

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE

AS PASSED BY THE
ONE HUNDRED AND THIRTEENTH LEGISLATURE

AS PUBLIC LAWS AND CONSTITUTIONAL RESOLUTIONS

at the

THIRD SPECIAL SESSION

September 15, 1988 to September 16, 1988

and the

FOURTH SPECIAL SESSION

November 28, 1988

AND

AS PRIVATE AND SPECIAL LAWS AND RESOLVES

at the

FIRST REGULAR SESSION

December 3, 1986 to June 30, 1987

FIRST SPECIAL SESSION

October 9, 1987 to October 10, 1987

SECOND SPECIAL SESSION

October 21, 1987 to November 20, 1987

SECOND REGULAR SESSION

January 6, 1988 to May 5, 1988

THIRD SPECIAL SESSION

September 15, 1988 to September 16, 1988

and the

FOURTH SPECIAL SESSION

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BUDGET ADDRESS

of

GOVERNOR JOHN R. McKERNAN, JR.

February 5, 1987

Mr. President, Mr. Speaker, Members of the 113th Legislature, Fellow Citizens of Maine:

Tomorrow I will present to you my budget for the State of Maine for the biennium of July 1, 1987, through June 30, 1989.

As many of you are well aware, no new administration ever has the luxury of beginning the budget process with a completely clean slate. Many parts of this budget were — because of this state's ongoing programs and obligations — established years, administrations, and legislatures ago.

But in spite of these constraints, the budget I am about to present to you is a strong and sound one.

It is a balanced budget.

It is — out of necessity — a budget that will force our departments to hold the line on spending.

In the four weeks since my inauguration, members of our transition team, our new Commissioner of the Department of Finance, and the staff of the budget office under the able direction of Bill Buker have worked with me — and worked tirelessly I might add — to put our stamp on this document, and to create a budget that achieves three primary goals:

First: This budget provides for the continuation of all necessary state services.

Second: It funds a number of new, essential, programs. They are programs designed to address this state's most critical needs. And they are programs designed to assure a brighter future for all our citizens.

Third: And most importantly, this budget does not — in any shape or form — increase state taxes.

We have been able to meet these three goals because we have set priorities and stuck to them.

Certainly, we have not funded everything we might have wished. And we have not been able to fund certain areas and programs as fully as we would like.

But in setting priorities, we have remained true to our agenda. And I am confident that, at the same time that this budget allows us to meet the shortfall in funding caused by federal cutbacks, it will also allow us to begin to address our two greatest concerns — economic growth for all of Maine, and educational opportunities for all our citizens.

PROJECTED REVENUES

All of this may, I realize, sound too good to be true: no new taxes, the funding of all necessary existing services, as well as additional funds for new programs. In response to that, I would ask you to look at Chart A.

As you can see, during the 88/89 biennium we expect — thanks to an expanding economy — a projected 17 percent increase in revenues. That's an additional \$345 million in funds to the state over the next two-year period. This increase contributes in good measure to supporting the \$2.3 billion General Fund budget for the 88/89 biennium that I am recommending tomorrow.

TOTAL EXPENDITURES

The total expenditures for All Funds are projected to be \$4.7 billion for the 88/89 biennium (\$2.3 billion

in FY88 and \$2.4 billion in FY89). Of that amount, \$1.2 billion is from federal revenues, both categorical and block grants. A total of \$886 million is for Other Special Revenue and Miscellaneous Funds. Expenditures of \$309 million are projected to be made from the Highway Fund.

EXPENDITURES: FIXED OBLIGATIONS

This morning, I would like to focus on the General Fund, for it is where most of our priorities lie. And it is, I think, the area that is of greatest concern to many of you.

If you will look to Chart B, I would like to explain how the projected \$842 million in additional resources available to the General Fund will be spent.

By far, the greatest amount, 70 percent or \$239,116,000, will be applied to this state's fixed obligations in our Part 1 budget. These are costs that result from the continuation of commitments to services made in the past.

Of that \$239 million, \$116 million represents the increase in this state's contribution to our local schools, a contribution that for this biennium will amount to \$766 million — an 18 percent increase over the last biennium.

An additional \$31 million, representing a 17 percent increase, has been appropriated to meet our fixed obligations to the University of Maine, making the state's total Part 1 contribution to the University more than \$211 million.

\$37.6 million, an increase of nearly 20 percent, has been allocated to meet the projected normal growth of the state's retirement funds. Total Part 1 contributions to those funds will now represent more than \$230 million.

Also included among our fixed obligations is a \$29 million, or 17 percent, increase in the projected costs of our Medicaid programs. In Fiscal Years 1988 and 1989, that cost will be nearly \$196 million.

UNEXPECTED OBLIGATIONS

You will notice that 15 percent, or nearly \$52 million of the \$342 million in projected revenues for the 88-89 biennium will be applied to the state's unexpected obligations. These include continued funding for some FY87 emergency requests that I will propose funding within the next few weeks.

These obligations also include:

\$8 million to fund unexpected increases in the costs of Medicaid services.

In order to meet what has been determined by a recent actuarial study to be an underfunded system, \$3.8 million to meet the shortfall within the Maine State Employees retirement fund and \$36 million to meet the shortfall in the state teachers fund. Thus, our retirement system will be fully funded for 88/89.

Before we accept permanently the new valuation of the old plan, however, I believe it imperative to review the entire retirement system. Our retirement plans represent a major investment of state revenue. Before we continue with the present plan, I want to be sure of two things: that Maine state employees are adequately compensated for their years of service to this state and that we, as taxpayers, are getting the best retirement system for the best price.

In order to accomplish this balance, I will be commissioning, in the next few weeks, a study to provide a comprehensive review of the retirement system's structure and benefits. This study will, I hope, identify issues and options that will make the plan most effective.

FEDERAL SHORTFALLS

To meet cutbacks in federal spending that will affect both Medicaid and AFDC, I will ask the Legislature to approve an additional \$12 million, or 4 percent of projected new resources for the 88/89 biennium, for those programs over the next two years. This should allow the state to continue the levels of services provided during the past biennium.

GOVERNOR'S INITIATIVES

As you will notice, that leaves unaccounted 11 percent of the new-revenue pie. I'd like now to do some accounting, to explain how and where I believe the remaining \$38 million can be best spent. Chart C may be of interest as I describe some of these programs.

It will come as no surprise to any of you that education and economic development are at the top of my list.

As I noted in my inaugural speech, for this state's future to shine as brightly as possible, our quality of life must be strengthened to include good jobs in *all* parts of this state. And it must include an educational system that provides our children the intellectual and vocational skills necessary for the future.

The programs that I will propose to you in my budget tomorrow will, I am convinced, help to provide new opportunities to citizens throughout Maine. Included in these initiatives is a job training program that will assist those who — like the hardworking employees of Health-Tex — suddenly find themselves out of work and, until now, oftentimes out of luck.

As Chart C indicates, I have apportioned the lion's share of funding to education. Included in this category is \$24 million to the University of Maine, which is in addition to the \$31 million for increases in fixed obligations. This \$55 million in new funds for the biennium is essential if the University is to provide the quality education necessary for the future prosperity of our citizens and our state. And it is also necessary if the University is to provide the kind of research needed to assist the state in planning its economic future.

While we have divided our initiatives into separate categories, I want to remind you that nearly all of these programs are interrelated. Nearly all are intended to provide new economic and educational opportunities for our citizens.

Take, for instance, the more than \$1.5 million I have proposed for child care. Most importantly, this funding will help ensure that our children are cared for in a safe and creative environment. But on another level, this funding makes good economic sense. A survey in this week's *Fortune* magazine indicates that lack of good day care may be the most significant causes of absenteeism and unproductive time at work for parents with children under 12. This state and our businesses can no longer deny this economic and social reality.

This money, then, will help to establish regional child care resource and referral programs that will work with the private sector to increase the number of child care programs. In addition, the funding will increase the number of subsidized day care slots for low-income parents.

There's something else that many of these programs have in common. Many of them offer new ways to leverage — or multiply, if you will — this state's resources. Included in my proposals is \$820,000 for an anti-drug abuse program. This amount will be matched by federal funds on a 3 to 1 basis, meaning that over the next two years some \$3.2 million will be available to us to combat the drug problems of this state. One of the most important aspects of this program is that 45 percent of the total funding will go directly to our towns and cities — at no cost to them because the state has picked up the matching share.

I would like to turn for a moment to my plans for economic development, to the 18 percent piece of this pie. I have already mentioned the \$2 million for job training. This program, administered by the Department of Labor, will provide employment and training services in every county in the state. As part of the program, these state funds will be matched on a dollar-for-dollar basis, either through local, private, or federal monies. Those who will benefit most are those who most need these services — people who, because of plant closings, find themselves out of work, and groups such as women, youth, the handicapped, and older workers.

This program will be the basis upon which we will build a comprehensive and coordinated employment and training strategy that meets the needs of Maine's businesses and workers, one that assures future prosperity for all of our citizens.

Also included among my initiatives are a \$507,000 agricultural marketing program and a \$200,000 Fresh Maine Fish Program. Both are intended to strengthen traditional industries, to help assure the future of our farm and fishing communities.

And to brighten the future of another Maine industry, I will propose an additional \$4 million over the next two years to promote tourism. When it comes to attracting tourists, we must realize the importance of spending money to make money.

Much of the funding will be targeted to areas less well known outside of Maine. Much of it will be aimed at attracting visitors year-round. Those of us who live here know that this state has more to offer than just the beaches in July and August. It is time others realize that, too.

The Fresh Maine Fish program, the agricultural marketing program, and the increase in expenditures for tourism are all intended to help bring the two Maines together, to help bring prosperity to all parts of this state. In that same spirit, I propose that Maine invest \$350,000 over the next two years to create Job Opportunity Zones in areas of high unemployment. This program will provide special state assistance to help communities attract and develop job-creating enterprises.

But Job Opportunity Zones are not enough. Therefore I am also asking that \$75,000 be spent to create and define an economic development strategy for this state. Before we fully achieve the state of opportunity that I envision, it is imperative that we know where we are going. We need to strike a balance between growth and restraint. We need to listen to the needs and plans of our local communities. We need to assess our resources and our infrastructure. We need, quite simply, to invest \$75,000 to create a road-map for the future of Maine.

Because we have had to set priorities, because this state — in these economic times — simply cannot serve all of our needs, I think it imperative that we encourage and assist local communities in their volunteer efforts. We must ask neighbors to help neighbors, and because we must, we should be willing to assist those efforts. Therefore, I ask that \$100,000 be provided for volunteer services. Knowing Maine people, I know that that \$100,000 will be multiplied many times in acts of kindness and generosity.

RAINY DAY FUND

We face, in the next biennium, a tremendous increase in our fixed and unexpected obligations. We have, by setting priorities and holding the line on spending, been able to create a budget that meets all of those obligations and that also allows us to implement programs essential to Maine's future.

But these are not the only obligations with which we are faced. At this moment, the state holds in its hands a long list of requests for capital construction, repairs, and improvements. That list represents a huge, 71 percent increase in demands for repairs over the 86/87 biennium. To the extent possible, we have funded those requests from undedicated revenue in the General Fund. But, still, we are faced with the need for an additional \$8.5 million. In order to pay for those repairs — many of which are emergency ones — I ask you to approve the use of \$8.5 million of the state's Rainy Day reserve within the General Fund.

In order to accomplish this, I must ask you to change the terms of that fund to include any capital construction or repairs, rather than just those with costs of over \$500,000.

I do not ask this lightly. But I believe that we must make prudent use of all of this state's resources. I will not ask the millworker in Biddeford or the carpenter in Calais for additional taxes when there is money sitting in reserve in the General Fund.

I applaud the creation of this fund. I believe it exists for times and circumstances such as these. By the end of this fiscal year, the fund should have a projected worth of \$15-16 million. I ask that you approve the use of \$8.5 million for essential capital construction and repairs.

SURPLUS

By making prudent use of all of this state's resources, we have, in spite of the federal shortfall and the huge increases in fixed and unexpected obligations, been able to produce a balanced budget, one that — if projections hold true — includes a small surplus.

CONCLUSION

Because we have used all this state's resources to their maximum advantage, we have been able to meet all of our essential needs without raising state taxes.

As you can see from Chart D, we have been able to maintain basically the same allocation of resources as we have in the past. We have achieved a reduction in general government's share of resources; we have increased funding to education; and we have maintained this state's commitment to human services. We have done all this, and there will be no increase in state taxes.

In order to ensure that we continue along this same course in the future, we must — all of us — work for economic growth. To do that, we must, first of all, step back and take a careful look at where we are. We must examine our retirement system. We must conduct a thorough review of our regulatory policies. And we must develop an economic development strategy for the entire state.

We must, in short, examine and question the ways we spend our taxpayers' dollars. We must be sure that our programs and services are as efficient and effective as possible.

As I have already said, this administration has had little time to do that. I hope, therefore, that you will consider the submission of our budget the beginning of the process. I hope that as my commissioners

take office and begin to review expenditures and services within their departments we might continue to fine-tune this document. And I hope that all of you here today will be willing to assist in that process.

Maine can, indeed, be the state of opportunity that I envision. But we must work hard — and work together — to make it so. I am convinced that this budget is the first important step towards that goal.

Thank you.

CHART A

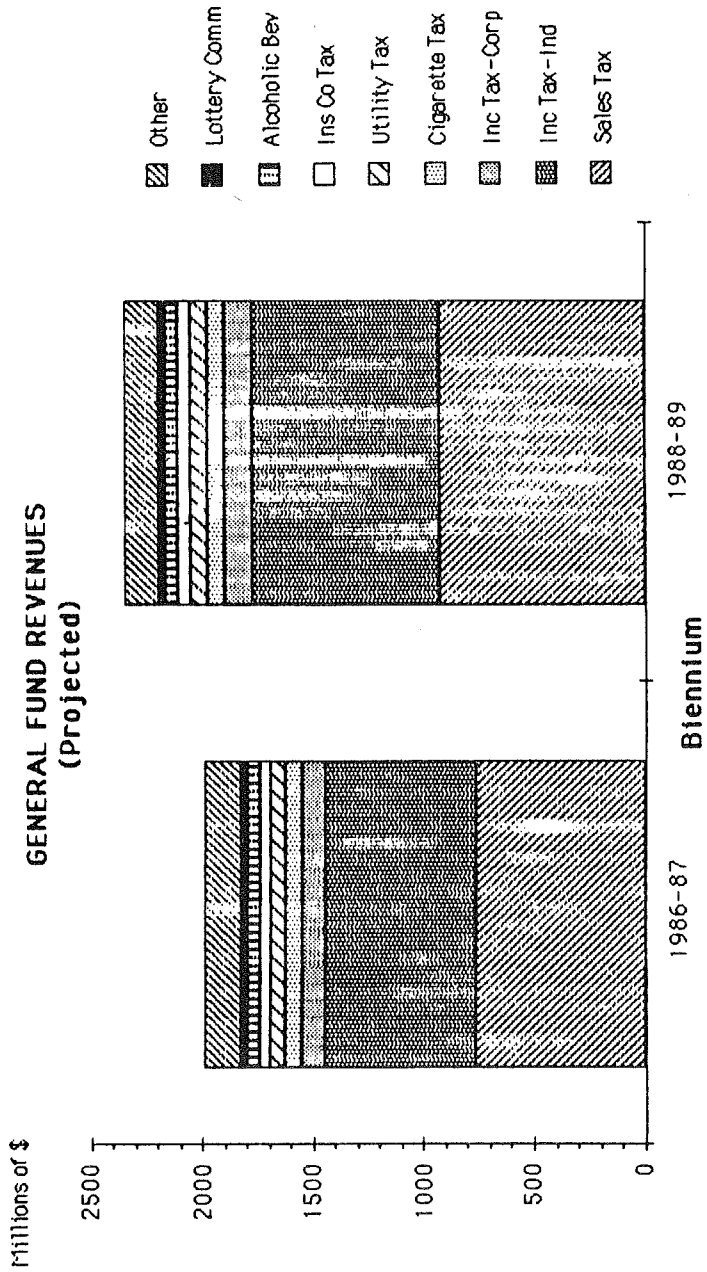


CHART B

Use of New Available Resources

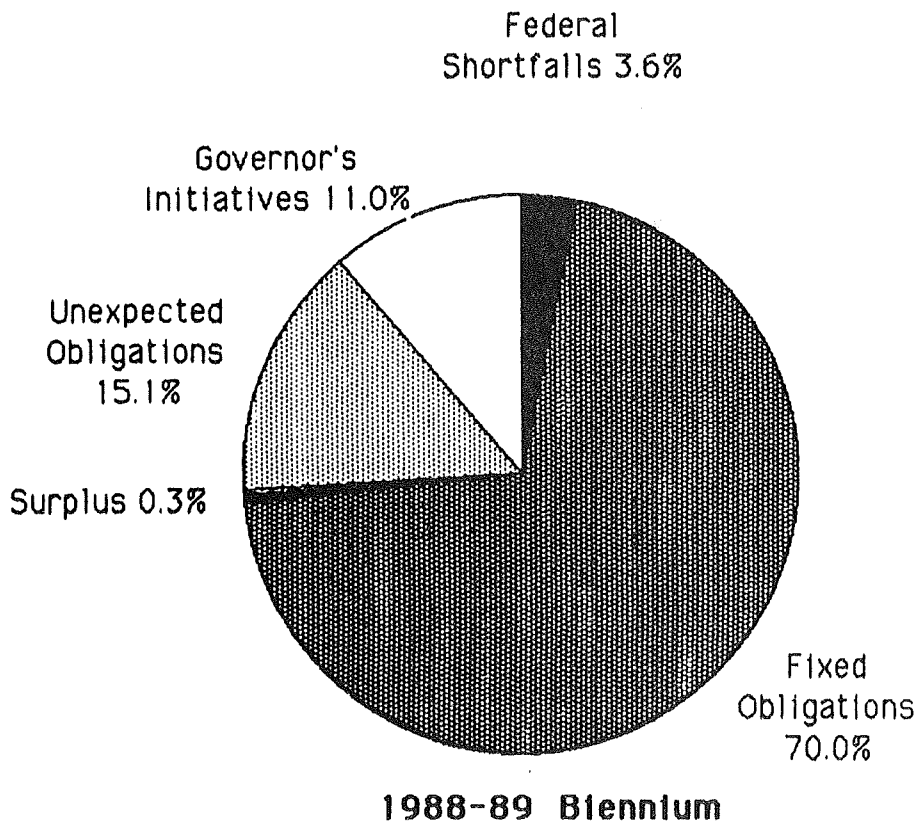
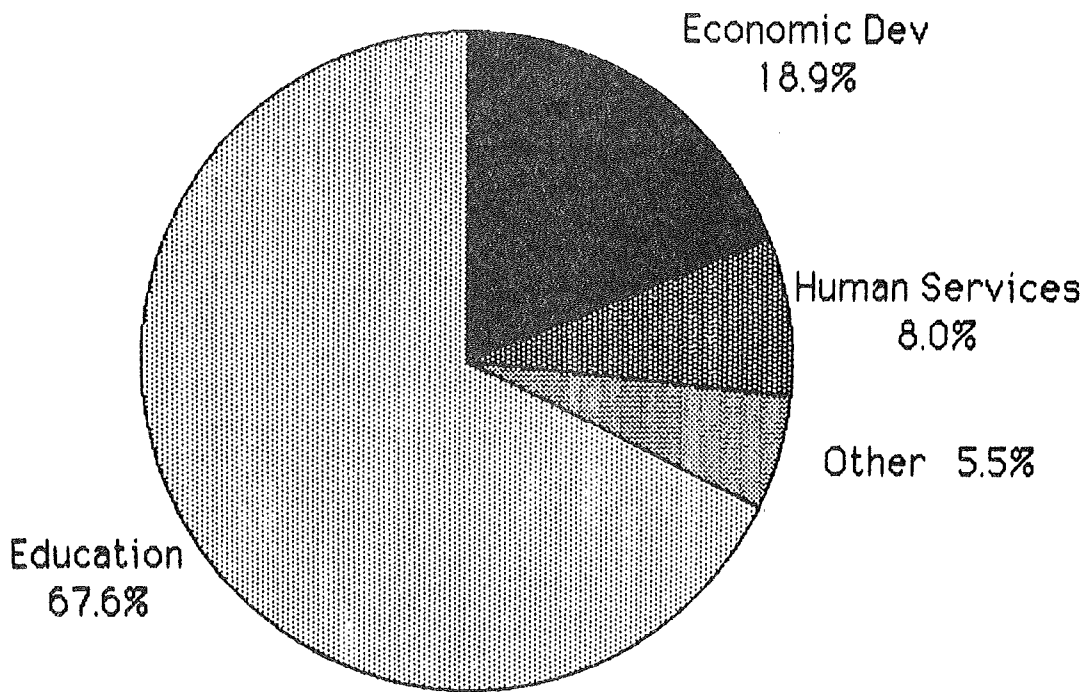


CHART C

Governor's Initiatives



1988-89 Biennium

CHART D

