

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND EIGHTH LEGISLATURE

FIRST REGULAR SESSION

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MESSAGE

OF THE

Governor James B. Longley

JANUARY 13, 1977

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*Mr. President, Mr. Speaker and Honorable Members of the 108th
Maine Legislature:*

As you well know, the Governor has a statutory duty to present to this Legislature a budget for the biennium. While I have this obligation to the Legislature, I feel, and hopefully this Legislature will agree, that we have an additional obligation at this time to do everything possible to provide the people of the State of Maine with solutions instead of more problems or additional tax burdens in these still difficult and challenging times for Maine.

I am therefore, submitting to you what I feel is a people's budget . . . a budget which serves the people more than it does the bureaucracy and the special interests . . . a budget which carries forward the Jeffersonian philosophy that government should do for people only what they cannot do better for themselves . . . a budget which says that the government closest to the people is usually the most responsive to the people . . . a budget that says fiscal responsibility and accountability is at it's best when it is closest to the people . . . a budget which therefore says, Washington should not mandate for Augusta or Augusta for the cities and towns of Maine . . . these decisions best made by the towns and cities of Maine.

I said in my State of the State Message that we had strengthened our foundation of government here in Maine and that it was now time to build on our foundation of fiscal responsibility which the legislative and executive branches, working in partnership, have brought to the State Government here in Maine.

I believe the budget we are presenting will allow us to start that construction for the future and to provide tax reductions in the form of tax benefits for the groups who need it the most . . . groups such as the youth of Maine and the elderly of Maine.

To this end, the budget I am presenting this Legislature, is not only

balanced without a recommendation for a tax increase it is a 10-point "People's Budget" which:

(1) Will provide \$6 million worth of tax relief to the working men and women of Maine by exempting residential electricity from the sales tax.

(2) A budget which will provide an additional \$2 million to give additional tax and rent relief for the elderly increasing the actual dollar benefit by 25 percent to the elderly recipients and very significantly without any additional cost or additional bureaucracy, to the extent we're improving on a program already in existence rather than simply adding a new program that frequently benefits those who are paid to serve rather than those who government should serve.

(3) A budget which will provide \$1.6 million for a program to provide free drugs for elderly persons who are unable to receive such drugs through other programs. Parenthetically, as an idealist that felt he could find these dollars for an elderly drug program, I became a realist to the extent I recognized the best way to find dollars was to find dollars which could be saved within government from the economy, efficiency and effectiveness we have tried to bring to government.

(4) A budget which is designed to assist us in finding more and better jobs for the people of Maine by the creation of a Maine Economic Development Corporation the creation of a Council of Economic Advisors and the creation of a partnership effort with the business community to better promote tourism. Here again these programs and projects for the people with a price tag of \$1.1 million, do not come from increases in taxes, but from improved management and personnel procedures made possible in large part by legislation enacted by the previous legislature.

(5) The education budget we are presenting, we feel, will provide more direct assistance to what must become our real "bottom line" in education . . . *the student*. We will ask for your approval of a \$1.5 million voucher plan which will enable deserving students throughout the State to receive state grants to attend any post-secondary school of their choice in Maine. We also will propose the securing of additional space for Maine students desiring to attend medical school and who will hopefully return to Maine to practice medicine. We will also propose the establishment of a special fund in the Department of Educational and Cultural Services to enable the State's Vocational and Technical Institutes to design special programs to meet the needs of business and industry in their areas on a partnership basis to the extent we believe the government closest to the people best serves the people. I also believe our vocational education effort closest to the people will best help existing industry to expand as well as help attract new quality industry to Maine.

(6) We are submitting a special emergency appropriations bill to allocate Title II Public Employment funds. We feel the program will improve and continue basic services in critical areas such as children and family services and mental health and corrections. In addition, dollars will be allocated to fund programs designed to better protect consumers and to improve services to people through state government in the Public Utilities Commission and the Department of Personnel. This program also will allow us to do some maintenance work on our bridges and at our state parks and will also enable us to winterize the State House as an energy conservation measure.

(7) The budget we are presenting in the area of public safety will provide for additional state troopers and the replacement of older vehicles. It also will provide for expansion of the regional communications system. We must make certain the highways and streets of Maine are safe. This budgetary approach and allocations to the State Police will allow us to continue to reverse a trend that seemed to grant more rights and privileges for those who broke the laws than those who observed the laws.

(8) In the area of human services, we are recommending an increase of approximately \$20 million over the two years of the biennium. This increase is necessary to maintain current programs and to meet increasing costs in practically every area, particularly in the medical care program. As I said a week ago, the legislative and executive branches can take great pride in the fact that we have not eliminated or cut back on any major programs designed to serve people.

(9) The budget also includes funding for the higher wage scales brought on by implementation of the new compensation plan for State employees.

(10) And, the budget includes a 20 percent increase in funds to provide additional staffing for the Attorney General's office to meet its continuing and new responsibilities in such areas as consumer protection and human rights and sovereign immunity.

These 10 points by no means attempt to outline everything this budget proposes to accomplish. We have attempted in every way to fund all programs mandated by the Legislature to continue all our educational programs and to maintain all necessary functions of State government.

Due largely to the outstanding efforts of Commissioner Roger Mallar and his staff, the Department of Transportation has generally held the line on expenditures for highway materials the past two years, despite the continuing effects of inflation on maintenance and construction activities. The programs included in the budget for the next biennium will enable the department to continue existing services and to maintain safe, convenient and effective movement of goods and people throughout the State. The Highway Fund is in sound fiscal condition and the level of bonds required to supplement the fund is expected to be some \$2 million less than the previous biennium.

Despite increased costs for construction and maintenance, the transportation budget requires no increase in fuel taxation or fee increases in licenses or motor vehicle registration.

TAX REFORM

We must address tax reform in this session, but to meet our obligations to the people of Maine whom I feel are unable to pay more, we must address tax reform with an eye to equalization of the tax burden through assuring proper tax mix as well as to establish a maximum tax burden and to provide tax benefits to those least able to pay taxes.

The allocations included in our present budget for education subsidies are based largely on estimates and the exact spending figures are un-

known at this time because the law gives the Commissioner and the State Board of Education until January 30th to file such data which is not available until that time. However, in accordance with present statutes, I am submitting these preliminary estimates and figures at this time. I will be submitting an update of the education budget when accurate figures are available.

This is another reason why we will present legislation for your consideration to give future governors until March 1st to present their budgets. This will allow more time for more prudent planning and will enable budget drafters to have more accurate spending estimates, particularly in the area of education.

The preliminary figures we are submitting in the area of education subsidies will enable local governments to reduce the present mil rate for education by one-half mil . . . from 12½ to 12 mils in the first year of the biennium. However, we hope that when final data is available that the rate can be reduced even further. You should know I am hopeful we might even reduce the mil rate another full mil to 11 mils. However, I think it is important for the people of Maine to know that the State government is not totally responsible for the total property tax paid by the people of Maine. Many of the decisions relative to the property tax are still made at the local level and I, for one, think even more of those decisions should go back to the towns and cities.

As most of you know increases in valuation of property subject to the uniform property tax at the 12.5 mil rate will produce \$28 million more in the next fiscal year than in the current fiscal year. I favor reducing that mil rate even further and we are confident that when education costs are finalized we will be able to do so.

Under present law we are required to fund not more than 50 per cent of education costs from the uniform property tax. However, we are continuing to examine ways to reduce the burden of education costs on the property tax and to find ways to fund it with a proper and equitable tax mix.

We do not feel that the Legislature or anyone else would knowingly increase local taxes by \$28 million without a public hearing when the rate was set at 12.5 mils. However, it must be the goals of this Legislature and this administration to reduce this as much as possible and to return as much of the decision-making as possible in education back to the local governments.

I will be submitting my own thoughts in this area in a subsequent message to this body and I pledge my full and complete cooperation as we mutually address this problem which faces each and every Maine citizen. However, we must ask ourselves and answer to the people of Maine whether we have the right to spend this \$28 million and arbitrarily add another burden to the property tax payer or whether this decision would not be better made and should be made at the local level.

As Governor I am hopeful that questions surrounding the pending citizen petitions in the area of property tax reform will not postpone a speedy resolution of problems in that area. One of the strengths of our democratic system is the freedom of speech and freedom of expression demonstrated by the "Save our State" and "Towns for Fair Taxation" organizations which conducted this petition drive. They are to be commended for focusing attention on the problem of inequity in our property taxes and they have challenged the spend, spend, spend philosophy

of some of those connected with education. I am grateful for the courtesy these groups have extended to me as Governor and I appreciate their constructive criticism. We must address reforms in this area and our legislation will be aimed in this direction.

However, we cannot wait to start bringing about some meaningful tax reforms. In that regard, I feel:

(1) We must take steps to avoid future spending deficits which overburden our citizens with taxes and which have a harmful effect on our business climate. Toward that objective we are adopting a task force recommendation of an outstanding volunteer group and are proposing legislation which will limit spending to our ability to pay. State government expenditures and program, taken together, have a great effect on the State's economic climate. However, state budgets have not traditionally been prepared from an overall perspective of their effect on the State's economy or the State's highest priorities. I am submitting legislation to alter the budget development process so that overall policy objectives will be considered by each agency and by the Governor. The improved result would be a State program document which will accompany the State Budget document in which critical problems and opportunities and high priority objectives facing the State will be explicitly identified as a guide to our decision-making.

This legislation will also require the Governor to propose an aggregate level of State spending and consequent tax burden for each biennium. The Legislature would be required to accept or reject these levels within 4 weeks of submission. We must hold the line on our per capita tax burden and on our per capita debt. They are both still too high. The procedure defined in this legislation will make the total tax burden a specific public decision of the Governor and the Legislature in every budget cycle. For the first time, we will be able to know the total tax burden expected of Maine people in advance. This will improve our posture of fiscal responsibility and will do more to assure existing industry as well as attract potential quality industry as they will see definite statutory proof of our commitment as a state that taxes equitably and fairly. Hopefully, future Governors and Legislatures will use this procedure to bring the total tax and debt burden down to an acceptable level.

(2) The reimbursement of the inventory tax has been of great concern to all of us. I personally have seriously questioned the reimbursement because I felt it favored businesses with inventories and discriminated against those businesses which do not have inventories and that it discriminates against all property taxpayers other than corporations with inventories. Here is an excellent example of where State government the Legislative and Executive branches must not usurp or preempt the rights of the citizens of cities and towns to make their own decisions. They are the ones who have to provide the fire and police protection to these firms. Local governments should have the right to allow its citizens and businesses without inventories to determine whether or not they want to tax businesses with inventories for local services they provide. I would hope that individual cities and towns would not arbitrarily tax inventories but I feel the citizens of these towns should have the right to make that decision rather than have a governor and a legislature tell them that they cannot charge for the services the citizens of those towns and cities must pay to provide.

I will, therefore, ask this Legislature to allow the towns and cities to

make their own decisions relative to taxing inventories and I will further ask that the corporate income tax increase of one percent be repealed since it was imposed at the time the inventory tax reimbursement began. Maine has a history of fairness and I submit this approach keeps faith with the business community of Maine since we added to the corporate tax of all businesses to pay for the tax relief provided to businesses with inventories.

We feel this is an ideal time to address this issue and make this resolution since an additional \$5.3 million in State-Local revenue sharing is forecast for the coming biennium.

I would also ask this Legislature to exercise extreme caution in mandating new programs and failing to give commissioners discretionary authority to make decisions based on the overall needs of their departments. There has been a tendency in government to mandate programs without any thought being given to real need or to benefits in relation to cost or how the program will actually work. This has not been fair to dedicated commissioners and officers of government or to State employees and has been equally unfair to the cities and towns of Maine. We would respectfully ask this Legislature to give department heads more discretion in reorganizing their departments and selecting key people upon whom they must depend, and to carefully review any and all programs we mandate to the cities and towns of Maine.

REVENUES

Let us take a brief look at the revenues expected to be available for the biennium to fund this budget which totals \$862.5 million.

The General Fund revenues anticipated for the biennium are \$836 million. This is to be made up of \$405.5 million in the first year and \$430.5 million in the second year. This is less the amount required for State-Local revenue sharing as provided by law.

To this must be added an amount of \$14 million in federal revenue sharing each year, for a total of \$28 million for the biennium.

**GENERAL FUND
SUMMARY OF UNDEDICATED REVENUES**

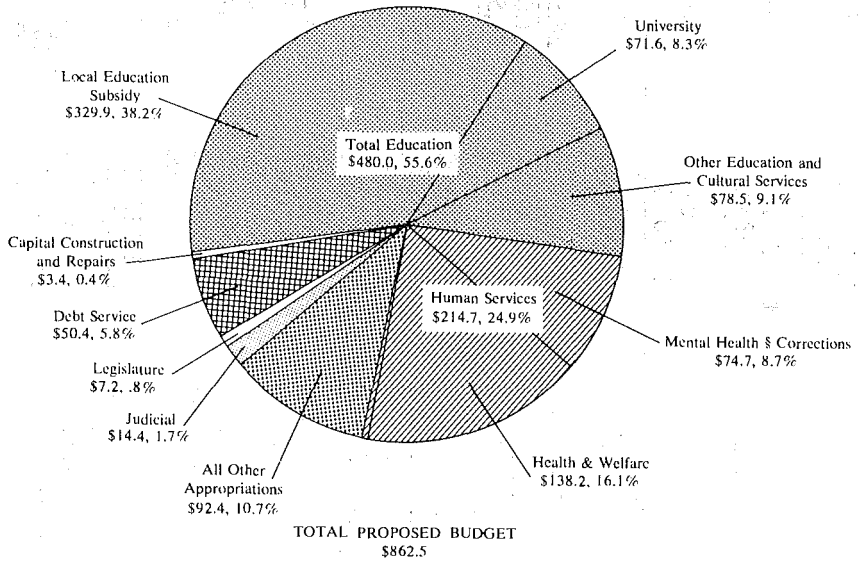
Revenue Source	Actual	Estimated	Budget Recommendation	
	1975-76	1976-77	1977-78	1978-79
Uniform Property Tax	\$120,374,294	\$ 4,731,000	\$ 7,006,000	\$ 7,700,000
Tree Growth Tax	7,803,493	7,986,000	7,889,432	8,472,170
Budworm Excise Tax	2,837,259	737,000	1,523,604	6,282
Inheritance and Estate Taxes	7,361,635	7,400,000	7,900,000	8,400,000
Income Tax—Individual	51,876,902	77,507,779	85,833,333	91,770,833
Local Government Fund*	2,075,076	2,774,779	3,433,333	3,670,833
General Fund Portion	49,801,826	74,733,000	82,400,000	88,100,000
Income Tax—Corporate	32,815,598	23,922,422	26,562,500	27,291,666
Local Government Fund*	1,312,624	856,422	1,062,500	1,091,666
General Fund Portion	31,502,974	23,066,000	25,500,000	26,200,000
Cigarette Taxes	23,935,432	24,650,000	26,000,000	26,000,000
Sales and Use Tax	151,724,958	168,598,838	184,375,000	200,000,000
Local Government Fund*	6,068,998	6,035,838	7,375,000	8,000,000
General Fund Portion	145,655,960	162,563,000	177,000,000	192,000,000
Public Utility Taxes	9,842,975	11,080,000	13,205,000	14,705,000
Insurance Premiums Taxes	7,715,910	8,440,000	9,300,000	10,000,000
Commission on Pari-Mutuels	812,818	865,000	850,000	850,000
Income from Investments	1,668,381	1,700,000	1,708,500	1,711,000
Income from Alcoholic Beverages	24,037,724	25,500,000	26,000,000	27,000,000
Income from State Lottery	2,609,623	3,000,000	2,000,000	2,000,000
Other Revenue	12,703,752	13,138,734	17,202,823	17,332,576
Total Undedicated Revenue	458,120,754	379,256,773	417,356,192	443,239,527
Local Government Fund*	9,456,698	9,667,039	11,870,833	12,762,499
Available for Appropriation	\$448,664,056	\$369,589,734	\$405,485,359	\$430,477,028

\$818,253,790

\$835,962,387

* Estimated State/Local Revenue Sharing

MAJOR RECOMMENDATIONS
1978-79
(Millions of Dollars)



STATE EMPLOYEES

The new pay plan which became effective for State employees last November 1st, is a tribute to what can be accomplished when the legislative and executive branches of government work together. Based on an analysis of the final determinations of the temporary compensation review board for all classified employees, the average full-time permanent State employee received an annual increase in his base pay of \$686 per year, or over \$13 per week. This is in addition to the \$160 which the Legislature and executive branch of government in fairness, paid to State employees from July through October of 1976 while the appeals were being processed, as the Legislature and this Governor wanted to make certain State employees were treated fairly. Furthermore, I believe the legislative and executive branches were more than fair.

Not only did the average increase in weekly base pay of \$13 exceed the \$11 we predicted but 57 percent of the employees received \$11 or more in permanent increases. Also, state troopers and others working non-standard work weeks are receiving premium allowances of 10 percent of their base salaries in recognition of their hours worked. This provides an additional \$21.81 a week, or over \$1,100 per year for the 700 employees affected.

During the past two years, the State contributions to the health insurance costs for its employees has increased 27.6 percent and our contributions to retirement plans have increased by 15.6 percent. Also starting the first of next year, we will have to pay between 1.7 and 2.0 percent Federal Unemployment Insurance premiums. In short, from 1976 to 1977 alone our out-of-pocket costs per employee have increased by 10.2 percent to \$11,400 annually during the last year.

Under present law, after July 1, 1977, a State employee who becomes non-occupationally disabled becomes eligible for disability retirement once he or she has been disabled for six months.

I will be proposing to this Legislature a further improvement in the form of a short term temporary disability program for State employees. This plan will provide additional benefits amounting to two-thirds of the employee's base salary for up to six months following the start of the disability. Payment of benefits will commence after a 30-day waiting period or the expiration of sick leave. I am proposing that this plan be fully paid by the State. We believe this will provide Maine State employees with one of the finest packages of fringe benefits of any public employees in the nation.

State employees have fared very well under the new pay plan, far better than many of their counterparts in the private sector here in Maine and better than many employees of other New England states. We are now waiting for the Maine Labor Relations Board to order elections in the collective bargaining units for State employees. I am advised that future increases for State employees should be negotiated pursuant to the procedures established by the Legislature in the State Employees Labor Relations Act.

MENTAL HEALTH AND CORRECTIONS

For the past several years, much consideration has been given to the question of the prudence and judiciousness of the State of Maine con-

tinuing to operate two major mental institutions. As this State has taken positive, innovative steps toward community-oriented care for many of its mentally ill citizens, we have witnessed declining populations and ever-increasing costs at both Augusta Mental Health Institute and Bangor Mental Health Institute. From 1966 to 1975, the resident population at Augusta decreased from 1,552 to 397 while the cost of operating the facility increased from \$3.8 million to \$8.7 million. During the same time period, the patient population at Bangor decreased from 1,158 to 346 while expenditures there increased from \$2.5 million in 1966 to \$6.7 million in 1975. We announced last fall that we had made an administrative decision to plan for the phase-down of Bangor Mental Health Institute but that we would take no action that was outside the scope of our statutory authority. We have worked for approximately six months developing a plan which we feel will improve patient care for those presently confined at the institutions as well as improve our entire mental health system by better utilizing our existing resources.

Therefore, we will ask this Legislature to give the Commissioner of Mental Health and Corrections the authority to operate one major mental health institute. It would not be fair to ask this Legislature for the authorization to operate only one institution if we did not outline how we planned to utilize that authorization.

Our plan in that regard calls for:

(1) The establishment of a resource center for geriatric and autistic patients at Bangor. Some 86 elderly patients presently residing at B.M.H.I. would remain at that unit.

(2) The transfer of 126 patients and 4 complete psychiatric patient care teams to the Maine Mental Health Institute at Augusta.

(3) The allocation of resources to the Aroostook County Mental Health Program to care for Aroostook patients presently at Bangor in order to have them as close to home as possible.

(4) The transfer of some 45 patients presently at Bangor to community nursing homes, their own homes, foster homes, boarding homes and to the D-1 Unit in Bangor.

(5) We will continue to support the development of community mental health programs.

This is the recommendation presented me by the most objective and the best expertise available as it relates to mental health. I do not pretend to be a mental health expert so I must rely on the best expertise available as well as the advice of those who are at least as objective as they are professional. I am, in that spirit, submitting this plan to the Legislature for its consideration and hopefully its approval. Should the Legislature feel it wants to take a different approach or alter the mission of an institution other than the one we have recommended, I will recognize that right. However, I support this basic plan which we have presented a plan originally advanced by Commissioner Rosser a plan with the support of the community mental health experts and a plan now submitted and advocated by George Zitnay, our new Commissioner of Mental Health and Corrections and the community mental health directors have once again given their support to this plan.

The Department will also be able to add 61 positions at the Pineland Center for training and treatment of the mentally retarded. These im-

provements, we feel, will make Pineland one of the finest, if not the finest, institutions of its size in the nation. The Department also will embark on a community-based program for the mentally retarded with the objective of keeping the family unit intact to the maximum degree possible.

There will also be funds available to hire additional security officers for the State Prison at Thomaston.

CONCLUSION

As I said at the outset, I believe we have presented this Legislature a "People's Budget," . . . a budget which gives more consideration to people than it does to the bureaucracy and special interests . . . and a budget which is based on the input we have received from individual citizens, legislators and experts in government as well as through our task force efforts and through two-way communications with the people of Maine.

Mr. President . . . Mr. Speaker: I would like to thank this Joint Convention for allowing me to present this budget and I thank you in advance for your consideration.

Thank you very much.

A handwritten signature in black ink, reading "James B. Longley". The signature is written in a cursive, flowing style.

Governor of Maine