

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

One Hundred and Seventh Legislature

AT THE

1ST SPECIAL SESSION

JANUARY 19, 1976 TO APRIL 29, 1976

AND

2ND SPECIAL SESSION

JUNE 14, 1976

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BUDGET MESSAGE ADDRESS

February 10, 1976

of

Governor James B. Longley

to the

SPECIAL SESSION

One Hundred and Seventh Legislature

BUDGET MESSAGE ADDRESS
OF
JAMES B. LONGLEY
GOVERNOR OF MAINE
TO THE
SPECIAL SESSION OF THE
ONE HUNDRED AND SEVENTH LEGISLATURE
STATE OF MAINE

Mr. President, Mr. Speaker and Honorable Members of the 107th Maine Legislature:

First of all I asked for this opportunity to meet with you approximately two weeks earlier than planned because:

- (1) I felt I had a responsibility to provide you with my budgetary plans and priorities in order to cooperate and hopefully help this legislature develop its own.
- (2) I became very much aware and concerned about the reported confusion and potential division among the legislature as to the best solution to the education deficit and funding questions.
- (3) Even though your leadership agreed to defer budgetary and fiscal questions until later in the session, I have become aware within the past few days that there is an increasing possibility that the revenue estimates problem, combined with the supplemental budget problem, exceed the seven million dollars contingency reserve we've already undertaken as a safety measure.

Therefore, I felt I had a responsibility to come before you as soon as possible and address this problem. This is the bad news. However, I also feel I have some good news as we also have a solution to the problem.

However, before addressing the specifics of the problem and our specific solution allow me to:

- (1) Briefly review where I feel this legislature and this governor have come together.
- (2) What we have accomplished to date together.
- (3) What I hope we're able to accomplish together this session and for the balance of the fiscal year as well as the biennium.

First of all, since assuming office nearly 14 months ago we have attempted to adopt and implement a practice of managing state government on the basis of funds coming in and have in every way attempted to live within our means. With the help of the 107th Legislature I believe that we have been able to bring together to Maine State Government a currently needed philosophy that says:

- (1) Government must first attempt to provide every service possible with existing dollars.
- (2) Government must avoid deficit spending if it is to avoid eventual bankruptcy.
- (3) Government must decide what it can and cannot be and that it must operate under the basic premise that government cannot give more than it takes.

Secondly . . . we've accomplished a balanced budget without a tax increase to date.

To accomplish these goals of fiscal responsibility which we told the people of Maine we would try to attain, we have, with the help of this legislature, also taken the following steps.

- (1) We have attempted in every way possible within the executive branch to make certain the people of Maine are getting a dollar's worth of service for every dollar spent. We have instituted programs to control out-of-state travel, purchasing and hiring and we have undertaken a study of the cost effectiveness of certain programs and projects and we now stand ready to join with the legislature to do more in this area.
- (2) We asked this legislature over a year ago to give us time to get government headed in the right direction and time to see if the economy was going to stabilize. We asked the legislature to work with us for a balanced budget without a tax increase. Even though we were left without the adequate reserve that we hoped would be available, the legislature cooperated. I continue to be profoundly grateful for this cooperation because I am convinced that was one of the most important decisions ever made in Maine State Government. In effect, we mutually shunned predictions that we would have to vote a tax increase . . . we committed to absorbing deficits caused by education overspending . . . and we collectively told the people of Maine that government would tighten its own belt before coming to them for more money.
- (3) We knew that the budget approved in the regular session was a tight one. The legislature also knew this and it was made even tighter by adoption of the supplemental budget.

Thirdly . . . I now hope we can come together and solve our problems without mandating a tax increase from this legislature on the people of Maine at least without allowing the people in the towns and cities of Maine the basic American right to make that decision for themselves. Because we knew the budget was tight for the biennium and that revenues could come in a few percentage points above or under estimates, we committed to restoring a reserve by calling on departments and agencies of state government to

implement a seven percent or \$1 million a month expenditure reduction plan to help guard against any possible shortfall.

Although preliminary indications show that the revenue picture is still unfavorable in the January report, it is still impossible to predict whether revenues will be on target until we have the benefit of the April income tax returns. However, as I've already said, in fairness to this legislature and the people of Maine, we cannot wait even until these tax returns are received sometime in mid-April to address our problems.

I want you to know that we have made a continuing analysis of our revenue situation, our budget and new appropriations requests. I say to you today that it is our conclusion that the budget can be balanced for the remainder of this fiscal year and for the second year without a tax increase and without seriously curtailing or hampering state services.

With the help of this legislature, we commit to doing just that.

The easiest thing this governor and this legislature could do at this point would be to throw up their hands and vote a tax increase. I state unequivocally that I do not think that would be fair to the people of this state at this time because I do not feel we have done everything possible to live within our present means.

I believe if this legislature and this governor will work together we can live within our present budget. At the very least, we owe it to the people of Maine to say we tried.

We can always come back together if the economy does not improve as predicted and if the revenue situation merits it. However, I say to you that nothing can undo the harm that would be done to present and future generations of Maine people if we act in haste to impose a tax increase at this time. We are already paying the price for hastily enacted legislation in the past and let's not add this type of burden to a future legislature and governor.

Sure, we might temporarily still the loud voices of any special interest, wanting to spend more money, by simply taking the easy route and voting a tax increase . . . but I say to you that unless we in state government continue to hold the line on spending we are not going to be able to stem the continuous out-flow of many of our young people who are forced to leave Maine to find quality jobs.

As governor I have already had my share of pressure from those who want to spend more, and I am sure the pressures have been even greater on you. These pressures are going to increase as the session goes forward. It is important for each of us to keep in mind that we also must represent the people who are not in the hallways and who are not pressuring us to spend.

After a year of trying to find industries to come to Maine, I can say to you with complete certainty that we will have lost a major advantage if we vote a tax increase at this time.

Let's be willing to make tough decisions for the people of Maine. If there is a need for someone to take the blame or if they are not the right decisions, then I stand willing to take the blame.

I have already submitted to this legislature proposals to resolve our education deficit and for a new education funding law. If this legislature does not have a better plan, then I plead with it to adopt those which we have submitted. I assume the responsibility for what we have advocated and I'll take the blame if it is not right.

Today I will outline to you our plan for keeping the budget balanced without a tax increase. If this legislature has a better plan, then I am willing to listen. If it does not then I again plead with it to approve what we will submit and, as governor, I will assume the responsibility.

THE REVENUE PICTURE

As I said earlier, it is not possible to predict whether revenue estimates will be on target come June 30. However, as early as last December we instituted a program to restore dollars we lost in the supplemental budget and so with the additional adjustments I am sharing with you today, we will be on target at year end.

As it relates to the second year, we still feel confident that our 1977 estimates will hold. The anticipated improvement in the economy convinces us that the 1977 revenues could even exceed our estimates. Available forecasts indicate that there will be a considerable improvement here in Maine as well as throughout the nation in real personal income and unemployment. The latest forecast of the New England Economic Project predicts that Maine's total personal income will rise 8.6% or from \$5.1 to \$5.6 billion dollars. The same report predicts that total employment in Maine will rise gradually from the recent low of 349,400 persons during the third quarter of 1975 to 357,000 persons in the last period of 1976.

Even though we will commit our cost savings to guard against any first year revenue shortfall and even though we are convinced second year revenue estimates will hold or exceed expectations . . . there are problems which must be addressed in both years of the current biennium.

FIRST YEAR

In the first year we are faced with a potential need of \$10.3 million dollars to:

- (1) Provide \$675,000 for the operations of the legislature.
- (2) Cover an unanticipated \$1.5 million shortfall in federal revenue sharing funds.

(3) Provide a maximum contingency fund of \$8 million for potential general fund shortages.

(4) Provide an additional \$50,000 necessary appropriation for the Chief Medical Examiner.

To end the present fiscal year with a balanced budget and to avoid the imposition of additional taxes on the people of Maine, we propose that the \$10.3 million be realized by:

(1) Utilizing the \$7 million we have already undertaken in expenditure reductions.

(2) Utilizing \$1.6 million in additional lapsed balances which will result from improved management practices, including the improved management of personnel, printing and capital purchasing.

(3) Utilizing \$200,000 allocated in the highway fund for amortization of the transportation building but not anticipated in general fund revenues.

(4) Utilizing \$250,000 from the governor's contingency account. The executive council should be commended for the fiscal responsibility it has displayed in allowing these additional funds to be available.

(5) Utilizing \$300,000 which has been spent in previous years to encumber fuel allocations. We are informed that that practice is no longer desirable under present pricing systems.

(6) Utilizing \$250,000 in unanticipated Medicare funds.

(7) The remaining \$700,000 needed to keep the first year budget balanced will be made up by the reallocation of funds for lower priority capital programs in parks, airports and at Stevens Schools. These funds were appropriated in 1973 but have not been committed because they have not been considered high priorities.

SECOND YEAR

Even though we are convinced that second year revenues will hold, there are some additional problems directly related to existing programs which we must address.

Basically, we feel we must come up with the following additional appropriations:

(1) \$2.6 million for continuation of supplemental appropriations included in L.D. 1937.

(2) \$106,000 for the court system and the Chief Medical Examiner.

(3) \$1.3 million for Human Services.

(4) \$300,000 for Mental Health and Corrections.

(5) \$400,000 for reimbursement to municipalities for the Inventory Tax Exemption.

In addition, we have said repeatedly that we wanted to do something for underpaid state employees. The legislature has shared this concern and mutually we directed a study to be made of the classification and compensation system. That study has been completed and we commit in the second year to the implementation of that plan to the maximum extent possible consistent with our financial condition and our other obligations.

Bills regarding our pay plan and all our other budget proposals will be presented shortly to this legislature, but basically we will propose the following for state employees:

I am recommending a salary adjustment plan for underpaid state employees to be effective with the first pay period in July of 1976. As I said, the basis of the salary adjustment should be the reclassification effort and compensation levels recommended by Hay Associates in their recently completed study. I am suggesting implementation in such a way that no employee will receive a reduction in take-home pay and also that no employee will receive more than a ten percent increase upon implementation unless necessary to reach the first step in the new range.

Hay Associates reviewed nearly 950 classifications in a relatively short time frame so that this information would be available for this special session. Because of the extent of this review we believe that an appeal process for individual employees, employee groups and departments is an essential ingredient in the implementation process and I am suggesting such a procedure in the legislation to follow.

In order to fund the estimated general fund cost of \$3,750,000, to implement the pay plan I am proposing the following:

(A) Provide for the initiation of an improved merit system by including only sufficient funds for 60% of those eligible for an annual increment in fiscal 1977 as recommended by the Hay report.

(B) Eliminate payment of most noon meals for state employees.

(C) Institute a bi-weekly payroll system.

(D) Utilize a portion of the 1976 reserve for health insurance not required by departments.

These steps will create a pool of approximately \$1,000,000 to assist in small general fund agency implementation needs and will improve the overall effectiveness of state government. The remaining funds required can be made available from agency personnel savings and other accounts as a result of the reduction in employees and other savings that have been achieved by our administration. The number of general fund supported employees has been reduced in the past year and we are convinced that we can achieve additional employee reductions through attrition in those areas where overstaffing still occurs. To assist us in these reductions, I am asking and also suggesting improved control

and administration of vacation and sick leave benefits to assure more available productive time by state employees.

The pay plan we have advocated and the other second year programs we feel are necessary will cost an estimated \$7.5 million from the general fund. Because we believe these programs are essential, we are proposing to withhold a four percent reserve from 1977 allotments to assure their financing. We believe this is the maximum across-the-board reduction in general fund expenditures which can be accomplished without seriously affecting existing programs.

We sincerely believe this need for a reduction in allotments will be a temporary measure as a result of:

(1) The improving economy which should increase revenues above estimates in the second year of the biennium.

(2) A commitment on the part of this administration to continue its spending reduction program into the second year so that these reductions in expenditures will be occurring automatically within individual program areas.

In a letter to members of this legislature earlier this week I stressed the importance of resolving the education deficit separate and apart from our other financial problems. I think we are all aware of the need to solve that problem as quickly as possible so we can effectively deal with the other pressing problems of this special session.

The budget proposals we have made for the remainder of this fiscal year and the second year cannot be placed in proper perspective without looking ahead to our plans for the immediate future. In that regard:

(1) If our proposed solution to our second year problems appear to be falling short and cannot wait until the January regular session to be addressed, we commit to calling this legislature into a fall special session to address them.

(2) Although I would personally like to consider reducing the heavy reliance on the property tax for education funding, I do not believe this special session is the time and place to attempt to transfer this to a more broad based tax source. Therefore, I commit with the legislature to a complete and full examination of this state's total tax policy in next January's regular session. We can, at that time, give full considerations to the recommendations of the tax policy committee. I will, at that time, consider a tax shift for education funding as well as any other changes that will make Maine's individual tax burdens more equitable. I will not, however, commit in the regular session, or any other session, to taxing Maine people beyond their ability to pay in relation to their per capita incomes for any purpose because I still believe state government in Maine is too large and too expensive.

(3) This legislature, to its great credit, has suggested that we take a look at programs throughout state government with an eye toward eliminating low priority programs and programs no longer serving a useful purpose. In that regard, I would ask this legislature to join with us in a joint effort to make a complete examination of programs between now and the regular session. I believe we can mutually recommend programs that could be immediately cut and recommend a monitoring system for the future whereby programs are automatically analyzed on a regular basis.

I stand here convinced and say to this legislature and the people of Maine that if we adopt this pay as you go budget approach we have advocated, take the steps we have proposed for the future and realize what we believe will be an improved economy, that by this time next year Maine State Government could be leading the way and we could be in the best position of any state in this country to move forward with a fiscally sound government.

President Sewall, Speaker Martin, I pledge to each of you and to the full membership of the 107th Legislature my complete cooperation and my full time and attention to placing Maine in that position.

Thank you very much.