

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

One Hundred and First Legislature

OF THE

STATE OF MAINE

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Budget Message
of
Governor John H. Reed
to the
101st Legislature
January 10, 1963

BUDGET MESSAGE ADDRESS OF
GOVERNOR JOHN H. REED
TO THE ONE HUNDRED AND FIRST LEGISLATURE

January 10, 1963

Mr. President and Members of the 101st Legislature:

During the next few months you will be dedicated to the task of working out the best solution to each of the problems presented by the hundreds of bills and resolves that will be referred to your Joint Legislative Committees.

Among all of these bills and resolves no other area of debate will challenge your wisdom and judgment to the extent of those related to state finance.

With that conviction, and it is a conviction based on my experience in both the Legislative and Executive Branches of State Government, I have devoted much of my effort in recent weeks to a careful study of our income sources and the needs of Maine people that should be met at this time. The decisions I have arrived at, as reflected in the budget document, have been difficult.

The requests from the various department heads have had my careful scrutiny. I have had searching conferences with each of the department heads responsible for the major expenditures. Following these conferences I have made every attempt to reduce costs to the minimum reasonable needs to carry on state services at substantially the same levels as have been established by prior legislative action.

By this same conference method I have devoted an equal amount of time and study to our capital construction needs, and in this area I have made a determination of what capital construction program should be.

I present these recommendations to you in brief form knowing that the carefully prepared budget document will detail these conclusions, item by item, for your consideration.

GENERAL FUND

Let us first consider the General Fund. For the biennium ending next June 30th, the 100th Legislature enacted measures providing total General Fund appropriations of \$128,484,000. I have concluded that to maintain this same level of service we will be required to provide \$143,381,000 in the next biennium. This is an increase of nearly \$15,000,000 for the two year period. While all of this detail will be disclosed to you in the budget document, I would like to direct your attention to the major items making up this apparent 11.6 per cent increase in General Fund operating costs.

Using approximate figures for the biennium, the statutory provisions that provide for educational state aid to the municipalities has increased by nearly \$7,000,000. This comes as a result of increased foundation program expenditures by the cities and towns along with the state sharing in a greater number of school districts and the substantial increase in state sharing of the costs of local school construction activity.

In our other educational responsibilities, the University of Maine's operational needs require additional appropriations of more than \$1,100,000. The new state educational television program will require funds in excess of \$500,000 and increased state retirement costs for teachers' pensions amount to about \$1,700,000.

In summary, therefore, nearly \$10,300,000, or about 68 per cent of this problem is directly related to these four areas in our educational efforts. Each of these cost increases have been substantially predetermined by the actions of prior legislatures.

State wage costs will be up by about 3½ per cent annually in the next biennium and will require increased appropriations of nearly \$2,700,000. The related increases in state retirement contributions add another \$500,000.

There are, of course, numerous other changes—some increases and a few decreases, but in the interest of brevity I will not tabulate them here.

Thus, with an indicated need of \$14,897,000 for increased General Fund appropriations the few major items previously mentioned account for more than 90 per cent of the overall problem that the budget document presents to you.

REVENUE ESTIMATES

The Bureau of Taxation and other departments involved in the revenue projecting process have estimated, under current laws, that our General Fund undedicated revenue for the 1963-65 biennium will be \$130,656,000.

As I outlined previously, my basic recommendation for appropriations to continue the current level of state service amounts to \$143,381,000. As you can readily see, it will be necessary to obtain \$12,725,000 in new revenue in order to balance the Part I budget. Part I being that section designed to carry on General Fund services as approved and appropriated for by previous legislatures.

SUPPLEMENTAL RECOMMENDATIONS

I now turn to those areas in which I have been convinced there is a proven need for increased or expanded services. These items have been carefully evaluated as to the priority of need and in my opinion are the minimum improvements we should strive to achieve in the coming biennium.

In summary form my recommendations are:

Department	Biennium Amount (to the Nearest \$1,000)
ADJUTANT GENERAL	\$ 6,000
Operating costs of three new buildings and one building custodian at Fort Williams	
AGRICULTURE	\$ 36,000
Establish Foreign Trade Division and Poultry Vaccine Testing Program	
ECONOMIC DEVELOPMENT	\$ 141,000
Provide for additional industrial and recreational advertising; establish Boston tourist office; relocate New York tourist office; employ additional promotion representative	
EDUCATION	\$ 1,466,000
Provide \$512,000 to bring General Purpose Education Subsidy payments to 100%; \$5,000 to continue two Vocational Rehabilitation limited employees; \$32,000 for additional Driver Education Grants; \$31,000 for operating expenses, new salary schedule, additional staff at the Maine Vocational Technical Institute; \$68,000 for Educational Television; \$318,000 additional operating funds for teachers colleges; \$500,000 operating funds for Presque Isle Vocational School	
EXECUTIVE	\$ 8,000
Secretary, supplies and equipment	
FINANCE AND ADMINISTRATION	\$ 170,000
New positions, additional personnel and equipment in Accounts and Control, Budget Office, Bureaus of Purchases and Taxation	
HEALTH AND WELFARE	\$ 625,000
Provide \$300,000 for Extended Medical Assistance Program; \$125,000 for A. D. C. Unemployment Grants; \$200,000 for increased Foster Home Board and Care Payments.	
JUDICIARY	\$ 75,000
Establishment of District Court sites	

Department	Biennium Amount (to the Nearest \$1,000)
MENTAL HEALTH AND CORRECTIONS	\$ 596,000
Provide \$108,000 for new Bureau of Business Management Administrative Costs; \$90,000 for increased operating expenses — Bureau of Corrections, Architectural Fund and additional Probation and Parole Services; \$135,000 for Boarding Care Program at Augusta and Bangor State Hospitals; \$158,000 to continue Limited Employees; \$62,000 for Mobile Park and Forestry Unit at Prison; \$43,000 for two Correctional Officers and related expenses at the Reformatory for Men	
PARK COMMISSION	\$ 40,000
Establish Division of Outdoor Recreation	
SCENIC COMMITTEE	\$ 30,000
Provide program of Education	
SEA AND SHORE FISHERIES	\$ 91,000
Increased operating funds, personnel, additional patrol vessels, \$46,000; establish Lobster Research Program, \$45,000	
STATE EMPLOYEES	\$ 1,082,000
Provide \$942,000 for longevity; \$140,000 to increase employee mileage allowance	
STATE POLICE	\$ 66,000
Additional troopers and other personnel (General Fund Share — 25 per cent)	
UNIVERSITY OF MAINE	\$ 500,000
Additional State Grant	
VETERANS AFFAIRS	\$ 9,000
Reclassification of nine veteran representatives	
BOND INTEREST	\$ 510,000
TOTAL	\$ 5,451,000

To summarize, I am recommending a basic General Fund appropriation measure of \$143,381,000 and supplemental appropriations of \$5,451,000 — a total of \$148,832,000 in General Fund operating appropriations for the coming biennium.

CAPITAL IMPROVEMENTS

Two years ago in my Budget Message I recommended that our Capital Construction appropriations be limited to the balances we could anticipate in the Unappropriated Surplus of the General Fund. I believed then and I believe now that if it were at all possible to balance the urgent needs against the modest \$4,000,000 estimated as available for construction purposes in the Surplus Account such a solution would be desirable.

However, desirable as it might be, the facts deny such a decision. We must, if we are to reasonably face up to the needs, give consideration to another General Purpose Construction Bond Issue and to do it with the full realization that principal and interest payments in future years must be appropriated from General Fund income sources.

In determining what capital projects should receive priority I have worked closely with the Bureau of Public Improvements. This agency has painstakingly arranged all the requests according to their urgency of need.

My final decision was that we should enact a Capital Construction Program of \$22,577,000.

Since the Bureau of Public Improvements will submit a detailed report to you on all projects, I will simply summarize them in this message:

Department	Biennium Amount (to the Nearest \$1,000)
Adjutant General	\$ 41,000
Aeronautics Commission	3,047,000
Economic Development	23,000
Aroostook State Teachers College	61,000
Farmington State Teachers College	913,000
Fort Kent State Teachers College	462,000
Gorham State Teachers College	1,230,000
Washington State Teachers College	388,000
Maine Vocational - Technical Institute	386,000
Northeastern Maine Vocational Institute	366,000
Bureau of Public Improvements	1,805,000
Forest Service	103,000

Department	Biennium Amount (to the Nearest \$1,000)
Health and Welfare	\$ 54,000
Augusta State Hospital	693,000
Bangor State Hospital	505,000
Pineland Hospital	426,000
Boys Training Center	5,000,000
Stevens Training Center	248,000
Reformatory for Men	76,000
Reformatory for Women	148,000
Maine State Prison	467,000
Governor Baxter School for Deaf	35,000
Military & Naval Children's Home	29,000
Maine Port Authority	133,000
Maine Maritime Academy	205,000
Sea and Shore Fisheries	8,000
State Park Commission	1,462,000
Maine State Police	196,000
University of Maine	4,065,000
TOTAL	<u>\$22,577,000</u>

To finance the Capital Construction Program I recommend a General Fund Bond Issue of \$17,000,000, the use of \$4,000,000 from the Unappropriated Surplus, \$1,433,000 from a self-liquidating bond issue and \$144,000 from the Highway Fund.

The self-liquidating bond is for dormitories and dining facilities at teachers colleges, a principle established by previous legislatures. The Highway Fund Allocation is for 75 per cent of the cost of an addition to the State Police Headquarters Building. This is the same percentage ratio on State Police costs shared by the General Fund and the Highway Fund. A minor increase in the highway allocation may be necessary to include the \$144,000.

FINANCING THE GENERAL FUND REQUIREMENTS

At this point I will review the General Fund requirements indicated by the recommendations I have made.

OPERATING REVENUES AND APPROPRIATIONS

The basic appropriation measure	\$143,381,000
The supplemental appropriation measure	\$ 5,451,000
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TOTAL	\$148,832,000
Estimated General Fund Undedicated Revenue	\$130,656,000
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DIFFERENCE	\$ 18,176,000
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The capital construction measures	\$ 22,577,000
From previously recommended sources	\$ 22,577,000
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It is apparent, if these recommendations receive your approval, as I sincerely hope they do, we will require \$18,176,000 in additional General Fund Revenue.

TAXATION

In facing up to the vexing problems of taxation I have read and re-read the many published reports that relate to the problem. I have taken advantage of my associations with my fellow governors at the several conferences I have attended, and, of even more significance, I have talked with many, many Maine citizens. My carefully considered conclusion is that an increase from 3 per cent to 4 per cent in our present sales and use tax offers the best solution to our problem. The estimated biennial income from this sales tax increase is \$18,210,000. Assuming, as I recommend, that the change be made effective July 1, 1963 to be first reflected in August revenues.

Your first considerations, of course, are the facts surrounding the indicated needs for increased appropriations. If you conclude, as I am confident you will, that this 101st Legislature should meet these needs, you logically will consider what tax source can be enacted as fair and equitable. Certainly the existing sales tax collection machinery offers minimum collection and administrative expense and in my opinion is the best solution to the difficult problem.

At all times I shall be ready to review these major finance areas with you and with you consider alternatives as they may apply to either the appropriation or the income side of these substantial finance problems that we must jointly face.

HIGHWAY FUND

The Highway Fund Budget as presented provides for another progressive two-year highway program.

State Aid, Special State Aid and Town Road Improvement allocations are continued at the same levels as approved by the 100th Legislature.

All Federal Funds made available would be matched by appropriate State Funds to support a record highway construction program for Maine in the amount of nearly \$59,000,000 for the biennium, including \$2,500,000 per year for state projects, advanced engineering and reconstructing highways at hazardous locations.

This budget is balanced by the use of \$2,000,000 from the Unappropriated Surplus of the Highway Fund for debt retirement plus \$7,000,000 from the proceeds of bonds as previously authorized by the Legislature and approved by referendum vote by the people.

I firmly believe that this budget, as presented, represents sound recommendations covering the construction and maintenance of both our main highways and secondary roads, both of which are so essential to the economy of Maine.

I also recommend that this Legislature follow the procedures of prior sessions by recognizing the merit in making provisions for highway financing in the two years following the coming biennium. So far as we can now determine, additional highway bond financing should be authorized in the amount of \$5,100,000 for the continuation of the program in the biennium beginning July 1, 1965 and ending June 30, 1967. In your consideration of this recommendation I would point out these important facts related to the soundness of our past, present and, as recommended, our future highway financing. Actual bond retirement during the seven-year period, 1958 - 1964 inclusive, will total \$22,550,000 and is estimated at \$16,100,000 in 1965, 1966 and 1967, or a ten-year total of \$38,650,000. As a result of these substantial highway bond retirements during this ten-year period, I project the total outstanding highway bonds to be \$43,950,000 at the end of 1967 and note that as long ago as 1953 this total of outstanding highway bonds was \$37,130,500, an increase of less than \$7,000,000 in fourteen years.

In consideration of the progressive highway program adopted by prior Legislatures, highway financing in Maine has been and, I am sure, will continue to be on a sound financial basis.

A final recommendation on the subject of highways is that in order to continue our policy of equitable taxing we should bring up to date the Maine highway-user tax study of 1960.

LIQUOR COMMISSION

A financial problem of increasing urgency has been developing in the State Liquor Commission.

The maximum permanent working capital of the Commission is limited to \$3,000,000. This limitation was established in 1945, since then 30 new stores have been added and gross sales have increased from \$18,000,000 to \$27,000,000.

The limitation has forced the commission to operate with an extremely marginal inventory. In many instances they have found it difficult to adequately stock their stores.

In order to correct this situation I recommend that the maximum permanent working capital of the commission be increased to \$3,500,000 and that consistent with current laws the governor and council could approve and transfer from the General Fund Surplus, as available, permanent advances until the new maximum is reached.

Legislation will also be introduced to further improve the commission's efficiency.

MANPOWER DEVELOPMENT

The Manpower Development and Training Act of 1962, a Federal Program, provides vocational and on-the-job training for unemployed and underemployed persons.

Training under the Act is designed to provide workers with new skills and upgrade their present skills. This program has been operated with a reasonable degree of success in this state.

Present financing is provided wholly by Federal funds. However, with the fiscal year commencing July 1, 1964 it will become necessary for the State to appropriate matching funds in order to participate.

It is my desire that you lend a high priority in your deliberations to the continuation of this Program.

PORT DEVELOPMENT

The State of Maine has a specific interest in the potential of expanding world markets. In order that the State be prepared to take advantage of its opportunities to participate in an expanded World Trade Program, it is necessary that we employ foresight and planning.

It is, therefore, my suggestion that a comprehensive study be made of one of Maine's greatest natural assets — its harbors.

It is envisaged that such a study should be the foundation of a systematic plan of future development.

In my opinion, a professional report on this subject should be provided for the consideration of the 102nd Legislature.

CONCLUSION

In conclusion, let me assert that it has been my objective in presenting this budget to strive for the continued progress of Maine, realistically meeting the increased requirements placed upon state services, while effecting all possible economy in government operations.

At this time I wish to acknowledge the assistance of Mr. Raymond C. Mudge, Commissioner of Finance and Administration; Mr. Roland M. Berry, Budget Officer; Mr. Niran Bates, Director of the Bureau of Public Improvements, their staffs, and the heads of the various departments and agencies for their helpful cooperation.

I am sure we share a mutual concern for efficiency in state government, for providing needed services, and for the judicious expenditure of our tax dollars.

I am confident you will apply sound judgment to this budget and will dedicate your efforts in the coming months to resolving the vital fiscal questions before you.

In so doing, the 101st Legislature will earn the gratitude of the people of Maine who aspire as we all do, toward a better life in a progressive state.

JOHN H. REED,

Governor of Maine