

MAINE STATE LEGISLATURE

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ACTS AND RESOLVES

AS PASSED BY THE

One Hundred and Fifth Legislature

OF THE

STATE OF MAINE

Published by the Director of Legislative Research in accordance with
the Revised Statutes of 1964, Title 3 Section 164, Subsection 6.

THE KNOWLTON AND MCLEARY COMPANY
FARMINGTON, MAINE
1971

Budget Message Address
of
Governor Kenneth M. Curtis

to the

One Hundred and Fifth Legislature

STATE OF MAINE

January 13, 1971

**BUDGET MESSAGE ADDRESS OF KENNETH M. CURTIS,
GOVERNOR OF MAINE, TO THE
ONE HUNDRED AND FIFTH LEGISLATURE**

*Mr. President, Mr. Speaker and Honorable Members of the 105th
Legislature*

In my Inaugural Address of January 7th I attempted to set a tone and express general goals for State Government during the years ahead. Today it is my responsibility as Governor to present a two-year Financial Plan in the form of a Budget Document.

The State's Financial Condition

Throughout the Nation our sister states are faced with the need to make difficult decisions as they struggle to maintain a balance between expenditures, needs and revenue resources. In this search for a proper balance between federal, local and state financing it has become clear that the attitude of the Federal Government is the key. For it is the Federal Government that collects by far the greatest amount in taxes, primarily through the highly productive personal and corporate income tax. This is why the National Governors' Conference has unanimously endorsed both a general federal revenue sharing program and federal assumption of all welfare costs. In Maine the future of both municipal and state services depends in large measure on greatly increased Federal aid.

Despite this need for more adequate Federal aid to the cities and states, the sound condition of Maine's financial structure should be a source of optimism.

The State of Maine has increased its total personal income from \$2,500 million in 1966 to an estimated \$3,304 million in 1970. This 33% recent rate of income growth has been higher than the averages for both the New England states and the United States. During the four years since 1966 the State valuation of property increased by 42% from \$2.4 billion to approximately \$3.4 billion in 1970. This growth in the worth of our incomes and our real estate has given us increased ability to pay for public services at the State and local level.

It is a source of further encouragement to note that the burden of Maine's State and local taxes are below the national and New England averages. Our tax relationships with other states can be seen in more detail in Chart 1. Maine has done relatively well in recent years in recognizing the need for increasing State aid to municipalities to ease the pressure on the local property tax. This is reflected in the fact that Maine has the lowest property tax per capita in New England.

CHART I: State and Local Taxes for Maine and New England States Per Capita and Per Capita Income, 1969.

	State & Local Tax Per Capita	State & Local Tax Per Thousand Income	State Tax Per Capita	Property Tax Per Capita
U. S. Average	380	112	208	152
New England Average	369	107	189	179
Connecticut	392	93	181	210
Massachusetts	452	118	226	225
New Hampshire	299	94	116	185
Rhode Island	379	106	220	157
Vermont	384	129	230	151
MAINE	308	109	162	149

Source — State and Local Finances — U. S. Bureau of Census, 1970

We are also fortunate in Maine that the previous Legislature had the courage as well as the wisdom to broaden the revenue base of Maine by creating a personal and corporate income tax. The estimated \$55,000,000 that will be received this biennium and the projected \$61,700,000 during the next two years reflect the responsiveness of these taxes to wage and income changes. Passage of the income tax culminated the sincere efforts of the last few Legislatures to meet Maine's need for adequate State and local services. I am sure none of us believes we can do less — either now or in the future.

Guidelines For Budget Preparation

After analysis of the Maine economy and revenue system, I established several guidelines to be used in preparing this Budget. These guidelines included:

- the strictest scrutiny of agency requests
- the elimination of as many currently vacant positions as possible
- judicious use of matching Federal funds to generate Federal dollars in this Budget
- the phasing out of low priority programs
- inclusion of only the most pressing programs for helping people among the many requests for new programs
- careful use of our unappropriated surplus and the issuance of bonds for brick and mortar construction

The Budget that follows reflects the application of these guidelines.

PART I OF THE GENERAL FUND—A BALANCED BUDGET

I am pleased to present a balanced current services general fund budget.

My recommended appropriations to continue State financed programs at levels authorized under present laws are financed by Maine's existing revenue structure. This has often not been the case in the past. Indeed, as many of you remember, the 104th Legislature faced a revenue gap of \$32.2 million in the Part I Budget. The 103rd faced a gap of \$15.2 million. I believe that the fact we have a balanced Part I Budget reflects a

concrete improvement in our financial structure—particularly when accomplished during a time of high national inflation.

Part I requests from State agencies totaled \$461,788,936, or \$138,164,729 more than was appropriated for the current biennium to cover General Fund operations.

Careful analysis of these requests by myself, my staff and the Department of Finance and Administration has reduced the needs for General Fund operating appropriations from current revenue sources to \$371,023,145.

This reduction amounts to a cut of \$90,765,791 in the Part I requests and was made as follows:

- 1) The removal of positions or salaries for a number of unfilled job vacancies, resulting in a saving of more than \$1,000,000.
- 2) A recommendation to close the Women's Reformatory at Skowhegan and transfer its functions and budgets to other programs within the department.
- 3) Reduction by the Budget Examiners of departmental requests which exceeded minimum authorized current programs.
- 4) Deferral of many requests inappropriately included in the Part I Budget.
- 5) A recommendation that \$3,610,651 of small Capital Part I requests be funded from unappropriated surplus.
- 6) Payment of \$14,914,572 of Debt Service from unappropriated surplus.
- 7) Payment from the recently passed \$50,000,000 Bond Issue of an anticipated \$2,500,000 of Construction Aid to Regional-Technical-Vocational Centers and an anticipated \$15,000,000 in General School Construction Aid.
- 8) The reduction of the State's contributions to the State Employees Retirement System from the present \$7.1 million to a recommended \$5.4 million, a move made possible by new financial practices.
- 9) Finally, the elimination of a relatively small item, but one worthy of recognition by all Maine people. Due to the generosity of former Governor Percival Baxter, present trust funds will now return sufficient income to carry on the operation of the Baxter State Park without General Fund appropriations.

Nevertheless, despite these actions, it does cost more to pay for our existing government. All the items recommended from Part I requests represent a \$72,824,161 increase over the appropriations made by the 104th Legislature.

Where does this increase come from and why?

Chart II lists the major components. Included is an additional \$18.2 million in general school subsidies and \$3.0 million in subsidies to Regional Vocational Centers. Both appropriations are required to fulfill the present law. I am requesting that the full School Subsidy for 1971 be

appropriated as soon as possible so local school systems can know their State aid prior to the approval of their school budgets in February and March. An additional \$5.0 million is needed for State payments of the Employer's share for local teacher retirement, because there will be 1,391 more teachers than listed in 1968 and salaries will be 31% higher. Nearly \$7.5 million is included to help meet the obligation of continuing the present programs and commitments to students, faculty and employees at the University of Maine; other educational cost increases amount to \$2.5 million. For the Department of Mental Health and Corrections there is \$4.0 million to continue salary adjustments and to meet greatly increased costs of food, fuel, and other commodities during the current biennium. Included for the Department of Health and Welfare is an additional \$16.9 million which is necessary just to continue the caseload as of December 1970 through the next biennium. The AFDC caseload increased from 8,164 cases at the beginning of this biennium to 13,753 cases on November 30, 1970. The Aid to the aged, blind, and disabled has increased from a caseload of 13,684 to 14,900 during the same period.

These increases and others listed in Chart II total \$72.8 million, an amount cut to \$47.4 million in the Part I appropriation Act by financing from surplus a portion of debt service and departmental equipment requests and by paying for public school construction subsidy from available bonds. Chart III explains in detail the makeup of the Budget recommendations for current services—excluding items bonded or to be paid from surplus.

It is my sincere hope that this Legislature will give my recommendations the most careful scrutiny. Budget hearings and consultations with agency heads may indicate other areas where reductions may be possible, or you may determine, in the best interest of good government, to restore some of the cuts I have recommended.

**CHART II
APPROPRIATIONS**

**Dollar Increases of Governor's Current Services Recommendations
Over Appropriations of the 104th Legislature**

	1971-72	1972-73	Total Increases
General Administration	\$ 464,110	\$ 715,911	\$ 1,180,021
Protection of Persons and Property	435,521	357,224	792,745
Development and Conservation of Natural Resources	41,058	76,087	117,145
Health and Social Services	9,017,251	7,887,623	16,904,874
Mental Health and Corrections	2,648,356	1,614,966	4,263,322
Education	20,631,759	18,498,699	39,130,458
General Purpose Subsidy	10,553,088	7,681,301	18,234,389
Teacher Retirement (State Contribution)	2,471,807	2,524,201	4,996,008
Other Education	2,811,595	2,880,065	5,691,660
University of Maine	4,795,269	5,413,132	10,208,401
Debt Service on General Fund Bonds	4,058,510	6,118,264	10,176,774
Retirement	1,100,000	2,760,000	3,860,000
Interest	2,958,510	3,358,264	6,316,774
Other Departments and Agencies	(3,004,844)	(3,636,334)	(6,641,178)
TOTAL	\$ 34,291,721	\$ 31,632,440	\$ 65,924,161
Anticipated Increase in Current Revenues	14,075,509	23,416,026	37,491,535
Transferred from Surplus	7,197,652	11,327,571	18,525,223
Revenue not Appropriated	13,018,560	(3,111,157)	9,907,403
Total Provided for Current Services	\$ 34,291,721	\$ 31,632,440	\$ 65,924,161
Available Bond Funds—Increased School Construction			6,900,000
Total Increase in Recommendations			\$ 72,824,161

CHART III
GENERAL FUND
CURRENT SERVICES APPROPRIATION ACT
Actual 1969-71 — Department Requests 1971-73 — Budget Recommendations 1971-73
(Excluding Surplus and Bonds)

	A C T U A L			PART I DEPARTMENT REQUESTS			BUDGET RECOMMENDATIONS		
	1969-70	1970-71	Total	1971-72	1972-73	Total	1971-72	1972-73	Total
DEBT SERVICE									
Retirement	\$ 3,200,000.00	\$ 5,025,000.00	\$ 8,225,000.00	\$ 11,325,000	\$ 11,325,000	\$ 22,650,000	\$ —	\$ —	\$ —
Interest	3,514,712.00	5,540,955.00	9,055,667.00	14,924,047	14,138,094	29,062,141	5,413,408	7,129,461	12,542,869
Total Debt Service	\$ 6,714,712.00	\$ 10,565,955.00	\$ 17,280,667.00	\$ 26,249,047	\$ 25,463,094	\$ 51,712,141	*** \$ 5,413,408	*** \$ 7,129,461	\$ 12,542,869
EDUCATION									
General Purpose Subsidy	44,308,912.95	47,673,699.00	91,982,611.95	53,999,000	54,666,000	108,665,000	54,862,000	55,355,000	110,217,000
Construction Aid	—	—	* 9,800,000.00	7,500,000	7,500,000	15,000,000	* —	* —	—
Vocational Technical Institutes	2,764,681.00	2,890,210.00	5,654,891.00	3,651,160	3,843,231	7,494,391	3,223,973	3,363,028	6,587,001
Regional Technical-Vocational Centers-Subsidies	460,159.00	850,000.00	1,310,159.00	1,963,800	2,416,725	4,380,525	1,963,800	2,416,725	4,380,525
Construction Aid	—	—	* 800,000.00	725,000	1,775,000	2,500,000	* —	* —	—
Teachers Retirement	6,920,548.00	7,022,702.00	13,943,250.00	10,475,666	10,623,570	21,099,236	9,392,355	9,546,903	18,939,258
Other Education Programs	3,353,269.91	3,499,926.00	6,853,195.91	4,498,061	4,970,313	9,468,374	4,095,903	4,276,555	8,372,458
Total Education	\$ 57,807,570.86	\$ 61,936,537.00	\$ 119,744,107.86	\$ 82,812,687	\$ 85,794,839	\$ 168,607,526	\$ 73,538,031	\$ 74,958,211	\$ 148,496,242
FINANCE & ADMINISTRATION	4,462,452.00	4,371,515.00	8,833,967.00	4,948,744	5,021,681	9,970,425	4,613,908	4,705,944	9,319,852
HEALTH and WELFARE	19,643,502.00	21,433,735.00	41,077,237.00	34,649,579	37,876,938	72,526,517	28,745,645	29,292,055	58,037,700
MENTAL HEALTH and CORRECTIONS	20,992,573.00	21,572,319.00	42,564,892.00	24,953,981	24,850,780	49,804,761	23,505,198	23,065,896	46,571,094
UNIVERSITY OF MAINE	22,316,570.00	24,333,023.00	46,649,593.00	29,568,870	32,472,835	62,041,705	25,759,994	28,353,961	54,113,955
STATE EMPLOYEES RETIREMENT	3,549,871.00	3,607,085.00	7,156,956.00	3,177,920	3,206,353	6,384,273	2,709,425	2,729,551	5,438,976
EMPLOYEES SALARY PLAN	2,475,000.00	2,671,000.00	5,146,000.00	**	**	**	**	**	**
OTHER	16,704,336.00	18,466,452.00	35,170,788.00	19,726,267	21,015,321	40,741,588	17,475,046	19,027,411	36,502,457
TOTAL — General Fund	\$154,666,586.86	\$168,957,621.00	\$323,624,207.86	\$226,087,095	\$235,701,841	\$461,788,936	\$181,760,655	\$189,262,490	\$371,023,145

* Not included in totals — Bonded in current biennium — Recommended from available Bond Funds.

** Funds for continuation of salary plan are included in individual departments requests and recommendations rather than lump sum as in present biennium.

*** Additional amounts necessary to fund debt service are provided from investment income and General Fund Surplus.

APPROPRIATIONS FROM SURPLUS

During this biennium some of the State's needs can be met through appropriations of surplus funds. The essential soundness of the State of Maine's economy is reflected in the fact that existing sources of revenue this biennium have exceeded expenditures, and as of July 1, 1971, it is estimated that this Legislature will have \$30,180,000 of General Fund surplus available for appropriation.

I have recommended expenditures from the surplus for the following items:

For equipment items for agencies and the University of Maine, \$3,601,651. I believe these particular matters should not be added to the State's indebtedness through bonding.

For the Bureau of Public Improvements and other State agencies to carry out fire prevention projects and other necessary improvements, \$2,310,200.

For debt service on General Fund bonds, \$14,914,572.

Legislative action will be required for a number of emergency items of a non-recurring nature, also to be funded from unappropriated surplus.

I have already spoken of the increased caseload in the Department of Health and Welfare for the blind, the aged, the disabled and dependent children. To guarantee continued payments for the present fiscal year, \$5.0 million is needed. In turn, this sum will generate \$11.0 million in Federal funds. There are many reasons for the nationwide phenomenon of increased welfare caseloads. Court decisions, changed Federal guidelines, better publicity about programs and the worsening national economy all contribute. Here, however, are vital human needs that must be met.

Industrial fuel oil costs have increased some 50% since just last winter. The added cost to heat buildings in State agencies is estimated to be \$691,500 more. Due to rioting and social unrest in other parts of the country, State insurance premiums were \$165,000 more than appropriated. I am also requesting a \$1.0 million appropriation for a reserve fund so that in the future, the State can partially insure itself and save on premium costs.

Other important needs that I recommend financing from surplus are \$300,000 to meet increased costs of the Department of Mental Health and Corrections. \$100,000 to combat drug abuse and \$350,000 to build a Dormitory Building at the Stevens School, in order to facilitate the closing of the Women's Correctional Center.

There are other miscellaneous surplus items, totaling approximately \$535,000 which should be appropriated soon. One of these items, planning money of \$75,000, is for a promising project to be carried out in cooperation with the Regional Medical Program. This would involve a new approach preparing physicians for Maine based on the training of general practitioners to work particularly in rural Maine. These planning funds, which will be supplemented by matching grants, are needed to realize an imaginative approach to the problem of providing better medical care for our people. We also urgently need a Welcome Center at Kittery to replace the one that is being torn down, funds to assist

in holding the World Cup Ski Races in February, 1971, and funds to meet the requirement of a four year independent post-audit of the State's book.

GOVERNMENT REORGANIZATION

It is customary, after completing a discussion of the Part I Budget, to begin immediately with a presentation of Part II or the supplemental recommendation. However, I would like to depart briefly from that tradition to emphasize that this Legislature should act positively on government reorganization proposals prior to authorizing any supplemental appropriations other than emergency items.

THE SUPPLEMENT GENERAL FUND BUDGET — A PART II PROGRAM OF MINIMUM NEEDS

As Governor I am aware of the great desire on everyone's part to limit State expenditure during these difficult times.

I wish it were possible for me to present the balanced current service budget as sufficient to meet the obligation that this Legislature and I share. That might be the easiest course for us to follow. I can only report there are additional needs for "people's programs" that should be met. Summaries of my full General Fund Budget Recommendations can be found in Chart IV and Chart V. I will now explain the supplemental program.

In addition to some supplemental items inappropriately included in the Part I budget requests, I have received \$94.8 million in requests for new State services, as detailed in the Budget Document—agency by agency. I have held the line as rigidly as I could within my sense of responsibility. Most of the requested items are highly desirable, many are badly needed, but most, I feel, must be deferred until State revenues are more adequate, either from our own sources or from hoped for federal revenue sharing. The financial pressures of today, seen in a national price inflation which coincides with high levels of unemployment, result in reduced incomes and a reduced capacity to pay taxes for many families. Given this situation, I have taken a predictably hard line. Of supplemental requests received from 39 agencies and bureaus, 24 of these have received no Part II in my recommendation. However, neither I nor this Legislature can turn our back on some of the needs presented in these requests. I will outline those critical areas that my analysis indicates require your careful consideration.

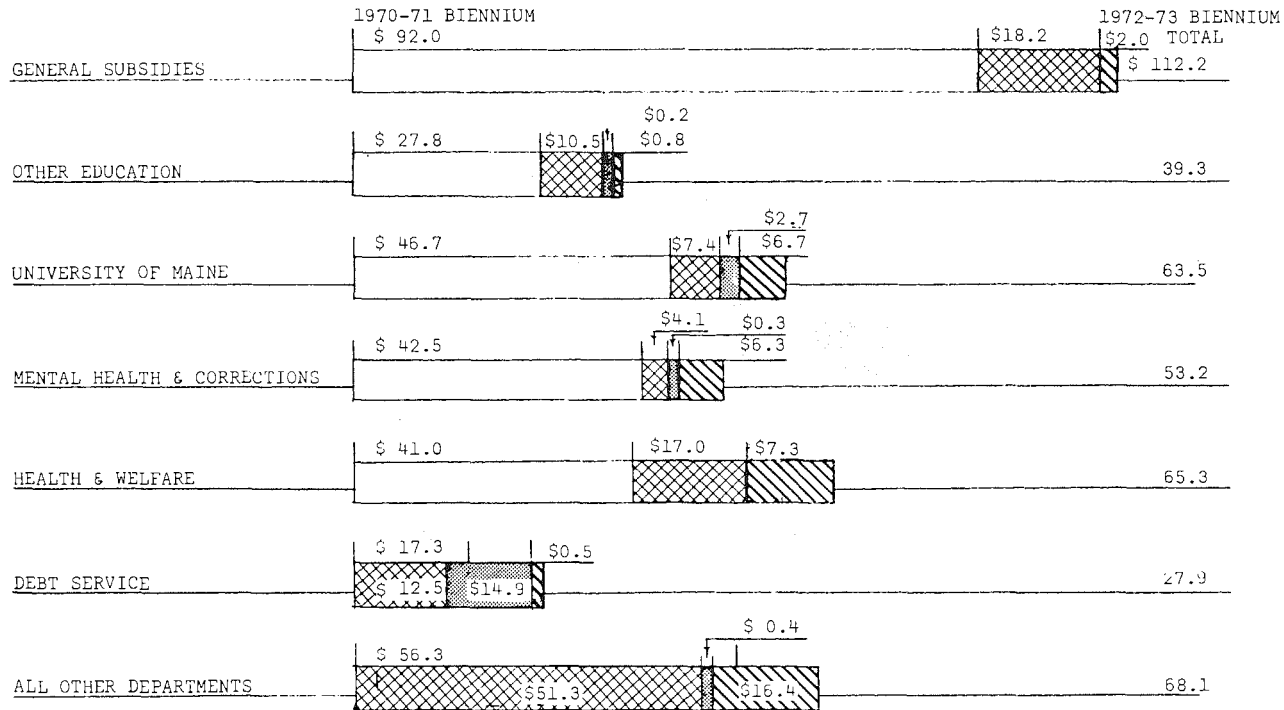
These critical, high-priority areas are: protecting our environment; maintaining quality education; assuring the availability of health and welfare programs for our handicapped and disadvantaged; and meeting minimum requirements of State employees. The detail of each recommendation can be read in the Supplemental Appropriation Act in the back of the Budget Document.

Environmental Protection

We have arrived at a time when Environmental protection is no longer just a desirable function of Government, but a dire necessity to life itself. I will strongly support the adoption of an environmental bill of rights and other Legislation establishing higher standards of regulation. But words and declarations are meaningless without support. The En-

CHART IV
STATE OF MAINE
GENERAL FUND

PROPOSED CURRENT SERVICES AND SUPPLEMENTAL APPROPRIATIONS BUDGET
FOR THE 1972-1973 BIENNIUM
(MILLIONS OF DOLLARS)



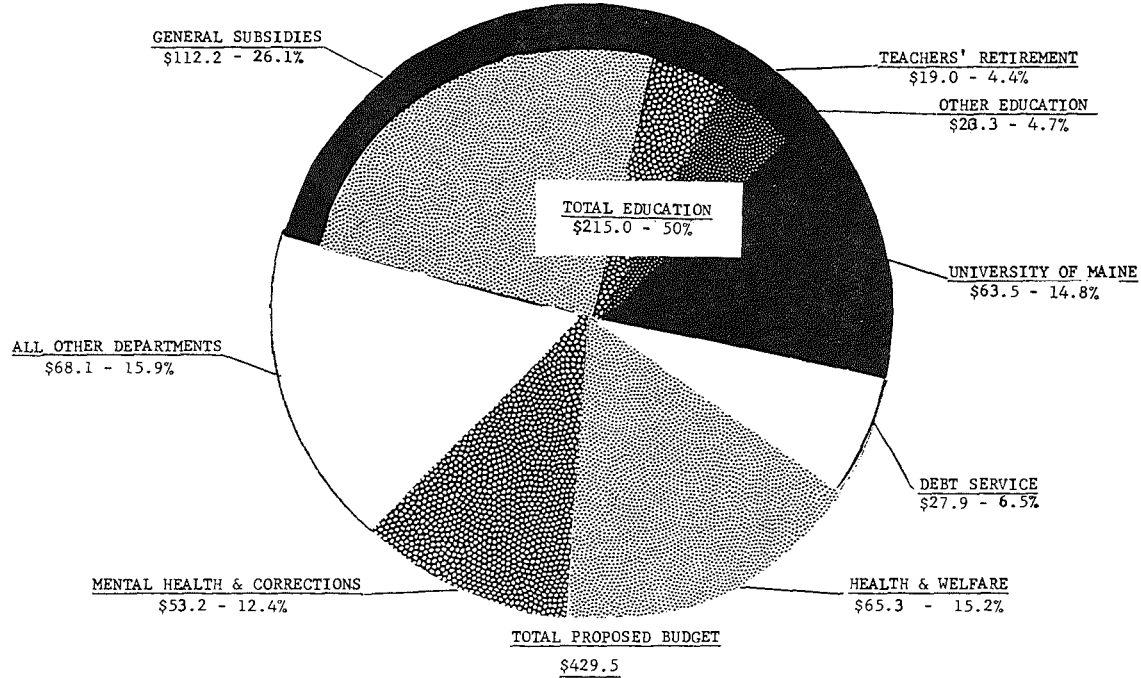
TOTALS CURRENT SERVICES \$371.0 SUPPLEMENTAL \$40.0 SURPLUS \$18.5 \$ 429.5

PRESENT APPROPRIATION
 CURRENT SERVICES
 SURPLUS
 SUPPLEMENTAL

CHART V

STATE OF MAINE

MAJOR GENERAL FUND RECOMMENDATIONS WITH PERCENTAGE OF TOTAL
1972/73



vironmental Improvement Commission is a new agency, just two years old, now operating with a skeleton force, and struggling to meet its critical responsibilities of improving the quality of our air and water as well as determining the appropriate location for desirable industries and other facilities.

I have, therefore, requested \$1,012,396 to add 36 employees and operating capability to the Commission. I have also asked for \$50,000 of funds so the State Planning Office can match federal monies and continue the development of a Coastal Land Use Plan.

Strengthening Education Opportunities

A sum of \$2,000,000 is needed for the second year of the biennium to initiate the concept of the Equalized School Fund along the lines recommended by the Associated Industries of Maine's report to the Legislative Research Committee. This approach to school subsidies offers great promise for property tax relief as well as equalizing public secondary and elementary education opportunities.

The University of Maine requested \$15.3 million in supplemental appropriations for its nine campuses and I have recommended \$6,525,000. I believe this is a minimum needed to provide for an additional 1,200 students, for cost of living salary increases, and for urgently needed support of one and two year educational programs. And, if approved, community colleges would also be started in York and Androscoggin Counties.

I strongly recommend an appropriation of \$368,000 to allow Maine to participate in the national school nutrition program for needy and hungry children.

In order to meet additional costs of medical and dental training costs at the Vermont Medical School and the Tufts Dental School, and to assist physician training at the Maine Medical Center, an appropriation of \$387,500 is needed.

An appropriation of \$50,000 would provide improved educational programs for Indian children on reservations, and \$45,000 would supplement the Department of Education's drug education programs.

Human Resources Programs

As previously noted, the Part I appropriations for the Department of Health and Welfare were based on caseloads in December, 1970. The fact is that the number of eligible persons needing health and family assistance will not remain at this level. For eighteen consecutive months Maine has experienced a monthly increase in caseloads. Experience in Maine and other states indicates that the caseload will continue to increase. The Department of Health and Welfare estimates that an additional minimum of \$7,258,799 will be necessary to meet the expected increase of 250 cases each month and to permit a limited expansion of other programs. As this sum will only finance presently authorized programs, it will be virtually impossible to fund more fully the badly needed medicaid program or to increase appreciably monthly payments to welfare recipients.

For the Department of Mental Health and Corrections I recommend that you consider appropriations of \$2,847,475 for 1971 and

\$3,495,436 for 1972. Most of this money is urgently needed for improvements in quality of food and treatment of our State hospitals and correctional institutions and to provide a long overdue 40 hour week for all institutional employees. Improved rehabilitation services and professional services will help us to achieve and maintain accreditation at our State hospitals.

I strongly recommend a property tax and rent relief program for persons over 65 years who have less than \$4,000 a year income. This program would cost \$3,525,500 to make State payments in 1972 for their 1971 shelter costs.

Improvements in State Government

It is a well established fact that growing inflation has deflated pay-checks about 13% in the past two years. State employees and their families are subject to these pressures the same as anyone else. As a minimum step, an appropriation of \$5,318,750 each year of the biennium would be required to carry out on July 1, 1971 the salary plan developed by the Department of Personnel.

In addition, the supplemental needs of several agencies totaling less than \$2.0 million dollars are listed in the supplemental appropriation act in the back of your Budget Document for your consideration.

These supplemental items represent a bare minimum of many requests which deserve your careful consideration. If all were approved their cost would be \$40,000,613 or \$54,801,811 less than requested by State agencies.

FINANCING

As indicated in the discussion, \$371 million dollars is balanced by anticipated revenue.

In this Budget, I have included many items to provide financial assistance to municipalities that would, if not paid by the State, be an increased burden on local property taxpayers. In the \$371 million General Fund Current Services Act alone \$139.7 million is provided as direct or indirect aid to municipal units.

General Purpose School Act	\$110.2
Operating Aid, Regional Vocational Centers	6.6
Teachers Retirement	18.9
State Assumption of the 18%	
Municipal Share of AFDC costs	4.0
	<hr/>
	\$139.7

This aid from the Part I Budget is \$30,000,000 more than appropriated during the current biennium. I have provided for an additional expenditure of \$17,500,000 for public school construction through a bond issue, and in Part II there is \$3.5 million property tax relief for the needy elderly and \$2,000,000 as seed money for the proposed new State School Subsidy program. The Highway Budget alone contains

\$33.0 million to aid local municipalities. Other State grants in such areas as municipal pollution abatement, law enforcement, recreation and planning bring the total local subsidy of my biennial budget recommendations to nearly \$200 million. This is approximately one-third of the total budget.

I realize the pressures and inequities rising property taxes bring.

However, without dramatically increasing State taxes, I don't see how much more relief can be provided.

New sources of revenue will be necessary to finance any Part II services authorized by this 105th Legislature.

Chart VI has been prepared to indicate the estimated revenue various existing sources would produce and Table I shows some examples of possible supplemental financing.

I present these revenue possibilities for your study so that the Legislature will have an opportunity to analyze all Part II requests and reach agreement on the supplemental needs that must be met before considering revenue needs. In the past, when recommendations for new programs have been accompanied by revenue recommendations, all attention has focused on the revenue side. This is precisely the wrong emphasis. We should not build a budget from the top down, arguing about some arbitrary spending ceiling, debating the merits of one tax measure over another, and ignoring the very needs which should be the heart of the debate. I hope we will reverse that process this year by first analyzing and agreeing upon those programs which cannot be delayed. Then, having accomplished this primary task, we can confront the revenue question in its proper context.

CAPITAL IMPROVEMENTS

I turn now to a discussion of the long-term capital expenditures which would be financed through bonding. However, before presenting the details of this capital program, I believe our discussion should be placed in perspective.

At the end of the 1970 fiscal year the State's long-term debt was \$166,005,000. This amounts to \$166 of debt per capita, a figure which places Maine's public debt per capita lowest among all the New England States. At a time when inflation is forcing construction costs upward at a rate of approximately 10% a year, our relatively limited use of bonding for essential construction projects does not reflect wise spending restraint. What we fail to build today will simply cost much more tomorrow.

However, as in my preparation of the Part I and Part II budgets, I have sharply reduced the capital requests of State agencies. Those requests amounted to \$71,764,500. I am recommending a program of essential construction amounting to \$37,160,200 of which \$3,010,200 would be financed from surplus and \$34,150,000 financed through a bond program which I will now explain. This compares with a \$146 million capital bonding program enacted two years ago by the 104th Legislature.

CHART VI
GENERAL FUND

Summary of Undedicated Revenues

UNDEDICATED REVENUES	Actual 1969-70	Estimated 1970-71	Department Request 1971-72	1972-73	Budget Recommendation 1971-72	1972-73
State Tax on Wild Land	\$ 1,300,341.81	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,550,000	\$ 1,550,000
Inheritance, Estate and Gift Tax	4,944,211.27	4,750,000	4,750,000	4,750,000	5,000,000	5,000,000
Personal Income Tax	18,886,014.22	16,815,000	18,000,000	18,600,000	21,000,000	22,050,000
Corporate Income Tax — 4%	8,256,355.98	10,000,000	10,000,000	10,000,000	9,102,632	9,557,764
Cigarette Tax	14,741,735.19	15,400,000	14,700,000	14,700,000	15,000,000	15,250,000
Sales and Use Taxes (Net)	83,240,426.45	84,861,223	92,000,000	96,500,000	92,500,000	97,000,000
Corporation Taxes	383,724.78	371,720	375,050	376,050	423,057	444,209
Public Utility Taxes	3,772,961.77	3,750,000	3,775,000	3,780,000	3,800,000	3,990,000
Insurance Company Taxes	4,281,605.22	4,007,500	4,608,000	4,808,000	4,720,470	4,956,493
Commission on Pari-Mutuels — Harness	740,605.01	587,500	601,600	601,600	650,000	700,000
Commission on Pari-Mutuels — Running	312,856.00	789,800	622,500	622,500	622,500	650,000
Income From Investments	2,677,246.47	255,750	305,750	305,750	1,600,000	1,750,000
Employees Maintenance — Institutions	219,920.34	199,210	130,646	130,620	130,646	124,842
Net Profit From Liquor	17,593,590.67	16,248,448	17,742,921	17,715,465	18,516,527	18,968,589
Other	6,333,551.16	6,410,313	6,905,226	7,058,942	7,144,823	7,270,593
TOTAL UNDEDICATED REVENUE	\$167,685,146.34	\$165,846,464	\$175,916,693	\$181,348,927	\$181,760,655	\$189,262,490

TABLE I

EXAMPLES OF REVENUE ALTERNATIVES

Exemptions and Other Taxes. By removing exemptions from the sales tax and increasing certain excise and other levies.

\$10,400,000 - removal of the sales tax exemption on trade ins for automobiles and farm tractors.

\$4,000,000 - removal of sales tax exemptions on fabrication, rentals and installations of tangible personal property.

\$2,000,000 - removal of sales tax exemption of admissions to entertainment.

\$1,750,000 - removal of sales tax exemptions on laundry, cleaning and dyeing services.

\$1,300,000 - removal of sales tax exemptions on barber and beauty shop services.

\$2,500,000 - one cent increase in cigarette tax.

\$12,000,000 - increase in corporate income tax - 4% to 7%.

\$6,000,000 - increase of 5% in price of liquor and 5 cents per gallon on beer, or through an increase in the Wildlands tax.

Sales Tax. By adjusting the state sales and use tax from 5% to 6% approximately \$37,900,000 would be raised during the biennium.

Income Tax. - \$40,600,000 would be received in additional state revenue by revising the personal income tax in accordance with the following schedule.

Separate Returns		Joint Returns	
If the taxable income is:	The tax is:	If the taxable income is:	The tax is:
Not over \$2,000	2% of the taxable income	Not over \$4,000	2% of the taxable income
\$2,000 but not over \$5,000	\$40 plus 4% of excess over \$2,000	\$4,000 but not over \$10,000	\$80 plus 4% of excess over \$4,000
\$5,000 but not over \$10,000	\$160 plus 6% of excess over \$5,000	\$10,000 but not over \$20,000	\$320 plus 6% of excess over \$10,000
\$10,000 but not over \$25,000	\$460 plus 8% of excess over \$10,000	\$20,000 but not over \$50,000	\$920 plus 8% of excess over \$20,000
\$25,000 but not over \$50,000	\$1,660 plus 10% of excess over \$25,000	\$50,000 but not over \$100,000	\$3,320 plus 10% of excess over \$50,000
\$50,000 or more	\$4,160 plus 12% of excess over \$50,000	\$100,000 or more	\$8,320 plus 12% of excess over \$100,000

Mental Health and Corrections

My recommendations for capital improvements at our Mental Health and Corrections institutions amount to \$5,215,000.

This recommendation includes sums for continuation of hospitals and heating renovations and an admissions and active treatment building at the Augusta State Hospital. Funds are requested for improvements at Bangor State Hospital, which is not yet accredited, for a patient center and a maintenance building. Pineland would receive funds to complete the renovation of Kupelian Hall and for a maintenance building. At the Boy's Training Center, funds are needed for Phase II of the Medical-Psychiatric Unit and for conversion of the heating system. At the Stevens School, we need renovations to the Central School Building. At the Men's Correctional Center, I am proposing funds for a kitchen and dining hall. At the State Prison, there are various items needed, such as window replacement, installation of new locks in the east wing and ventilation facilities. At the Governor Baxter State School for the Deaf, I am requesting funds for an addition to the library, an addition to the gymnasium building and Phase I of a pre-primary diagnostic center.

State Improvements

A second bond issue that I am proposing deals with State improvements. This bond issue totals \$5,940,000.

Briefly, to be included are funds for the development of the Poland Spring Park Facility for the completion of initial development at Peaks-Kenney; for improvements to other existing parks; for the preservation of historic sites; for various improvements at Portland, Presque Isle and other airports; for equipment and exhibits for the new cultural building; for a maintenance building and for renovations at the State House. Of this State Improvements Bond Issue, more than half, \$3,450,000, would be for a new State Office Building to eliminate the expensive and inconvenient leasing practices that a shortage of space currently forces us to undergo.

Education and Indian Affairs

My recommendations for bonding of capital improvements at our vocational schools total \$2,090,000. Mostly, these funds are to remedy serious housing deficiencies by building new dormitories at Central Maine Vocational Technical Institute, Eastern Maine Vocational Technical Institute and Northern Maine Vocational Technical Institute. Funds are also requested for a heating and air conditioning shop and laboratory at Southern Maine Vocational Technical Institute and site improvements at the Washington County Vocational Technical Institute.

In recognition of another serious housing shortage, I am recommending \$1 million for a new dormitory at the Maine Maritime Academy. I am also recommending \$495,000 for Phase I of the Waterfront Engineering Complex at the Academy.

Finally, in an area of great importance, I am recommending \$115,000 for completion of the school building at Peter Dana Point Reservation, and \$150,000 for the construction of tribal halls at the Penobscot and Passamaquoddy Reservations.

University of Maine

For the University of Maine I am recommending a total capital bonding program of \$19,145,000. This program is reduced from the Trustees' request, but I have respected their list of priorities. The University, having two successive referenda defeated, has now missed two years of building time. If we are to maintain the momentum of improved higher education we will need to support additional developments.

The capital program provides for significant improvements at all campuses of the University. At Orono, a Business Administration, Mathematics and English classroom is included. Also, there would be alterations for the Computer Center and Phase II of the Chemical Engineering Building. A sizeable library addition and funds for roads and parking stations complete the items recommended for the Orono campus. At the Darling Center would be a Research Laboratory and funds to complete the pier. Projects at the Portland campus include a heating unit, Science Building, Physical Plant Building, and a Student Center. For Gorham is included funds to extend underground services, to renovate Corthell Hall, and construct a physical plant building. At Machias would be a Science Building and a Library addition. Fort Kent would receive funds for a Physical Education Building and at Farmington would be built a Dining Hall - Student Center and Phase II of their Education Classroom Building. The addition to the Presque Isle campus would be a Library Educational Resource Building. Augusta would receive a Learning Resource Center and money for alterations is included for South campus in Banger.

Summary

As a convenient summary, I am including a table in the Budget Document of Recommended General Fund Appropriations and Bonding for the next Biennium.

THE HIGHWAY PROGRAM AND BUDGET

Under the State constitution and existing laws, highway use and vehicle fuel taxes are dedicated to highway purposes. For that reason, the program of the State Highway Commission and budget have historically been developed and presented separately. However, an attempt has been made to review personnel and operational increases in the Commission's requests using the same standards as employed for the General Fund Agencies.

The basic operating features of the highway program can be financed from existing revenue sources, and there would still be available 7.5 million dollars to apply toward the capital improvement portion of the highway program for highway construction activities on State Highways and Federal Systems.

TABLE II
RECOMMENDED GENERAL FUND APPROPRIATIONS AND BONDING

1971 - 1973 BIENNIUM

	Requests	Transfers In & (Out)	(Reductions)	Recommendations
Current Services — Part I	\$461,788,936	\$(36,025,223)	\$ (54,740,568)	\$371,023,145
Supplemental — Part II	94,802,424	—	(54,801,811)	40,000,613
Capital Construction — Bonding	71,764,500	(2,310,200)	(35,304,300)	34,150,000
Surplus				
Capital Construction	—	2,310,200	—	2,310,200
Capital Items — Part I	—	3,610,651	—	3,610,651
General Fund — Debt Service	—	14,914,572	—	14,914,572
General Fund — Emergency Items	8,141,100	—	—	8,141,100
School Construction (Available Bonds)	—	17,500,000	—	17,500,000
TOTALS	\$636,496,960	\$ —	\$(144,846,679)	\$491,650,281

No significantly new or increased programs are included as a part of the operating portion of the highway budget.

Highway maintenance activities would be continued at existing levels. For summer maintenance activities, such as the resurfacing programs, the amounts available for both the current and proposed bienniums would remain constant at 25 million dollars. Increased efficiencies in this program have resulted in a reduction of approximately 100 maintenance employees which has been accomplished through retirement and attrition and has, for this biennium, reduced the effects of inflationary costs.

A significant change in the philosophy of resurfacing our highways is being undertaken during the next two years. The method of resurfacing roads with a grader on the roadway itself, or the so-called mulch program, is being replaced in part with a procedure to place thin bituminous overlay produced by commercial plants. Over 400 miles each year of the biennium will be overlaid using this new technique at no additional cost. This effort should provide for improved riding quality for the people of the State of Maine and should also provide for longer-lasting pavements.

Winter maintenance activities are, of course, susceptible to the whims of Mother Nature. As Governor, I have a great deal of respect for State employees who work long hours to provide for safe, usable highways during periods of severe weather. I believe it is imperative for the safety of the people of the State of Maine to continue this program at the same standard as in past years.

Town Aid programs remain a significant portion of the highway budget. The proposed budget includes over 33 million dollars in aid to local municipalities; including summer maintenance activities on State-Aid highways, the State-Aid and Town Road Improvement Program, Bridge Construction, and snow removal subsidies. In order to maintain the cost of these programs at a reasonably constant level, it is suggested that reductions be considered in the Town Road Improvement Fund from \$1,500,000 per year to \$1,250,000 per year and in the Special State Aid Program from \$1,000,000 per year to \$500,000 per year. These reductions, in effect, would be offset by an increase in the Regular State Aid program as enacted by the 104th Legislature requiring the State to match six units of State Aid funds as opposed to four units in previous years, and doubling the bonus feature of the program.

In order to provide safe driving conditions for the people of the State of Maine, I am suggesting a modest increase in bridge maintenance and traffic services including signs and pavement markings.

Bond interest and debt retirement account for \$13.4 million dollars in the highway budget, including the retirement of approximately \$8.7 million dollars of bonded indebtedness. I have supported the recommendation of the Highway Commission to transfer six million dollars from surplus to offset debt retirement.

In keeping with the pay plan recommended by the Personnel Board and included in the General Fund portion of the overall State of Maine Budget, the highway budget provides \$7.43 million dollars for improved employee salaries.

Also in keeping with increased efforts to improve our highway safety situation, I am recommending an additional seven State Police officers in the proposed budget.

In the Motor Vehicle Department, funds are provided for branch offices in the Kennebunk and Bath areas in order to provide more efficient service to the people of the State of Maine in applying for vehicle registrations and operator's licenses.

The total amount of the program as described, not including construction activities, consists of \$109,584,095. Funds available from motor fuel taxes and operator's licenses and registration fees, and other sources, are estimated at \$117,328,030 for the biennium. This, then, results in an ability to finance the operating portion of the highway program and does provide for approximately \$7.5 million dollars to be available for highway construction activities.

The highway construction program of \$88.1 million as recommended in this budget requires \$33.5 million dollars in State funds in order to match \$54.6 million of available federal revenues also provides for a continuation of hazard elimination projects and the worthwhile resurfacing program. This construction program is the minimum needed to protect our investment in the highways of the State of Maine. In order to finance this construction program, approximately \$26 million dollars in additional revenue, either through increased user taxes or bonding, would be required.

While this \$26 million is, of course, a significant financial investment, I would point out that the State revenue gap in the preceding biennium for highway activities was approximately 40 million dollars. There are three basic sources of financing available to meet the level of funding you decide to support: 1) an increase in the gas tax; 2) an increase in registration fees, and 3) bonding.

After careful analysis it would appear most responsible to consider financing the proposed highway construction program with a one-cent increase in the motor fuel tax, which would raise, for the biennium, approximately \$10 million dollars — leaving \$16 million dollars to be provided through bond financing. Since approximately \$8.7 million dollars in bonds are to be retired, this type of financing program would not overly burden the debt picture in the highway budget. Coupled with the greatly increased costs of construction and operations and slow inelastic growth of State highway revenue the recommended financing program would provide for a more nearly balanced financing program and thus reduce future financing problems to a more manageable level.

CONCLUSION

In the interest of time I will present my legislative recommendations to you separately in a written message. So this will conclude my Budget presentation.

For their assistance and cooperation in the preparation of this Budget I wish to thank the department heads and staff of all State Agencies. Its preparation has required months of work and agonizing thought on the part of many. No more difficult task has faced any Governor or Legislature. Needs and costs continue to escalate. Yet I feel progress is

definitely being made and there is indeed room for optimism. The quality of life is being slowly but surely improved. A higher level of service is being maintained and the gap between costs and available revenues is being reduced.

This Budget is a recommendation to the Legislature. I am sure it can be improved upon and I pledge my full support and that of State officials to that end.

The problems of today can be met through the full use of the best minds working selflessly and cooperatively. I welcome the opportunity to work with you in meeting these challenges.


Governor of Maine