major repairs and construction in many important areas. For your information I shall list a few:

Maine Vocational-Technical Institute	\$165,800
Bureau of Public Improvements	303,400
Northern Maine Sanatorium	538,400
Western Maine Sanatorium	297,100
Bangor State Hospital	437,400
Pineland Hospital and Training Center	1,626,757
Reformatory for Men	86,600
Maine State Prison	279,800
Maine Port Authority	186,100
State Parks	760,416
Maine State Police	165,200
Aroostook State Teachers College	260,400
Farmington State Teachers College	1,056,875
Gorham State Teachers College	820,920
Washington State Teachers College	319,900
Fort Kent State Normal School	307,500
University of Maine	3,996,000

4. A professional study of the state and community tax structures, including a close look at our unorganized districts, is long overdue to determine the most equitable and fair tax sources that should be available to finance the expenditure requirements of each level of government. I recommend that such a study be made, under the guidance of a citizens' committee, and that \$50,000 be appropriated for this purpose.

FINANCING SUPPLEMENTAL RECOMMENDATIONS

The review of our selective taxes and the present exemptions under our Sales and Use Tax revealed one glaring inconsistency. That is the exemption of the automobile trade-in allowance from the Sales tax. It is obviously discriminatory. Trade-in allowances on all other manufactured items are not exempted. I recommend that this discriminatory exemption be eliminated, thereby increasing the General Fund income by \$3,000,000.

As you know, the Maine State Liquor Commission, for reasons already stated, increased, as of January 2, 1959, the selling prices of hard liquors. The Commission also has recommended establishment of ten new liquor stores in the coming biennium. These new stores would improve the service to the general public, provide additional job opportunities and increase the net profit made available to the General Fund for appropriations. To implement the recommendation for new stores, it would be necessary to increase the Liquor Commission appropriations. I therefore recommend that appropriations be increased by these amounts:

Personal Services	\$205,111
All Other	123,080

The combined result of increasing the prices of hard liquor and the establishment of ten new stores would increase revenues to the General Fund by \$1,500,000.

The methods I have recommended for obtaining additional revenue would produce an estimated \$4,500,000 during the biennium. Recommended supplemental appropriations total \$4,454,282, leaving the General Fund in balance by \$45,718.

HIGHWAY FUND

The Budget for the Highway Fund is in balance. This was accomplished by making the assumption that you will authorize allocation to the Highway Fund for construction purposes \$14,243,000, the remaining balance of the \$24,000,000 bond issue which is unallocated at this time. Legislation to authorize the \$14,243,000 allocation will be presented to you for your consideration.

Total undedicated revenue from current sources, that is the Gas Tax, motor vehicle registrations, operators' licenses and miscellaneous sources, is estimated at \$63,066,600 for the next biennium. To this would be added the \$14,243,000 of bond funds, making a total amount available for allocations in the Highway Fund for the biennium of \$77,309,600. Suggested allocations for highway activities, including 50% of the allocations for State Police, would amount to \$77,128,637 during the biennium.

The Balanced Budget as it is presented to you provides for financing highway activities, such as summer and winter maintenance, traffic services, administration and other routine operations. Special State Aid would be continued at \$1,000,000 per year. Town Road Improvement Funds would be continued at \$1,500,000 per year. There would be some increase in the regular State Aid allocation to match increased town appropriations, and there would be sufficient State monies to match all Federal funds for construction which have been allocated for the fiscal year 1960 and which are estimated for the fiscal year 1961.

The construction program, excluding the State Aid Account, Town Road Improvement Fund, and General Bridge Act Account, would amount to an estimated \$61,000,000 over the next biennium of which approximately \$30,000,000 would be for the Interstate Highway. Provision has been made for including approximately \$1,500,000 each year for State projects which are urgently needed. Projects now under construction by the State Highway Commission provide for the reconstruction of 160 miles of highway and 59 bridges at a cost of approximately \$51,453,000. It is estimated that the construction program for the next biennium would result in the reconstruction of 277 miles of highway and 27 bridges.

While our highways are showing improvement as a result of our activities over the past several years, the demands still exceed the monies that are available and it is necessary to select the location of construction projects in a careful and judicious manner. This is being done by the State Highway Commission through the use of the Sufficiency Rating Procedure as a guide in the selection of such projects.

The Balanced Budget for the Highway Fund for the next biennium has been made possible through the authorization by the Ninety-eighth Legislature of the \$24,000,000 bond issue. The members of that Legislature should be commended for their foresight in passing the Authorization Act for this bond issue. In reviewing the thinking which prevailed at the time that the bond issue was authorized, it is obvious that the Legislature accepted the principle that highway financing should be arranged for a minimum of four years in the future in order to permit proper planning on the part of the State Highway Commission

and its engineers. Due to the fact that the proceeds of the \$24,000,000 bond issue will be entirely obligated at the end of the next biennium, June 30, 1961, I believe it is necessary to give consideration during this legislative session to highway financing for the biennium starting July 1, 1961 and ending June 30, 1963. It was expected that a study of highway user taxes and the use of our highways by vehicles of different sizes and weights would be available through the Legislative Research Committee for consideration during this legislative session. However, because this study was to be based, in part at least, on a nation-wide study being carried on by the Federal Bureau of Public Roads—a study which will be delayed until 1961—it is not possible for the Legislative Research Committee to make recommendations for your consideration during this session.

Because recommendations from the Committee will not be available, I do not believe it advisable to consider increasing the revenue from highway user taxes at this time, either through raising the present taxes or levying a new tax.

However, it will be necessary to obtain additional funds to finance highway activities for the second biennium, July 1, 1961 to June 30, 1963. It is my recommendation that consideration be given to issuing bonds for this purpose. As of July 1, 1959, total highway bonds outstanding and authorized will amount to \$51,500,000. During the four year period, July 1, 1959 to June 30, 1963, bonds will be paid off to the extent of \$15,700,000. We could, therefore, issue bonds in an amount equal to that which would be retired during this period, in other words \$15,700,000, and still hold the line insofar as our highway bonded indebtedness is concerned.

A projection of anticipated expenditures and revenues indicates that there will be a deficit to the extent of \$14,500,000 in the second biennium. We could authorize bonds to the extent of \$15,000,000 to finance highway activities in the second biennium and still reduce our bonded indebtedness over the four-year period, July 1, 1959 to June 30, 1963, by \$700,000. This would permit us to finance all highway activities in the second biennium, including Special State Aid, Town Road Improvement and other routine activities, and match all Federal funds anticipated for that period.

In creating debt it is always well to think in terms of some offsetting factor either in the form of additional revenues or reducing expenditures. I have already indicated that I do not believe we should consider increasing highway user taxes for the purpose of obtaining additional revenue until the recommendations of the Legislative Research Committee become available, which will be during the regular session of the Legislature in 1961. Thinking along the lines of the other alternative, reducing of expenditures, it seems to me that omitting the Special State Aid Construction allocation of \$1,000,000 per year effective July 1, 1961, would seem desirable.

There is some possibility that State funds for highway purposes as contained in the budget for the next biennium, July 1, 1959 to June 30, 1961, will not be entirely obligated. State fund requirements for the next biennium in the primary, secondary and urban categories have been computed on a 50-50 basis with matching Federal funds. However, the State Highway Commission is considering several grade crossing elimination projects which, under Federal law, would require less than 50% matching by the state. If these projects are approved by the Federal Bureau of Public Roads it is estimated that \$1,000,000 of State monies would be carried forward into the second biennium. If

this is done the Special State Aid construction allocation for the second biennium could be reduced to \$500,000 per year rather than entirely omitted.

If the Special State Aid construction allocation were omitted or an adjustment made in the amount of such allocation, then it would be possible to finance highway construction activities in this second biennium with a \$13,000,000 bond issue. It is, therefore, my recommendation that this Legislature authorize a bond issue in that amount and that the Special State Aid allocation effective July 1, 1961 be omitted or adjusted to \$500,000 per year, depending upon the availability of state monies being carried forward into the next biennium. If a \$13,000,000 bond issue is authorized, then our highway bond indebtedness actually would be reduced to the extent of \$2,700,000 over the four-year period ending June 30, 1963. It is my belief that the authorization of such a bond issue is desirable for the purpose of permitting additional facts to be developed in connection with highway user taxes and, also, because the State will be required to match exceedingly large sums of Federal funds during the next four years.

There may be other methods of financing the Highway Program for the second biennium and I am sure that you will wish to give this matter full consideration before making a decision. However, it is my conviction that the procedure for adequate financing should be authorized for the four-year period starting July 1, 1959, if we are to take advantage of Federal funds and provide sufficient opportunity for highway planning.

Due to an unavoidable delay the Maine Highway Safety Committee was not able to present its requests for funds necessary to continue the activity of this Committee for the next biennium in time for the appropriation to be included in the Budget document.

Recognizing the outstanding work performed by this Committee and the important function it serves, I recommend the following appropriations, half of which would be financed from the General Fund:

Personal Services	\$20,118
All Other	29,800

SUMMARY

To summarize General Fund Operations:

I have outlined a Balanced Budget within presently available estimated revenues;

I have recommended supplemental appropriations to:

- (1) meet 100 per cent of the requirements of the present school subsidy law;
- (2) establish a State Employees' Salary Adjustment Fund;
- (3) begin retirement of a General Fund Bond Issue for building construction purposes; and
- (4) provide for a study of the tax structures of State and local Governments.

For major capital requirements I have recommended a \$10,000,000 Bond Issue to finance mandatory and essential projects.

To finance the supplemental recommendations I have recommended a relatively minor increase in estimated revenue by eliminating the present Sales tax exemption on automobile trade-in allowances.

To summarize Highway Fund operations :

I have recommended that we continue our present highway program for the next four years and provide a \$13,000,000 Bond Issue to be retired, beginning in the second biennium, by using savings derived from a reduction in the Special State Aid Account.

In conclusion, I should like to express my appreciation for the patience and cooperation of the members of the Legislative Advisory Committee on Budget and for the indispensable assistance extended to me by officials of our State departments.

CLINTON A. CLAUSON,
Governor of Maine.