

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

One Hundred and Fourth Legislature

OF THE

STATE OF MAINE

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Budget Message Address

of

Governor Kenneth M. Curtis

to the

One Hundred and Fourth Legislature

STATE OF MAINE

January 9, 1969

Mr. President, Mr. Speaker and Members of the 104th Legislature—

Of the many duties which law and custom impose upon a Governor, none is more important than the preparation and presentation of his Budget Message to the Legislature.

Preparing the Recommendations

A Budget Document—or State Financial Plan—with its mass of charts and statistics embodies the Governor's concept of what Maine is—and what it ought to be.

To help me carry out this responsibility, I have made a long and determined effort to stimulate and seek out the best thinking of Maine citizens, State officials, and recognized authorities in several fields.

I am deeply indebted to the hundreds of Maine citizens who served without pay on more than a score of task forces and study groups. Their recommendations have received careful consideration; many are included in this message.

State agencies have cooperated in our attempt to make this Budget a broad, yet accurate picture, of Maine's needs.

I am satisfied that this Budget reflects priorities based upon overall state-wide objectives, rather than merely separate goals of individual State departments.

State of the State of Maine

I want to report briefly on the general condition of our State, to provide you with some background against which to evaluate the recommendations you will receive in the coming weeks.

Maine has made significant progress in the past several years.

Once characterized as "The Sleeping Giant Downeast," Maine has begun to awaken.

The people of Maine—all of us—have contributed to this progress.

The 103rd Legislature made significant contributions, particularly in the creation of an expanded, state-wide University system. This development was an expression of a new, progressive attitude spreading across Maine: that second-best is no longer good enough for us.

It was the expressed intention of the 103rd Legislature—and it certainly is the intention of this Governor—that we have the best possible system of higher, secondary and elementary education.

This quest for excellence has found its way into most of our communities—the front lines in the continuing struggle to improve our schools.

This commitment has been demonstrated in other important ways during the past two years:

State general purpose aid to local schools was increased by nearly 40%, from \$27 million in 1966 to \$36 million in 1968.

7 new classrooms were authorized for Indian Reservations.

New University campuses were authorized at Augusta and Dow Field.

A new vocational institute was authorized for Washington County.

A \$12.5 million student loan program was created.

\$22 million was authorized for capital construction of higher education facilities.

Enrollment in Maine public higher education increased by 22 percent, from 11,943 to 14,608.

Our investment in quality education—indeed in all State services—directly affects economic progress, an area in which we have moved forward rapidly in the past two years.

A new record was set in 1968 in attracting new industries, in plant expansions, and in the creation of new jobs.

In two years 58 new firms have located in Maine creating over 4,000 new jobs. Ninety-seven Maine firms have expanded.

Total Maine employment has risen from 366,500 in 1966 to over 377,000.

What is unique in our recent growth is our use of imaginative approaches to uncover areas of potential industrial development with new opportunities and higher wage scales. The proposed Machiasport oil refinery project has thrust Maine into the national limelight, and given our State a position of leadership in attempting to correct a problem that affects the consumers, not only of Maine and New England, but the rest of the United States.

Large national industrial firms are increasingly turning their attention to Maine. By adding a new facility at Bangor, General Electric Company brought its third plant in two years to Maine. Occidental Oil Company, the New England Refinery Company, and King Resources are companies interested in Maine. Callahan Mining Company has successful operations at Harborside, and the potential of a major mining industry in Maine has been recognized by firms like Humble Oil.

With the successful development of the beet sugar industry, Aroostook County is no longer dependent upon a single crop. An exciting future is in store for Bath Industries, a finalist in the competition for the \$2 billion DX contract. That future includes a possible \$50 million expansion and a work force of over 10,000 persons. Such a tremendous undertaking has generated proposals to consider the concept of "new towns" in Maine to meet the housing needs of a growing State in a well planned and balanced manner.

New concepts for the use of existing Maine facilities are in operation or being developed.

Dow Field is well on its way to conversion to Bangor International Airport—an alternate airport and fuel stop for international flights. Ground will be broken there in April for the construction of a \$2.5 million modern terminal.

The past two years saw the jet age come to Southern Maine with a new terminal and extended runway at Portland.

The huge markets of the Mid-west are opening up with the Civil

Aeronautics Board's approval of direct air service from Maine to Chicago and through increased interest in the construction of an East-West Highway.

Maine's important tourist industry has grown more than 15% in the past two years.

The way has been paved for more efficient and orderly growth through the establishment of a State Planning Office and through the Department of Economic Development's newly created Community Betterment Program, and its visionary policy of development through conservation.

Many other important developments are taking place in Maine—the Dragon Cement Company's decision to build a \$17 million ultra-modern dust-free cement plant—the multi-million dollar investments of our paper companies in new facilities—a gigantic new potato processing plant in Aroostook County—the explosion of activity in the South Portland area with space age firms like Fairchild and Sanders Associates and the huge regional shopping center—all these, and many more, demonstrate vividly that Maine has an exciting future.

It is this growth that can project Maine into a unique position of leadership in the nation, provided we show that we can handle this growth discriminately and with foresight, preserving the best of our heritage—human and natural—while reaching for the future.

In January of 1967, in my Inaugural Address, I quoted Thomas Jefferson, who said, "The care of human life and happiness is the first and only legitimate object of good government." I believe this even more deeply today. We must evaluate our record as the foundation for further efforts by all of us to improve the life and the prospects for happiness of all Maine people.

For the first time in our history, Maine people ratified a bond issue for the exclusive benefit of Indians living on reservations in Maine. State laws were changed and housing authorities created to enable the Indians themselves to improve housing facilities on the reservations.

A State Rural Youth Corps was created. Funded by the Federal government, the Corps is an experimental effort to provide self-help for the far too many of our rural youth being left behind in the competition of modern American life.

Recently, also with the help of Federal funds, a Senior Service Corps was formed, employing senior citizens in a unique self-help project to provide social activities and job opportunities for our aged population.

In 1968, the Youth Opportunities United program found summer jobs for 13,900 young people, an increase of 8,900 over the previous year.

Maine people displayed their deep compassion for others by turning the Maine Partners of the Alliance program into the most successful in the country through their efforts to help the Brazilian people of our Sister State Rio Grande do Norte.

A number of new Highway Safety programs were instituted. Twenty-eight new troopers were added to the Maine State Police. A new speed control device, Vascar, was put into service. In the year 1968, Maine saw a substantial decrease in auto fatalities over the previous year.

State employees received pay increases, highway maintenance personnel were placed under classified service, and management of the Maine State Retirement Fund was turned over to professional investors.

Maine moved forward in other areas. Six new State Parks were opened, including the Allagash Wilderness Waterway, involving over 30,000 acres of land, and a \$4 million bond issue was authorized for the purchase of land for future park and recreational development. The Water and Air Environmental Improvement Commission was created, and thirty-one state-assisted projects for sewage treatment facilities were authorized.

The Future Pattern of Maine Growth

The progress I have described refutes the old belief that Maine is destined to be a second-class State. For too long, we have been the victims of a kind of inferiority complex that says it's folly to think that Maine might help to lead this nation. I say it's possible.

And I say it is not just because we are doing better in industrial development. Many states are getting new industrial plants. But when we see the unrest and dissatisfaction, the seemingly insoluble problems plaguing many of the larger states, we see where Maine, with its great intangible asset of livability, can forge a blueprint of growth for America in the last half of the twentieth century. We can work to conserve the best in our environment. We can profit by the mistakes of others. We can develop a way of life that is modern, and yet retain the best of our heritage. There is a chance now, as never before in the history of our State, to achieve this goal—for the progress to insure our citizens a decent wage scale, with the excitement and newness to capture the imagination of our young people, for the material resources to assure us quality education, and with the determination to safeguard and improve our natural beauty and livability. Maine stands at an historic juncture. Maine has some historic decisions to make.

The Challenge Ahead

In this modern age, there can be no escape from responsibility. It would be self-deception to pretend that Maine does not have pressing problems, along with the opportunities already mentioned. Despite our efforts, Maine still ranks low among the states in per capita expenditure on education. Our welfare system is inadequate. The need for new housing is critical. To say our pollution abatement efforts are sufficient would be grossly incorrect.

We have deferred some needs in the past and they are now coming due as bills to be paid. At the same time, new needs arise. As holders of the public trust, it is our duty to assign priorities, to determine the urgency of requests, and to meet the challenges that must be met.

Let me give you an illustration of the magnitude of the task this year. In preparing the budget you will receive, my staff and I, after careful study and consideration, have deleted more than \$50 million from the total General Services budgetary requests submitted to us. We have also trimmed some \$40 million from the capital requests. These cuts represent programs and needs that are worthy, but in our judgment cannot be of crucial priority now.

To put the situation in its proper perspective, one need only note that

this \$50 million cut equals about 2/3 of the entire General Fund appropriation for the State of Maine a scant 14 years ago.

Why is this? National economic growth is one answer. Inflation is another. Increased need is another. A desire to shoulder our responsibilities as a State and not have them taken over by the Federal government is still another.

The rising cost of living has increased the costs of public services. Costs are increasing in every Maine community. The property taxpayer, it is no secret to anyone, needs and expects relief.

This State faces the one problem common to all states: We need additional revenue to pay for the increased cost of existing services and to meet new demands.

We are, however, better equipped to do so than might first appear.

The fiscal position of our State is sound and solid. We enjoy a triple A credit rating, which assures the lowest interest rate on bonds. In two years, General Fund revenues have grown \$11.4 million or 11.3% before the proceeds of tax rate increases are figured in.

In the final analysis, we have the resources to achieve progress, if we have the courage and the desire to pass the necessary legislation to bring this about.

The program represented in this budget is comprehensive. It is a grouping of high priority items, pruned from many, many requests. It is, despite its price tag, an austere budget in terms of the total demand placed upon us, if we are going to reach our goal of excellence for our children and future generations.

Appropriations
DOLLAR INCREASES OF GOVERNOR'S PART I RECOMMENDATIONS
OVER APPROPRIATIONS OF THE 103rd LEGISLATURE

	1969-70	1970-71	Total Increase
General Administration	\$ 2,494,557.00	\$ 2,555,827.00	\$ 5,050,384.00
Protection of Persons and Property	1,511,669.00	1,470,074.00	2,981,743.00
Development and Conservation of Natural Resources	723,316.58	940,258.00	1,663,574.58
Health, Welfare and Charities	2,567,914.00	2,119,860.00	4,687,774.00
Mental Health and Corrections	2,592,255.00	2,648,095.00	5,240,350.00
Education	14,804,726.05	16,719,452.00	31,524,178.05
Bond Retirement	3,250,000.00	3,810,000.00	7,060,000.00
Bond Interest	1,495,863.00	1,623,371.00	3,119,234.00
Other	3,284,909.00	2,055,789.00	5,340,698.00
Contributions and Transfers to Other Funds	(10,305,339.52)	(10,414,842.89)	(20,720,182.41)
Total	22,419,870.11	23,527,883.11	45,947,753.22
Revenue Estimated - Not Appropriated - 103rd	(78,112.60)	(206,886.11)	(284,998.71)
Increase in Revenue - Current Base	(7,914,364.51)	(5,580,588.00)	(13,494,952.51)
Projected Gap - Governor's Recommendation	\$ 14,427,393.00	\$ 17,740,409.00	\$ 32,167,802.00

GENERAL FUND
THE CURRENT SERVICES BUDGET

PART I

I shall continue today the tradition of discussing budget proposals in terms of Part I and Part II.

Part I includes the appropriations necessary to continue the programs and services authorized by previous legislative action.

Part II recommendations are for the expansion of present programs and services and the addition of new programs.

In presenting this budget to you, I shall round off certain figures, but the exact amounts will appear in the Budget Document.

The 103rd Legislature appropriated for the present biennium a total general fund and surplus budget of \$239.2 million for current operations. The budget requests of state agencies for Part I appropriations, alone, for the coming biennium totalled \$312 million. These requests were \$72.8 million more than all the funds appropriated for general fund operations in the present biennium.

Careful analysis of these requests by myself, my staff, and the Bureau of the Budget brought about biennial reductions of \$20.6 million.

In addition, the initial Part I budget request included \$10.2 million for the State's share of local school construction costs. It is my recommendation that this obligation be met through a bond issue, a procedure followed by the 103rd Legislature for the current biennium. Therefore, the recommended current services appropriation is for a total biennial Part I budget of \$281.6 million.

Revenue estimates for the next biennium total \$249.4 million. This means we must raise an additional \$32.2 million to maintain current services.

There are numerous reasons for this gap between revenue estimates and the cost of current services. In general terms they are:

- (1) The cost for the next biennium of salary adjustments authorized by previous Legislatures;
- (2) The need to provide staff and operating expenses for new buildings that were authorized by previous Legislatures and that will be completed during the next biennium;
- (3) The costs of certain new programs authorized by the 103rd Legislature that were initially phased in their implementation and will be at their fully authorized level during the 1969-71 biennium;
- (4) General cost increases reflecting our national pattern of increasing prices;
- (5) The merger of our institutions of higher education and the accompanying policy statement adopted by the 103rd Legislature according higher education the highest priority;

- (6) Greatly increased municipal expenditures—especially for education—with an increased demand for the State's share of these costs;

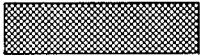
Our problems are not unique; similar situations are being faced by many of our sister states.

There is a further element to our situation in Maine that is not common to all other states. This is our lack of a balanced, responsive tax system that would better keep pace with our appropriation requirements.

More specifically, the \$45 million additional cost to maintain current services includes the following increases: \$6,140,500 for the University of Maine and other higher education institutions to meet commitments to students already enrolled; \$7,150,000 to implement the salary increase that went into effect on January 1, 1968; \$2,255,366 to provide for personnel and operating funds for buildings authorized by previous Legislatures and the people of Maine; additional debt retirement and interest on bonds totalling \$6,704,234 and a \$10,809,441 increase in distribution of General Purpose school subsidies to municipalities and districts; \$1,630,084 in increased operating funds for the previously authorized State Archives and Cultural Center complex; \$3,805,547 for increased contributions to the Retirement System to cover the higher costs for both state employees and teachers; and \$256,645 as the increased General Fund share of State Police operations. Other uncontrollable cost increases including a 3% increase in commodity costs and an extensive list of smaller items make up the remaining \$7,195,936. All these items are contained in the Current Services Budget.

I believe that all reasonable adjustments and reductions in the Part I budget have been made and that the revenue gap between our current revenue expectations and the necessary level of appropriations is a very real one.

CURRENT SERVICES

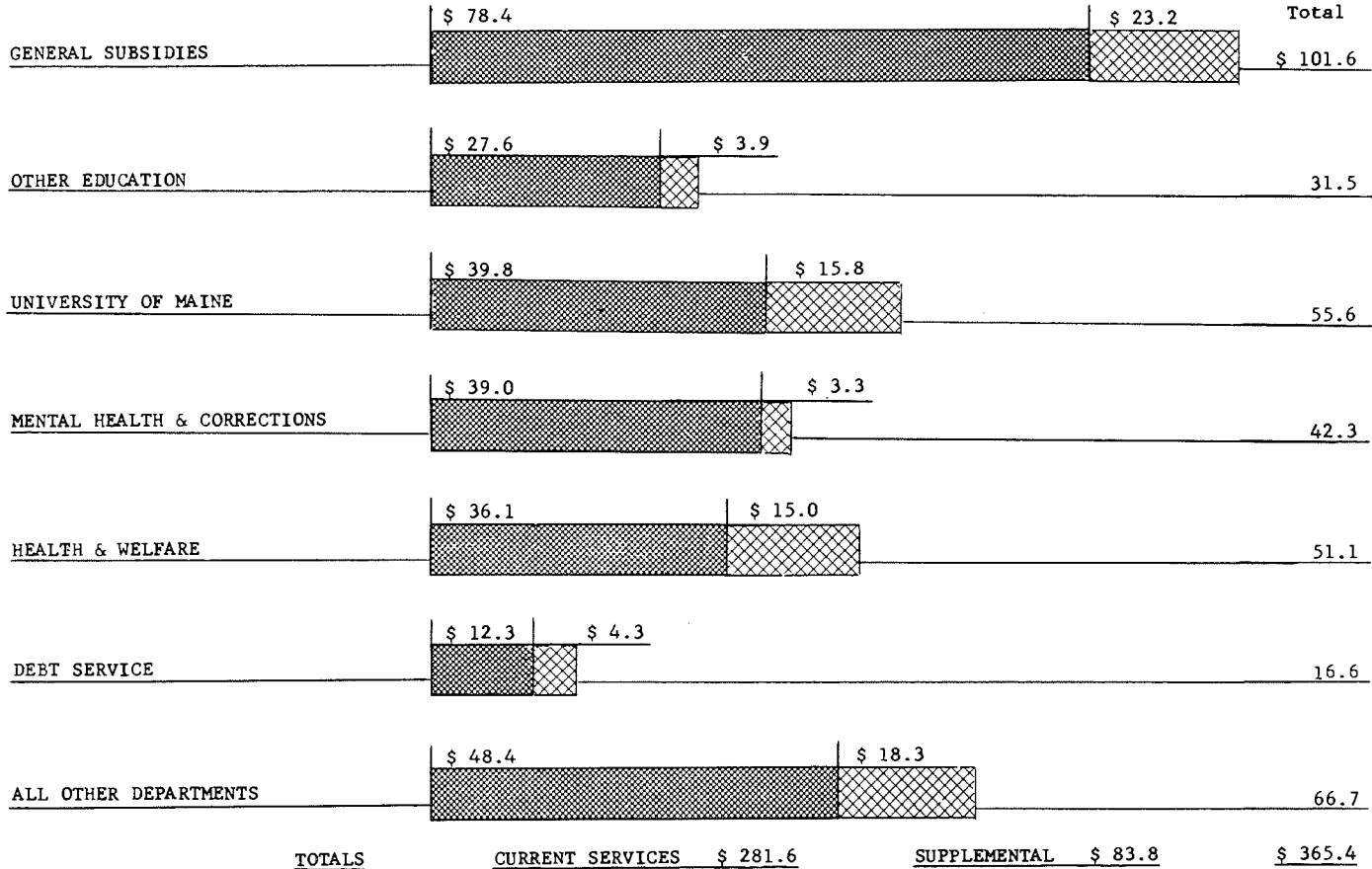


SUPPLEMENTAL



STATE OF MAINE
GENERAL FUND

PROPOSED CURRENT SERVICES AND SUPPLEMENTAL APPROPRIATIONS BUDGET
FOR THE 1969 - 1971 BIENNIUM
(Millions of Dollars)

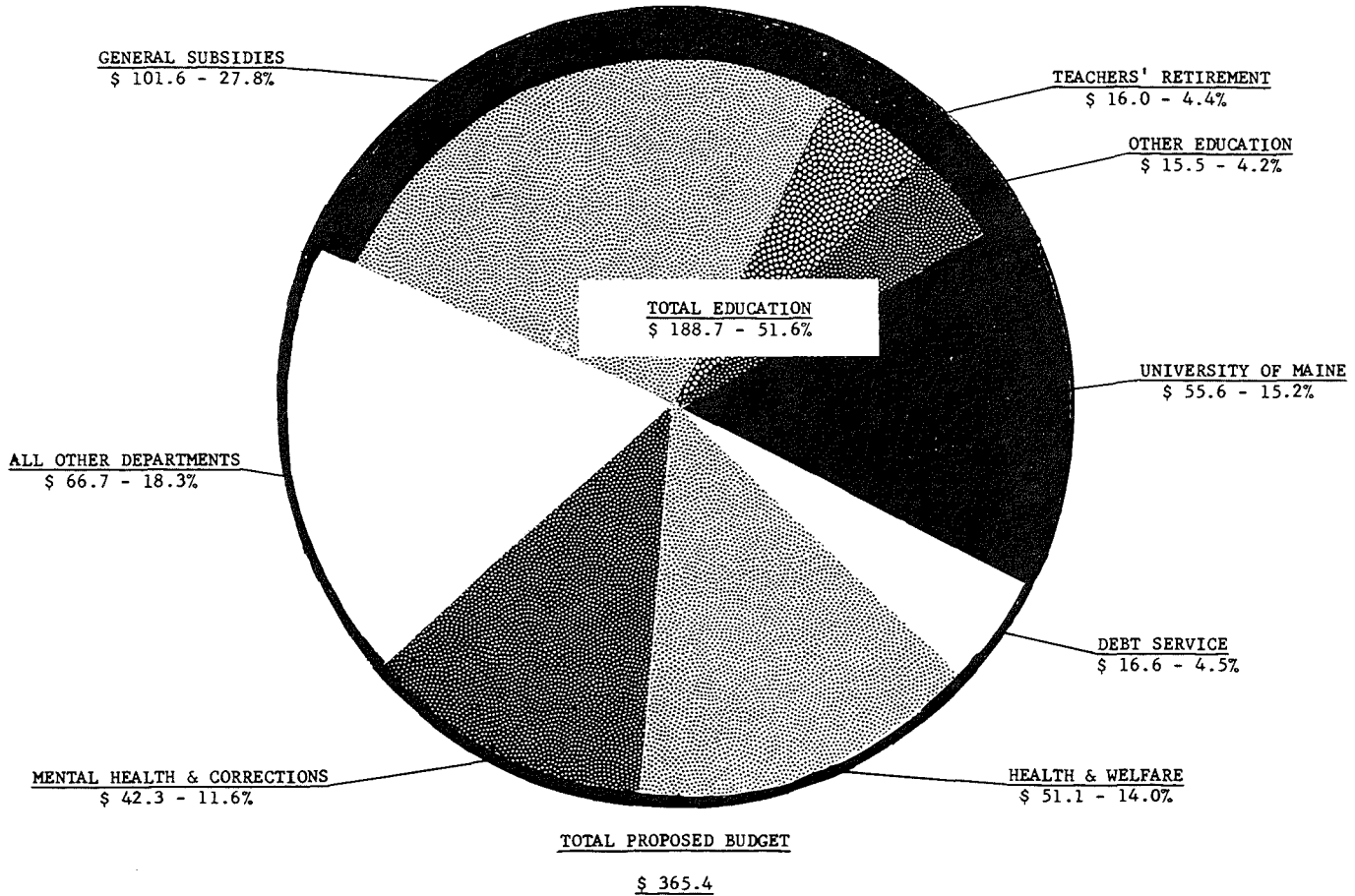


STATE OF MAINE

MAJOR GENERAL FUND RECOMMENDATIONS WITH PERCENTAGE OF TOTAL
1969-71

2098

BUDGET MESSAGE OF GOVERNOR CURTIS



PART II—THE SUPPLEMENTAL BUDGET

Total requests for supplemental services and municipal tax relief, including requests from various groups and special sources, were nearly \$140 million. Formal requests submitted to the Bureau of the Budget totalled \$106 million. A careful item by item review of these requests has succeeded in reducing this amount by \$22 million down to \$84 million.

In determining the level of the Part II Budget recommendation a first priority is established in those areas where our tax investment would provide the greatest return to our economy. For your convenience, these items will be explained under the categories of Education and Economic Development.

A second high priority is assigned to those areas affecting man's basic right to a life offering equal opportunity and help with dignity where some unfortunate situation may so require. This explanation will be contained under the category of Human Resources.

Finally, as demonstrated in the last fiscal year, when costs of government were reduced over \$2 million to provide a balanced budget, we must look beyond new revenues alone to meet our needs for the operation of State government, and take those steps necessary to create efficiency and eliminate unnecessary costs. Several recommendations are therefore made under the category of Government Efficiency and Reform. Time and space will not permit a full explanation of the programs contained in this supplemental budget. These suggestions will be described either in my supplemental appropriations bill or in a series of special messages I will transmit to you in the near future.

Education

The first category of the Part II Budget I shall discuss is Education. Nearly 52% of my recommended combined Part I and Part II budget is for educational purposes.

For the **State Department of Education** I have recommended a Part II Budget totalling \$24,704,573.

First, it is my recommendation that this Legislature appropriate \$44 million for general purpose school subsidy aid in fiscal year 1970 (the current local fiscal year) and \$53 million in fiscal year 1971 through a revised formula.

Public education subsidies are the biggest single item in the State Budget. Therefore, it is only proper that the manner in which they are allocated should receive more than passing scrutiny.

The Maine Education Council's report indicates several things are wrong with the current subsidy formula, and it seems to me that the time has come to make some long overdue reforms. Inequities which could be ignored ten years ago when nearly 500 municipalities shared less than \$12 million annually can no longer be tolerated today.

I support a plan that calls for an end to the minimum 20% subsidy of school costs which we now give to all municipalities no matter how large their tax base may be. The \$2,500,000 saved annually would be

distributed to the poorer towns whose property tax base is less able to support a good education system.

I am asking for an increase in the Foundation Program, to the single \$450 per pupil figure that is now estimated to be the average and realistic cost of educating our Maine children.

This is comparable to a \$90 increase in the current *elementary* pupil allotment of \$290 to \$380. The amount of local effort would be determined by an increased uniform mill rate in order to provide the local share of this increased Foundation Program. This revised formula for distributing State aid will help improve local educational systems and tend to equalize opportunities for economic development that now differ from municipality to municipality because of disparate local tax rates.

Because of the recent 17% average increase in State equalized valuation and the grave needs of municipalities to enact local school budgets, I urge that during the first month of this session serious consideration be given to raising the level of school operating subsidies so that the 1969 March town meetings can accurately anticipate the State share of local school costs.

I have recommended increases for expanded staff and equipment at our vocational-technical institutes. These amount to \$81,574 for the Northern Maine Vocational-Technical Institute; \$130,396 for Central Maine Vocational-Technical Institute; \$163,401 for the Eastern Maine Vocational-Technical Institute and \$251,275 for the Southern Maine Vocational-Technical Institute.

Included in the recommended Department of Education Budget are small expanded budgets for administration of the School Lunch Program, the operations of the schools of practical nursing, and \$37,500 to the New England Higher Education Compact to allow reduced tuition at Tufts Dental School for Maine students. \$45,000 is recommended in each year for a scholarship program at the vocational-technical institutes and \$210,925, in addition to the \$122,000 in Part I, to continue the State Scholarship Program.

Specific provision is made for improved Indian education programs. Funds are provided for a Supervisor of Indian Education plus three new teachers to initiate a kindergarten program on each reservation. Matching funds to initiate evening schools and adult basic education on the reservations are also included.

For the newly consolidated system of higher education, the **University of Maine**, I recommended a Part II appropriation totalling \$15,831,170. Of this amount, \$130,000 is for the Educational Television Network to initiate weekend programming and to interconnect with Vermont and New Hampshire. The remainder is for increased grants to the University system which will enable the University to increase enrollments by over 700 the first year and more than 1,000 the second year. Increased faculty and staff salaries necessary to attract quality professional staff expanded academic programs, and expansion of library facilities are provided for. The appropriation requested should bring all campuses up to the standards required for accreditation.

Although the appropriation is a single amount and we conceptually deal with the University as a single unit, it might be helpful for you to

understand the rough breakdown as between the old University and the State Colleges in this recommended Budget. Of the \$15 million, nearly \$10 million is for the University campuses at Orono, Portland, and Augusta. \$4 million of the Part II Budget is to be allocated to the five state college campuses, and approximately \$1 million is for "University-wide" programs. I should point out that the \$3.2 million reductions in Part I that I discussed earlier actually imply a reduction in the original Part II Budget requests. This is because it is my recommendation that those salary increases eliminated from the Part I Budget should be implemented and the cost borne by the Part II Budget of the University. Obviously, the trustees considered the matter of substantial salary increases for faculty and staff to be a high priority item. I concur in that judgment.

I am recommending a supplemental appropriation of \$351,000 to the Maine Maritime Academy. The Academy is now on a four year program with enrollments over 500. I recommend this increase for necessary improvement of its programs.

The strides we must make in education are not limited to budgetary considerations. This Legislature will be considering legislation that will require communities to combine into more efficient units — school administrative districts — by 1971. We must also assure a properly authorized and regulated procedure for education professionals to negotiate with their employers about wages and working conditions. Improvements in minimum standards for administration and curriculum must be made.

Economic Development

Probably no other area is more important to our ability to provide needed State services than our efforts in economic development.

My Part II budget recommendation for the **Department of Economic Development** is \$358,202. Included in this total is \$50,000 for Maine's portion of the Tourist Promotion program; \$98,800 for geological mapping, marine research, and related expenses in the Science and Technology Division and \$12,000 each year for increased promotion and operating expenses.

I shall detail my recommendations in later messages for programs relating to the establishment of a public power authority, strengthening our regional planning law, and better local planning and zoning laws.

In addition, I will be making recommendations to strengthen the programs extending state credit following a report of a special committee now studying new and extended uses of this system of financing.

In related programs within other State agencies, I recommend an emergency appropriation of \$304,840 and a supplemental appropriation of \$140,630 in the second year of the biennium to be appropriated to the **State Sesquicentennial Commission** to carry out the promotional activities proposed by the Commission.

Clearly our marine resources and the rapidly expanding field of oceanography hold great potential for our future economic prosperity. You should note that \$100,000 of the recommended Part II University of Maine budget is allocated to TRIGOM—the consortium of higher education institutions working together for oceanographic research, and

over \$200,000 additional money is destined for the Darling Center at Walpole to inaugurate an accredited degree program there.

I am noting elsewhere my recommendations for the financing of a **State Housing Authority**, a critical part of a program to attack housing deficiencies in Maine.

A Part II budget of \$107,678 is recommended for the **Department of Labor and Industry**. The recommended budget will provide for two apprenticeship promoters, an industrial engineer, and sufficient funds to upgrade standards for enforcement of safety and labor laws. In addition, some \$14,739 is provided to administer a State Labor Relations Law, which would authorize and control bargaining procedures for those employees who are not covered by the National Labor Relations Act.

I will further recommend the revision of the State's minimum wage law, the extension of Workmen's Compensation and unemployment coverage, and better regulation of our laws governing equal employment opportunities.

It must now be recognized that a program of economic development can only be successful if we give simultaneous consideration to the preservation of our resources, and the maintenance of our standard of livability.

Foremost is the need for pollution control and abatement.

The focal point of State government's efforts in this regard is the **Water and Air Environmental Improvement Commission**. Comprehensive legislation to reorganize and clarify the authority of the Commission will be submitted to you. Most important, the Commission has been badly understaffed for years. I recommend that its staff be increased by twenty people at a biennial cost of \$306,677. This I consider a minimal amount to aid in bringing our lakes, streams, and rivers up to the standards we wish. In another section I will recommend a bond issue to accelerate construction of abatement projects.

For the **Department of Sea and Shore Fisheries**, I have recommended a supplemental appropriation for the biennium of \$132,526. The two major elements of this recommendation are the additional personnel necessary to administer the Wetlands Control Act enacted by the 103rd Legislature and \$60,000 additional as State matching funds for the anadromous fisheries program and for research and fishway construction.

\$131,778 is recommended for the **Park and Recreation Commission** for two more park supervisors and for increased assistance to communities in recreation planning. I have also recommended a modest Part II budget for the **Keep Maine Scenic Committee** to improve its program.

I have recommended a Part II appropriation of \$151,691 to the **Forestry Department**. Of this amount, \$34,672 is to upgrade our program of forest fire control in the organized towns. A major item is \$100,000 to fund a program of removing dead trees in rural areas and initiating a program of matching State funds with local funds for tree planting to replace diseased elm trees.

Because of the prospects of new developments at Machiasport and in offshore oil exploration, I recommend and will submit legislation adequate to regulate such activities.

I will further submit strong legislation to regulate, control, and inspect mining land to provide for its conservation and ultimate rehabilitation.

Detailed recommendations will also be submitted concerning wildlands, coastal zoning, the control of outdoor advertising, the preservation of historic sites, a scenic highway law, and legislation concerning the removal of abandoned vehicles, solid waste disposal, and control of land subdivisions.

Human Resources

The care and rehabilitation of our population—particularly the less fortunate sector—is one of our greatest obligations. Certainly, we are aware that an investment in social services is a sound business investment. So far in Maine, we have escaped massive incidents of social disorders, with their accompanying huge economic and psychological loss. This does not mean that we can relax our efforts, nor that our programs do not need dramatic improvements.

It has been obvious to many people for some time that our administration of welfare programs in Maine needs reorganization. At present we have 496 separate welfare programs administered in 496 municipalities. These are superimposed on the state-administered programs of assistance to the Aged, Blind, Disabled, and Families with Dependent Children. The administration of local welfare programs is further complicated and made burdensome by the intricate requirements of the laws on settlement, which are essentially unchanged from the original Elizabethan Poor Laws of Sixteenth Century England—a system further complicated by the requirement that cities and towns contribute 18% of the cost of aid to Families with Dependent Children for settled cases.

All too often welfare costs are largely devoted to meeting needs, which, if they were administered at the state level, would have the Federal Government share up to two-thirds of the cost. To continue a system which is a heavy burden to property taxpayers and does not take advantage of the Federal funds available is inexcusable.

For the past 18 months an extremely hardworking, able, bipartisan task force has been working to recommend how we can best improve this system. I concur with and urge the adoption of their recommendation that the state assume the fiscal and administrative responsibility for all welfare programs and adjust our present state programs to take maximum advantage of Federal funds. To implement this recommendation on January 1, 1970, will require an appropriation of \$3,941,145 in the first year of the biennium and \$8,744,268 in the second year for a total of \$12,685,413. This, in turn, will generate approximately \$17,000,000 in Federal funds. The detailed breakdown of this cost is shown in the Supplemental Appropriations Act.

In addition to the program for intergovernmental welfare improvement, I have recommended a supplemental appropriation of \$2,346,507 for the **Department of Health and Welfare**. The recommended appropriation will provide additional staff for licensing of medical care facilities and give technical administrative assistance to hospitals to try to curb the rapidly accelerating cost of health care. Some additional staff is provided to the Division of Sanitary Engineering for inspection of private sewage treatment facilities and additional staff for the State Laboratory. This recommended amount includes additional personnel

for alcoholic rehabilitation services and small staff increases to assist communities in development of services for senior citizens and development of local agencies providing homemaker services.

For the Division of Child Welfare the budget recommendation is \$845,357. The recommended amount will allow an increase in foster home payments, approaching \$10 a month on the average, with the possibility of some higher payments for children with special problems, funds for a limited program for providing volunteer foster care in emergency situations, a program providing care for unmarried mothers, and small increases in social work staff to meet increased caseloads.

\$1,016,893 of the recommended total for the Department of Health and Welfare is the State's share of the Congressionally required Work Incentive Program of employment services for welfare recipients.

Upon the recommendation of the Commission on Rehabilitation Needs, I am recommending that we provide \$39,781 for the biennium to give permanent status to the **Committee on Employment of the Handicapped** and provide an Executive Director and related expenses.

I have recommended a supplemental appropriation of \$3,323,265 for the **Department of Mental Health and Corrections**. For too long we have given too low a priority to the personnel needs at our State institutions. The devoted men and women who work in our correctional and health institutions are almost overwhelmed by the dimension of their problems. Our goal cannot be simply providing custodial care—our aim must be rehabilitation.

At the Augusta State Hospital I recommend a supplemental appropriation of \$955,208 for professional services to meet accreditation requirements, improved personnel ratios, educational and rehabilitation programs, and \$25,000 annually for an incentive pay program for patients.

At the Bangor State Hospital I recommend \$498,854 for increased personnel to meet accreditation minimum requirements, including eleven nursing positions for the mental retardation unit and a modest incentive pay program.

Additional funds totalling \$108,363 are recommended for Pineland Hospital and Training Center.

For the Men's Correctional Center I have recommended \$343,419 for improved vocational rehabilitation, health, and security programs.

At the Maine State Prison I have recommended \$407,392 for sufficient increased personnel to initiate vocational training and to bring the security staff up to the necessary level to meet national standards.

At the Boys' Training Center I have recommended \$145,497 for improved evening programs, additional vocational training staff, and improved medical care and other equipment.

For the Stevens School I have recommended \$125,184 for additional aftercare workers for placement and supervision of girls out of the school, and for additional staff for emergency and night coverage.

At the Governor Baxter School for the Deaf I recommend \$116,452 for staff increases for their educational program and funds for necessary equipment.

I also recommend that you appropriate an additional \$190,000 to the Community Mental Health grant-in-aid program.

I have recommended additional state funds of \$265,607 to be appropriated to expand our vocational rehabilitation services. The recommended amount is in the budget document as an appropriation to the Department of Education. However, legislation will be submitted to you consistent with the recommendations of the Commission on Rehabilitation Needs, which I support and which has been endorsed by the State Board of Education, to transfer this function to the Department of Health and Welfare. Federal matching funds are available so that in effect the increased State budget I have recommended will generate an additional \$1,292,000 for a total increased program of \$1,557,607.

I am recommending a Part II appropriation of \$80,000 for the **Department of Indian Affairs** for improvement of the Department for more effective administration of its programs.

A Part II recommended budget of \$69,676 for the **Department of Veterans Services** will provide for increases in world war assistance payments, and equipment necessary for the new Veterans Cemetery.

Legislation will be submitted to authorize the creation of the **Maine State Housing Authority** to work at the State and local level with both public and private agencies to launch a state-wide attack on housing blight. The major financial tool of such an authority would be credit guarantees similar to those granted by the Maine Recreation Authority and the Maine Industrial Building Authority. A small appropriation will be necessary for initial staffing of the agency, and I have recommended \$54,300 for that purpose.

\$1,500,000 in the second year of the biennium is recommended to make possible a program of property tax relief for the elderly. There are certain property taxpayers for whom the property tax is much too high in relation to their income. This is most often true for retired people seeking to retain their homes while living on significantly less income than they had when they acquired their homes. The program I propose would place a ceiling on the amount of property taxes or rent these people pay, as a percentage of their income, and any amount in excess of that ceiling would be reimbursed to them by the State.

Finally, in accordance with the recommendations of the Task Force on Human Rights, which recently completed a six months' study, I am proposing that a seven member **Human Rights Commission** be established, and I have recommended \$62,794 for investigative and legal expenses of the new agency.

Governmental Reform and Efficiency

The complexities of the modern electronic age are now a part of our daily lives. But, our state and local governments are far behind modern American business in bringing about the changes clearly called for in attitudes among employees, in operating procedures, in use of modern machinery, and in policy-making procedures.

State government can be no better than the people who work for it. If we are to carry out efficiently the programs required by the people of Maine and authorized by the Legislature, we must have the best available people to administer these programs. We must have salaries and fringe benefits that, when compared to the wages and fringe benefit

programs offered by other states and by the private sector, are attractive enough to recruit and retain quality personnel.

Federal Wage and Hour Amendments and subsequent court decisions have made mandatory a forty-hour work week with time-and-a-half payments for work exceeding forty hours for certain State employees. In my judgment we cannot in good conscience provide these benefits to some employees and deny them to others.

I am recommending that a basic 40-hour work week, adjusted by the salary plan basically as proposed by the State Personnel Board, be implemented July 1, 1969. The cost of this adjustment to the General Fund will be \$7,900,000 for the biennium.

The retirement benefits for State employees are no longer competitive with the programs offered in the private sector or in other states. Some changes have been suggested ranging in cost up to \$9 million. The current pension plan is based on one half of the employee's average compensation for his highest five years of wages and assuming thirty-five years of service as a standard. It is my recommendation that the retirement formula be based on the average of the highest three years and be reduced from 1/70 to 1/60 or a standard of thirty years' service. It is my recommendation that the employee's contribution rate be increased from 5% to 6¼%, which will mean the employees will be paying for approximately half the increased benefits. I am also recommending that we provide for a minimum monthly pension of \$80 for employees with ten years' service. The total cost for state employees of this recommendation to the General Fund is \$1,167,846.

As you know, State assistance to cities and towns towards the cost of education includes not only school subsidies but also paying nearly \$7 million a year as the employer's share of teachers' participation in the State Retirement System. The State's share of the improvements in the local teachers' retirement program is \$1,948,154. A similar contribution to the Retirement System, under my recommendation, would be made by increasing the teachers' contributions from 5% to 6¼%.

The mileage allowance for State employees is currently 9c for the first 5,000 miles and 7c thereafter and has been unchanged since 1963. This is less than the amount now paid by the Federal government or private industry. I recommend that the mileage allowance be increased to a flat 10c per mile.

I have recommended a Part II Budget of \$236,831 for the **Department of Personnel**. For years the Department of Personnel has received the budgetary leftovers, until we now find its work load has increased far beyond its staff. My budget recommendation provides for additional personnel technicians, funds for computer time rental, and an expanded program of recruitment and printing.

\$60,000 of the total recommendation is to initiate a Small Department Intern and Training Program. \$20,000 of this is for college interns to be employed during the summer in smaller departments which would not otherwise be able to participate in the program. \$40,000 of the \$60,000 will pay the fees and expenses of employees of smaller departments to attend training courses.

\$25,731 of this amount is to provide clerical assistance and cash awards for the processing of suggestions for improvements in the oper-

ation of state agencies made to the State Employees' Suggestion Awards Board.

Good progress is being made in the conversion of many costly and inefficient State systems to a more centralized computer system.

Nearly \$1.4 million is recommended in this budget to **Finance and Administration** for computer services for all of State government centralized into a separate organization. The actual net cost of this proposal, however, is a little over \$500,000 since increased undedicated revenue of over \$854,000 would result from the centralization.

I further recommend \$400,000 be appropriated to this Department in a major program of strengthening the property tax division in accordance with the study conducted by the Bureau of Public Administration at the University of Maine during the past two years.

In subsequent messages I shall urge you to approve the following:

Annual sessions of the Maine Legislature.

Authority of the Governor to veto specific items within appropriations measures.

Creation of Presidential Preferential Primary.

Lowering the voting age to 18.

Creating the office of Lieutenant Governor.

Abolition of the Executive Council.

An Executive Reorganization Act to eliminate duplication and inefficiency in State Government.

Agency heads appointed with terms concurrent with that of the Governor.

A strengthened Pardons and Parole Board.

A system of full-time prosecuting attorneys.

The reform of debtor laws.

Moderate gun control legislation.

Creation of a permanent committee on Law Enforcement Planning.

Repeal of Constitutional restrictions on local taxing and borrowing powers.

A Municipal Home Rule Act.

Other Recommendations

Finally, I have recommended supplemental appropriations for other important expanded State services.

The **Public Utilities Commission** is the consumers' primary protection against private companies who have been given a monopoly on distribution of economic necessities. The regulation of these utilities is a state responsibility but too few states have an adequate staff to carry out their full responsibility. Accordingly, I have recommended \$125,444 for additional staff for the PUC to improve its regulatory capabilities.

It is my recommendation that \$408,261 in supplemental appropriations be appropriated to the **Department of Agriculture**. Almost all of this request is to implement a new meat inspection program consistent with the Wholesome Meat Act of 1968 passed by the Congress. Because of Federal matching funds anticipated, the net cost to the State of this activity will be at least \$150,000 less than the appropriation.

This past year Maine led the nation in reduction of highway fatalities. Many factors contributed to this dramatic record, but clearly among them were our **State Police** officers. I have recommended that we add ten additional State Police officers during each year of the biennium. In addition, funds are recommended to install computer terminals for needed access to drivers' licenses, court, and motor vehicle registration files. Additional funds are necessary to make the State Police teletype-writer network compatible with the National Crime Information Center Computer Terminal. Because 75% of the cost of the State Police is borne by the Highway Fund, the General Fund share of what I have just described is \$89,843. Not requiring funds, but essential to our Highway Safety efforts, is the adoption of an implied consent law, and corrections to the current statute dealing with the offense of driving while impaired.

Predicted debt service on the new bonds that will be issued in accordance with the schedule in the legislative documents is \$4.3 million. This is based on the successful passage of the school construction bonds, school subsidy bonds, and all capital improvements bonds at an October 14, 1969 referendum. The Highway Bond and the proposed Pollution Abatement Bond Issue would be voted on at the General Election in November 1970. Since pollution abatement funds require legislative allocation, no debt service payments need be included on these issues for the next biennium.

In addition to the programs I have described, supplemental funds for various other State agencies are included. These activities include an additional \$100,000 of State matching money for increased regional and local planning programs, \$35,000 each year for the non-Federal share of State and local grants for law enforcement improvements, \$40,000 to continue the State Transportation Commission, and increased staff and program improvement for the Soil and Water Conservation Committee.

I am recommending supplemental appropriations to the Commission on **Arts and Humanities** totalling nearly \$80,000. Most of this recommendation is to provide additional State matching money for projects which are funded 50% by the National Foundation for the Arts and Humanities.

I have also recommended a Part II Budget of nearly \$300,000 for the **Adjutant General**. All but approximately \$20,000 of this is for maintenance staff at the former Dow Air Force Base.

Minor supplemental appropriations are recommended for the Secretary of State, the Insurance Department, Chief Medical Examiner, Department of Banks and Banking, and our Supreme and Superior Courts, the Maine Port Authority, the Running Horse Racing Commission, the Maine Historical Society, and the State Library.

Appropriations from Surplus

I am suggesting two additional emergency appropriations from surplus

with the hope that you will see fit to act early in the session. The first item is \$300,000 in the Department of Mental Health and Corrections to cover back overtime pay for certain institutional workers. As I previously suggested, a ruling by the United States Supreme Court determined that this is an obligation the State owes to a number of its employees.

Secondly, I am recommending an appropriation of \$30,000 to make emergency repairs to the ferry docking facilities at Frenchboro.

CAPITAL CONSTRUCTION

Survey of the Total Need

I turn now to a discussion of the long-term capital expenditures which would be financed through bonding, a fiscal practice that the Task Force on Municipal and State Revenues has encouraged the State to use more extensively.

Fortunately, we have not yet begun to approach the limits of public indebtedness that our State can reasonably bear. At the end of the 1968 fiscal year the State's long-term debt was \$100.9 million. This amounts to \$104 of debt per capita, a figure which places Maine's public debt per capita last among all the New England States. This relatively small public debt does not reflect prudent fiscal management in an age of inflation and constantly rising construction costs.

Our capital improvements program has grown steadily. In 1955 requests for capital improvements totalled only \$11,900,000. In 1967 requests totalled \$71,387,000. This year, as expected, the requests have reached a record high of \$89,359,800.

After a careful review of all capital requests, I have, in consultation with the Bureau of Public Improvements, reduced recommended expenditures by a sum of \$38,009,800. This cut, alone, is more than three times the entire request for capital improvements in 1955.

When this cut in the capital improvements program is coupled with the \$50 million cut made in General Services requests, it means that a total of over \$80 million has been cut from the requests I have received.

Therefore, I am recommending a capital improvements program of \$51,350,000.

University of Maine

I have divided this program into six bond issues, each dealing with a special area of State responsibility. For the University of Maine, which now includes the State Colleges, I propose a capital program of \$22,855,000. This program was prepared by the Board of Trustees of the University according to their biennial priorities. It provides for major improvements throughout the University system. At Orono there would be a Business, English, Mathematics and Computer Sciences Building, Controlled Environment Growth Chambers, an addition to the Fogler Library, construction of Phase II of the Chemical Engineering Building, and, at the Walpole site, development of the Darling Center for Oceanography, and \$500,000 for improvements at the South Campus. At Portland I am proposing significant improvements and additions to existing facilities, major building and land acquisitions, and

the construction of a new classroom building. At Aroostook, the program calls for construction of a new classroom wing, library expansion, construction of an official-sized athletic field, renovations, and the acquisition of land and buildings. For needed improvements at Farmington, the program provides for a student health service, a modest classroom addition, a dining hall-student union addition, and renovation of the Administration Building. At Gorham, Corthell Hall would be renovated and the first phase of a Fine Arts Center constructed. For our campuses at Fort Kent and Machias, the program calls for major improvements: a classroom-physical education-student union complex at Fort Kent; an outdoor physical education facility, and an auditorium and music center at Washington State College.

Mental Health and Corrections

For progress at our Mental Health and Correctional institutions, I propose a capital program of \$9,370,000.

I will not attempt to mention in this message all the projects included in this program, nor will I discuss the detailed justifications of these projects. However, I would like to outline the major recommendations:

At Augusta State, which has only limited accreditation, I propose the continuation of hospital building renovations, construction of a new admissions and intensive treatment building, the development of a permanent general infirmary, and operating room and laboratory alterations.

At Bangor State, which is not yet accredited, the program provides for a modest recreation center, a maintenance building, the development of an admissions and acute treatment ward, and the continuation of ward renovations.

At Pineland, there would be construction of a maintenance building and employee housing, and extensive renovations.

At Boys' Training Center, I would propose construction of a medical-psychiatric intensive care unit for the treatment of highly disturbed, aggressive youths, an addition to the Gould Academic Building, and a new living cottage.

At the Stevens School, the program provides for a new dormitory, renovations to the Central School Building, and the construction of an all-purpose building.

At the Men's Correctional Center, I propose the building of a new warehouse and garage, and improvements in the dining room and kitchen.

At the Maine State Prison, there would be construction of general improvements in the condition and security of the institution.

Finally, at the Governor Baxter School for the Deaf, I propose the first phase construction of a pre-primary unit and diagnostic center.

The program I have outlined here is extensive, as it must be. We have neglected the physical needs of our mental health and correctional institutions far too long, hoping instead that dedicated staff could overcome physical limitations and work miracles.

The capital program for Mental Health and Corrections that I propose today responds to these urgent needs.

Other State Improvements

In the area of state improvements, I propose a capital program of \$11,140,000. The principal items in this package are a new State Office Building for \$5,300,000, renovations to the State House \$800,000, and \$500,000 for land acquisition in the Capitol complex area. Other principal items include \$2,124,000 for airport development, which, along with \$371,000 already available, will generate \$3,851,000 of Federal money, and \$390,000 for construction of a State Information Center at Kittery.

The need for a new Office Building is an overwhelming necessity. Numerous agencies have moved into private homes in the State House area that are not fit for office use. The result is increased operating costs, decreased efficiency, and an unsightly Capitol complex.

The development of our airports throughout the State is intimately tied to our general economic development. The capital program calls for a new terminal building and other facilities at Bangor; general improvements at Portland; major improvements at Auburn; new airports at Livermore Falls and in the Madawaska area; and other essential aviation projects.

The constant growth of tourist trade is also crucial to our economic development. To further this end in an unusually striking way, I propose construction of a new Gateway-to-Maine Information Center at Kittery in connection with the new high level Maine-New Hampshire Bridge.

Conservation and Parks

Our forests and seacoast are part of our State's uniqueness. To develop these resources for public use, I propose a capital program of \$1,900,000. The program includes \$508,000 for the development of Poland Spring State Park near Lewiston, and \$160,000 for the expansion of Popham Beach. Other major, essential projects are the completion of initial development at Peaks-Kenney, and the development of park facilities at Damariscotta Lake, Ferry Beach, and on the Saco River. The park projects included in the capital program will generate \$1,288,400 in Federal funds.

Vocational Education

I am proposing another bond issue of \$5,430,000 that aims to improving technical educational opportunities in the State. The program focuses mainly on the needs of our vocational institutions, a crucial component in our system of higher education. This capital program will provide, among other things, for new or expanded dormitories at Central, Eastern and Northern Maine, and for three new program buildings at Southern Maine—in Culinary Arts, Electronics, and Heating and Air Conditioning. Also included are an English, Science and classroom wing at Central Maine and a laboratory wing at Eastern Maine.

To support the educational program at the Maine Maritime Academy, I recommend the first phase construction of a new waterfront engineering building and a State contribution of \$250,000 to the construction of a physical education complex, to be financed principally from private and Federal funds.

Improvements on Indian Reservations

Finally, with respect to the capital improvements program, I propose a bond issue of \$655,000 for improvements on the Indian reservations. For the Indian Island, Peter Dana Point and Pleasant Point Reservations, I recommend the construction of indoor and outdoor recreation facilities and the extension of water sewage facilities to accommodate new housing projects. At the Princeton Strip, water and sewage facilities must also be extended. At Pleasant Point, I propose the construction of four new classrooms, and at Peter Dana Point one new classroom. The needs on all the reservations are indisputable. Our obligation to meet them is equally clear.

Other Recommended Bond Issues

I am also proposing several other bond issues for consideration by the Legislature. First, on the basis of recommendations by the Pollution Abatement Committee, which recently completed a thorough study, I propose a \$50 million bond issue for the construction of pollution abatement facilities to be voted on at the 1970 General Election. Existing funds for the construction of abatement facilities are inadequate and the situation is growing critical. Once the Federal government begins to appropriate sufficient matching funds for the construction of these facilities, we must be ready to finance our share. If such Federal money is not forthcoming, we must be in a position to consider financing a greater share of these facilities ourselves. Time for delay has passed. Unless we act promptly to control pollution, our 2,000 lakes and ponds and our 33,000 miles of streams will lose their enormous aesthetic and commercial value. We cannot afford that loss. We can afford the capital investment that will protect these riches.

Secondly, the State must continue to share the costs of local school construction. For this purpose I propose a bond issue of \$9.8 million.

Thirdly, it is necessary for the State to replace the present system of two lump sum payments made in the first six months of each State fiscal year for educational subsidies with a system of monthly payments spread over all twelve months. Such a change would reduce the need for both municipalities and the State to engage in short-term borrowing, with a consequent saving in interest payments. More importantly, the monthly payments would be tied to the State's collection of revenue and make it possible to pay the increased State school subsidies that we should provide. To achieve this change the State must approve a \$22 million bond issue to pay the State share of school operating costs from January 1, 1970 to June 30, 1970. As this is a one-time expenditure, it is a legitimate item to bond.

Our present system of subsidy payments must be changed not only for the long-term savings that will accrue, but also to avoid the danger of a real emergency, with the State unable to meet its obligation to the cities and towns for the general purpose school subsidies.

In addition, I am proposing a separate bond issue of \$250,000 for a Blind Children's Resource Center at Portland.

THE HIGHWAY PROGRAM AND BUDGET

The Highway Budget is developed separately and, therefore, I am presenting it separately. Under our existing statutes, highway use taxes are dedicated to highway purposes.

Here, too, increased costs are a factor.

It has been estimated that in 1958 it cost \$127,000 to build one mile of Federal Aid Primary Rural Road. For the already authorized roads that we are building in 1968, for completion in the 70's, the cost is almost three times as much—\$350,000 a mile. For new roads that we contemplate in the coming biennium, the cost is estimated to go up to \$450,000 a mile.

Stated another way, consider the fact that in the late 50's, we built about 100 miles of highway a year. In 1967, this had dropped to just over 30 miles of better but more expensive highways.

In constructing and maintaining roads, the Highway Commission is faced with larger volumes of traffic, heavier loads and increased requirements for safety. The Commission is responsible for maintaining 10,475 miles of roads in the summer and 3,551 miles in the winter, and makes reimbursements to the cities and towns for snow removal on another 12,800 miles.

The State Highway Commission has requested biennial budgetary allocations of \$137.5 million, including allocations for the State Police, Motor Vehicle Division, Highway Safety Committee and Land Damage Board activities. This budget was presented on the basis of carrying on highway activity at approximately the same level as previous years.

Most of the increases reflect the rising cost of services and materials. Also reflected is the fact that the Federal government has increased the amount of money available for Interstate Highway construction on a matching basis.

Work contemplated through the use of these funds will include the completion of all Interstate construction in the Greater Portland area, except for some sign and paving contracts, completion of the high level bridge at Kittery with connections to Route 1, Route 236 and the Maine Turnpike; work in the Brunswick-Topsham area and a start on the addition of two lanes between Argyle and Howland in Penobscot County.

Because of the increased costs that I have mentioned, and the miles of roads involved, we must conclude it is not within the State's capability to meet the needs for new highways and still have the financial ability to reconstruct our present roads as fast as they wear out. Therefore, \$3 million for each year of the biennium is included in the allocation for construction and maintenance to accelerate the bituminous overlay program, or repaving of 270 miles of main traveled highways.

Implementation of a 40-hour work week with salary adjustments will require \$7,819,000 for the biennium from the Highway Fund.

Other major program increases include \$1.1 million in transfers to the State Police, \$1.3 million in transfer to the Department of Motor Vehicles, and \$2.6 million in debt service. The total increase for maintenance is recommended at \$9.2 million, and \$14.4 for construction.

The budget request also assumes a periodic program of driver re-examination designed to start us toward compliance with the Federal Highway Safety Act.

Because of the cost and problems of immediate implementation, I recommend an initial re-examination program reducing the age of periodic eye examinations from age 75 to 65. This will mean a reduction in the highway budget presented in the Budget Document of \$575,000 and increased revenue estimated of \$200,000.

This adjustment is not reflected in the highway bill included in the Budget Document, nor is a downward adjustment on salary increases proposed. I shall, however, arrange for these adjustments to be suggested in detail to the joint standing Committee on Highways of this Legislature.

Expected revenues from fuel taxes, licenses and registrations are estimated to be \$92.1 million. Approximately \$4 million additional will be available from a previous bond issue. Subtracting the total available revenue of \$96.3 million from the total adjusted request of \$136.2 million leaves an amount to be raised of \$39.9 million.

I must emphasize that this substantial increase in the Highway Commission's budget is to meet increased costs and to allow us to hold our own and provide for a modest increase in the Interstate system. As such, this budget represents the minimum that must be done.

Financing can be done through increases in fuel taxes, and/or licenses and registrations, and the authorization of additional bonds.

Maine's gasoline taxes have not been raised since 1955. In that year, requests for the biennial highway budget were some \$47 million. Since that time we have witnessed a more than threefold increase in the scope and needs of our highway program.

Several plans have been advanced for financing the needed sums if this current program and budget submitted by the Highway Commission is to be enacted.

Given the magnitude of the problem, my own preference would be for a one cent increase in the gasoline tax, estimated to return approximately \$9 million, with the balance to be considered for bonding.

RECOMMENDED GENERAL FUND APPROPRIATIONS AND BONDING

1969 - 1971 BIENNIUM

	Requests	Transfers In & (Out)	(Reductions)	Recom- mendations
Current Services - Part I	\$312,010,748	\$(9,800,000)	\$(20,606,264)	\$281,604,484
Supplemental - Part II	105,958,317	—	(22,088,366)	83,869,951
Capital Construction	89,359,800	—	(38,009,800)	51,350,000
School Construction				
Subsidies	—	9,800,000	—	9,800,000
Monthly Subsidies	22,000,000	—	—	22,000,000
Pollution Abatement	50,000,000	—	—	50,000,000
Blind Children's Resource Center	250,000	—	—	250,000
Totals —	\$579,578,865	—	\$(80,704,430)	\$498,874,435

FINANCING GOVERNMENTAL SERVICES

At least eighteen months ago, it became increasingly evident that responding to demands to relieve the municipal tax burden, financing needed State services, and meeting the fiscal needs of public higher education would require a substantial increase in revenues.

I am convinced that the tax burden must be distributed fairly and evenly with great consideration given to the ability of those taxed to pay.

To accomplish this end requires a careful examination of the latest facts available to us.

More than a year ago, I appointed a bipartisan Citizens Task Force on Municipal and State Revenues to study needs and income possibilities at both the State and local level.

As previously explained in this Budget Message, the next biennium will require appropriations of \$281.6 million to continue those current services believed necessary.

All recommendations for supplemental appropriations excluding four major programs would add \$20.8 million for a total of \$302.4 million or an increase of \$63 million over the last biennium General Fund appropriation.

However, if you agree, an additional \$15.8 million should be invested in the new enlarged University of Maine for a better system of higher education, an additional \$23.2 million should be appropriated for local school operating subsidies; an additional \$12.7 million should be appropriated to create an adequate welfare system and relieve local tax pressures; and \$11.3 million should be appropriated for improved State employee and teacher benefits. All told, an additional appropriation of \$63 million will be necessary for these four programs.

Current revenue estimates from Undedicated General Fund revenues amount to \$249.4 million.

There is, therefore, a need to raise \$114.5 million to meet these requests.

Tax Source

I am fully aware of the joint responsibility between the Executive Branch and the Legislative Branch to raise new revenues. The Constitution of Maine provides that it is my obligation, in my capacity as Governor, to make recommendations to the Legislature. It is not within my power to vote on those recommendations. You, as Legislators, have that privilege and responsibility. You must choose methods of financing which will produce the revenue to support the programs the citizens of Maine indicate they need and want. You, the Legislature, will make the final determination as to the sources of new revenue.

Let me explore with you some sources of new revenue available for your consideration with the estimated amounts, depending upon the date and method of implementation, that they could produce for the next biennium.

Increase in the sales tax to 5%: \$16.6 million.

Increase in the sales tax to 6%: \$49.8 million.

Removal of sales tax exemption on auto trade-ins, disposable factory supplies, and some services: \$24.4 million (at 4½% rate).

Enact a severance tax and increase the wildlands tax: up to \$16 million.

Enact a head tax of five dollars per year on each adult: \$5.8 million.

Miscellaneous taxes such as those on soft drinks, and an increase in the cigarette tax: \$11 million.

Corporate income tax at 7%: \$25.9 million.

A personal income tax based on a percentage of the federal return filed by each individual would return the following:

10%: \$38.4 million
 15%: \$57.6 million
 20%: \$76.8 million
 22%: \$84.5 million
 25%: \$96 million

In the full text of the message you will find a list of some combinations of these tax sources for your study:

6% Sales Tax	\$ 49,800,000
Cigarette and Soft Drink	11,000,000
Head Tax	5,800,000
7% Corporate Income Tax	25,900,000
6% Personal Income Tax	23,040,000
	<hr/>
	\$115,540,000
24% Personal Income Tax	\$ 92,160,000
7% Corporate Income Tax	25,900,000
	<hr/>
	\$118,060,000
Cigarette and Soft Drink	\$ 11,000,000
6% Corporate Income Tax	22,200,000
22% Personal Income Tax	84,480,000
	<hr/>
	\$117,680,000
Removal Exemption Auto Trade-In	\$ 8,515,000
Cigarette and Soft Drink	11,000,000
Head Tax	5,800,000
5% Sales Tax	16,600,000
5% Corporate Income Tax	18,500,000
15% Personal Income Tax	57,600,000
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	\$118,015,000
6% Sales Tax	\$ 49,800,000
Cigarette and Soft Drink	11,000,000
Removal of Exemption on Auto-Trade-In	11,353,000
Wildlands and Severance Tax	16,000,000
8% Corporate Income Tax	29,600,000
	<hr/>
	\$117,753,000

I am sure you will consider carefully, as I have done, all of the various alternatives of raising new revenues to meet the finally determined level of need.

My deliberations over the last several months have convinced me that further compounding the inequities of our present narrow tax base

at the State and local level, while perhaps allowing us to struggle along for another two years, would only serve to bring the same problem in more burdensome form to our doors two years hence.

State and Local Revenue Reform

I am, therefore, presenting for your consideration a series of well studied measures to improve the productivity of our revenue system, maximize our economic growth, and provide a measure of equitable relief for those of our citizens who are bearing more than their fair share of local and State costs.

1. Increased State support for local schools for both years of the next biennium to relieve pressures on the property tax particularly in those communities that most lack the ability to pay.
2. As recommended by the Maine Education Council, a change in the formula for distributing State school aid including the "municipal over-burden" feature. This would more nearly assure that all property is equally taxed for the purpose of supporting education. It will also help insure that children from economically poor communities do not have to settle for poor educational opportunities.
3. The eventual creation of a Uniform School Fund with an over-collection feature as recommended by the Maine Education Council. If and when adopted this equitable plan would distribute an additional \$8 million next biennium to school units of average or less than average wealth.
4. In accordance with the recommendations of the Bureau of Public Administration, enactment of measures to improve the administration of property taxes, including State supervision of standards, creation of State tax assessing districts, and Property Tax Appeals Board.
5. Assumption by the State of fiscal and administrative responsibility for public health and welfare services now provided by local government.
6. Elimination of selected business and non-business personal property taxation.
7. Provision of State reimbursement to relieve extraordinary property tax burdens for the aged at an estimated annual cost of \$1,500,000; with first payments to be made in July of 1970 for property taxes and rent paid during the preceding year.
8. Continued use of bonding for capital improvements.
9. Joining with the majority of states and becoming the 42nd state to help reduce unnecessary expenditures by providing the Executive branch of government the authority of "Item Veto."
10. Authorization for the Governor, subject to Legislative veto, to reorganize the administrative services of the State for improved government efficiency.
11. Establishment of a system of zoning for Maine's wildlands with taxes adjusted to reflect those values to which the land is zoned.

12. Removal of the sales tax exemptions in such areas as auto-trade ins, disposable personal property, and selected personal services.

Recommendations

Finally, following the lead of 38 states, the time is now upon us when Maine must consider a personal and a corporate income tax.

The Citizens Task Force on Municipal and State Revenues found no evidence that either a State corporate or personal income tax would harm the economy or welfare of Maine citizens.

As income taxes are based on earnings and reflect the principle of ability to pay, they will bear most lightly on Maine citizens with low incomes, retirement pensions, the aged and farmers. Income taxes will provide more productive sources for future State revenues that will be needed.

In view of all the facts presented, I make the following recommendations:

The institution of a Corporate Income Tax of 5% of net income earned in Maine and a personal income tax of approximately 25% of the Federal Income Tax obligation. This will produce \$114.5 million in new revenues. The personal income tax rate could be reduced correspondingly, with other reforms adopted. An appropriation sufficient for administration is recommended in the Supplemental Appropriations Act for the Bureau of Taxation.

The proposed personal State income tax would require a person to pay a portion of his Federal tax liability and would, of course, be a deductible item on the Federal tax return for the next year.

I wish to make it clear that I have an open mind with reference to tax sources and will be glad to discuss alternatives with you. Clearly, we are faced with the need for additional tax revenues. To obtain passage it will be necessary for any tax measure or measures to receive considerable bipartisan support.

CONCLUSION

This message and the budget I present to you today are an attempt to present the facts, the problems and the challenges as they are. Compared with the past, and in terms of dollar increases, this Budget is large.

Compared with the needs, and in view of the continued curtailment of Federal assistance because of military expenditures, it is nominal.

Much of this budget is a reflection of the continuing demand that the State shoulder a greater burden of municipal costs.

We, as taxpayers, simply cannot have it both ways. To relieve the municipal tax burden, is to increase the State's.

Of the total General Fund budget recommendation of \$365.4 million, nearly \$135 million or the equivalent of a 4% sales tax or a 35% personal income tax, based on the Federal Tax liability, is proposed to be directly or indirectly returned to the municipalities.

It is evident today that services, such as education and welfare, can no longer be seen simply as *local* services or simply as *State* services. Rather, they must be thought of, budgeted for, and administered as *community* services, with state and local governments playing their appropriate functional roles. In this light, therefore, we must regard this budget as much more than a "State Government Budget" — it is a combined budget for state government, local government and public higher education.

So, I hope we will not shrink before the responsibilities we have, with any thought of being second best, or with a fear of failure. I hope you will insist, as I do, that the objective of this Legislative Session should be one of making up for lost time and lost opportunities, to do things that should have been done in the past, to change obsolete and inefficient systems, to gear up for a modern world with all its opportunities, dangers, and challenges.

I wish you well, and look forward to our association over these next two years.

A handwritten signature in black ink, reading "Kenneth M. Curtis". The signature is written in a cursive style with a large initial "K".

Governor of Maine