

# MAINE STATE LEGISLATURE

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**LAWS**  
**OF THE**  
**STATE OF MAINE**

AS PASSED BY THE

ONE HUNDRED AND FIFTEENTH LEGISLATURE

**THIRD SPECIAL SESSION**

October 1, 1992 to October 6, 1992

**FOURTH SPECIAL SESSION**

October 16, 1992

ONE HUNDRED AND SIXTEENTH LEGISLATURE

**FIRST REGULAR SESSION**

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J.S. McCarthy Company  
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**BUDGET ADDRESS**

**OF**

**GOVERNOR JOHN R. McKERNAN, JR.**

**JANUARY 8, 1993**

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**FY 1994-95 BIENNIAL BUDGET PRESENTATION  
FRIDAY, JANUARY 8, 1993**

Mr. President, Mr. Speaker, Members of the 116th Legislature, Fellow Citizens of Maine:

Today, I am presenting to you my budget for the State of Maine for the Biennium beginning July 1, 1993, and ending June 30, 1995. As you know, my Constitutional responsibility is to balance State spending with revenues, and I have fulfilled this obligation.

Before I go on, I would like to thank Commissioner Sawin Millett, Budget Director Jack Nicholas and their staffs, who have worked patiently with us to help us craft our budget.

This budget begins the process of defining the kind of Maine we can afford for the remainder of the 1990s. I am determined to ensure with this budget that future governors and legislatures will not have to face budgets that are structurally unsound, and deal, as we have repeatedly, with budget deficits that approach a billion dollars. We must return Maine to sound financial footing.

But before I detail my General Fund budget proposals, I want to remind all of you that much of the reason for our fiscal problems during this decade stems from the lack of jobs for our citizens. Our budget problems are symptoms. The disease has been a faltering economy. And the cure is economic growth. That cure will only be achieved if we lower our taxes, cut bureaucratic red tape, and provide incentives to create jobs.

Your first opportunity to do that will be next week, when you vote on a bill to be sponsored by the Speaker, which will give a preferential electric rate to the DFAS Center if it locates in Bangor. Four thousand jobs are at stake—and I urge you to support our efforts.

But that is next week. This week, we set the fiscal framework for State Government for the next two years.

I am not going to “sugar coat” this budget for you this morning. This budget contains bitter medicine—medicine that none of us particularly wants to take—but it is medicine that is spread fairly across all departments, programs, and constituencies. We have protected services essential to the health and safety of our citizens.

My 1994-1995 budget eliminates \$1 billion from our current services request, reflecting the gap between those spending requests and available revenues, as projected by the new Consensus Revenue Forecasting Committee. Today, I want to tell you why I have made these decisions.

As you know, I recently held a series of Town Meetings in towns across our state, and later, participated in a series of radio call-in and television interviews explaining our budget. Our meetings were helpful and well-attended, and many citizens offered constructive ideas on how to approach our budget problems.

Let me share some with you:

A student at the University of Maine lamented the duplicative administration and high salaries at the University system, and urged me to cut back in the budget. “Just do it,” she said.

In Auburn, the Lewiston City Administrator told me about the wrenching decisions they have made in balancing their city budget and cutting back on employee benefits. “They’re tough decisions to make, but they have to be made,” he said.

In Presque Isle, a woman with a special needs child urged me to consider consolidating services, so that more could be spent on the needy and less on administration.

A Biddeford man told me most couples there work three, even four jobs just to get by. He pleaded for fairness in the budget.

But of all the voices I heard, I am haunted by the plaintive voice of a man in Biddeford, who asked “Why can’t the State live within its means?”

He told me that the company he works for has cut back to stay within its revenues—he and his family have tightened their belt to live within theirs.

“Just do it”

“Make the tough decisions”

“Consolidate and reduce administration”

“Be fair, but get the job done”

“Why can't the State live within its means?”

These people are living in the reality of the 1990s. They're asking state government to do the same. And they deserve an answer.

For these reasons, my budget for the 1994-1995 biennium includes no new taxes, and allows the temporary taxes enacted during the last Session to expire as scheduled. To do less would have broken the promise we made to the citizens of our State. But allowing the temporary taxes to expire means spending less in 1994 and 1995 than we did in 1993. Yet, I believe this is a fair budget.

While some of the proposals we have made in this budget will be painful, I believe that no single group bears the brunt of our decisions. I have crafted this budget around several guiding principles:

- Restoring accountability to our programs;
- Eliminating duplication of services;
- Restructuring state government to focus on the customer.

In the cost centers that drive much of our budget, we have proposed strict measures to restore accountability to programs that have seen runaway growth over the past decade.

#### **General Purpose Aid to Education**

Education funding is a good example. My budget reduces General Purpose Aid to Education to 1991 levels. My proposal will total about \$487 million for each year of the biennium, a reduction of about five percent from 1993 levels, but 13.7 percent higher than 1989-still 57.3 percent higher than when I took office in 1987.

Last year, a friend with a third grader in a Maine elementary school told me about their school's dilemma: faced with 36 children, the school decided to create three classes of 12, rather than two classes of 18. The school's decision was helped by the fact that the State would cover 70 percent of the cost of each of those classes-and has helped to account for the large increase in staff at our local schools.

My proposal will cap administrative spending and set threshold student-to-teacher ratios, and ensure that schools have a stake in keeping costs low in the future.

To ensure that this proposal can be applied fairly to school districts, I have directed Commissioner Martin to convene a Task Force to examine the impact of these reductions and report back to me and you before the end of March.

#### **Ensuring Accountability in Entitlements**

My proposals to control spending on entitlements stem from the economic reality of the 1990s. These proposals are designed to ensure fairness and accountability, cap utilization, and encourage clients and their families to take responsibilities for their own lives and their benefits.

We have proposed new co-payment provisions for clients who use many of our state services, so that those who receive state aid have a stake in keeping costs low.

We have asked nursing homes and hospitals to bear the same level of cuts as others. And we have asked these health care providers to keep costs low, by improving efficiency and helping rein in spiraling health care costs.

Where necessary, we are requesting waivers on Federal rules and regulations to give the State the flexibility we need to set our own priorities. Too often, these mandates force us to choose between delivering a “Cadillac” service, or delivering none at all.

My budget will reform the medically-needy option of the Medicaid program, which cares for the elderly in nursing homes. This is one of the fastest-growing areas in our budget. Sixteen states do not participate in the program at all because they cannot afford it.

An entire legal industry has grown up around our Medicaid system, as adult children seek to transfer assets from their parents so they will qualify for Medicaid. I believe it is fair to ask families who can pay for their parents' health and long-term care to do so-so that we can continue to offer this service to those who are truly in need.

We are proposing that the State be reimbursed from the estates of those who have received benefits, to the extent that sufficient assets exist. We are also asking the Federal government to allow us to recover State costs from assets that are transferred from parents to children to help the parent qualify for Medicaid.

To further curb abuse and give elderly patients more access to quality health care, we are proposing that State law require that adult children be responsible for their parents' health care, to the extent that they are financially able. If we truly want to keep taxes low, we cannot expect the taxpayer to care for family members of those who have the financial ability to do so themselves.

My proposal will also bring our costs back in line with other states. In Maine, fully 80 percent of nursing home residents receive government-funded long-term care under Medicaid-while the national average is 50 percent.

We will also encourage personal responsibility in our AFDC program. We will again propose that single parents who have additional children while on AFDC receive no increase in benefits, and will roll back eligibility and payment levels for AFDC, maintaining basic benefit levels, but reserving them for those most in need.

And we have proposed to eliminate the Maine Health Program.

Last year, we asked communities to help us identify ways to pare back the General Assistance program. The communities responded-cutting costs from \$21 to \$9 million annually. This year, my budget will replace General Assistance with funding for basic emergency shelter to serve those most in need. We will work closely with community leaders over the next few months to determine the fairest way to apply these cuts, while reducing our expenses to \$3 million during each year of the biennium.

To keep the impact of this decision to a minimum, we have chosen not to reduce General Revenue Sharing to local communities, and in fact, there will be a small increase over the next two years. Local communities will be able to balance these reductions with a modest increase in revenue sharing.

All told, my proposals for changes in social service programs will save Maine \$56 million below current funding levels over the biennium. Moreover, my proposals to change eligibility and benefits will ensure equity for our needy citizens, and fairness for the taxpayers who foot the bill.

### **Requesting Federal Waivers**

As I mentioned earlier, implementing some of these proposals will require waivers or changes in Federal law. I have recommended these changes because the only alternatives to our proposals are discharging 6,000 current Medicaid recipients from nursing homes or raising taxes. I am not prepared to address either alternative unless I am convinced there is no other choice.

To begin the process of seeking the Federal changes, I have this morning written to each of the members of the Maine Congressional Delegation to ask for their help and support in passing these changes into law.

I believe we can anticipate success in our proposals to grant states flexibility in how we apply these programs. President-elect Clinton has been calling for these changes for years, and last month he asked the National Governors Association to identify appropriate changes to Medicaid and welfare entitlements.

Arkansas itself has challenged the Federal laws in many of these programs, and will benefit from the changes we propose. I have also written to the President-elect directly to ask for his personal support for our proposals.

### **Reining in Retirement Costs**

Retirement costs for state employees and local teachers have also risen dramatically in recent years, largely because of salary and benefit increases given to teachers at the local level-increases over which we have no control, but for which we are obligated to pay.

My budget proposal will help to control these costs. My proposals include:

- Bringing our retirement system in line with Social Security by increasing employee contributions, capping benefits for some employees who are not vested, and scaling in a higher retirement age for those who are not already vested in the system;
- Limiting increases in teacher salaries that will be counted toward retirement, and eliminating provisions that include sick leave and vacation time in retirement; and
- Better defining “teachers” to require certification before the State assumes responsibility for retirement contributions.

We will also continue to work down the unfunded liability the State assumed when we took over teacher retirement in the 1940s, but my proposal will re-amortize the program over 40 years.

My proposal will allow employees a strong, fair retirement system, and maintain our obligation to employees by fully funding the Retirement system in the long term.

### **Rethinking State Government**

As most of you already know from my remarks on Wednesday at the University’s Conference on “Rethinking State Government,” we are proposing to dramatically restructure state government.

From creating a new Department of Health and Family Services, to transferring AFDC and ASPIRE to the Department of Labor, to creating a new Department of Inland Fisheries, Forestry and Wildlife, to transferring the Division of Motor Vehicles to the Department of Transportation, to selling five miles of the Interstate South of York to the Maine Turnpike Authority, and continuing to privatize our liquor and lottery functions, we are continuing to pursue ways to improve the efficiency of our programs, and our service to customers. All told, these restructuring proposals achieve savings of almost \$20 million to the General Fund.

With this budget, we will have reduced the size of my Cabinet from 20 Commissioners in 1987 to 15 in 1994—a cut of 25 percent. We have reduced the number of political appointees in state departments by nearly a third. My own office—already one of the smallest in the nation—will have 20 percent fewer staff than when I entered office in 1987.

### **Reducing Administration and Duplication**

Throughout our budget, despite bold, even radical solutions, we have sought to be fair. Throughout the Executive Branch of state government, 11 of my 17 departments are literally below the General Fund staffing levels I inherited when I became Governor in 1987.

My budget will eliminate 852 positions from State Government, 282 of them vacant positions, and 570 through direct employee layoffs.

I want to talk with you for a minute about the layoffs.

The decision to eliminate jobs is among the most difficult any employer can make. As Governor, I know how hard state employees work to serve our citizens with worthy programs. We are not eliminating these jobs because they are unnecessary, or because our employees are inefficient.

No, we are eliminating these positions because we can no longer afford to support the size of government to which we became accustomed in the 1980s.

As you know, we have tried to minimize layoffs in the past, but if we are to function with fewer revenues in 1994 and 1995 than the current year, we have no alternative but to reduce staffing along with the other functions of government.

This stark economic reality has forced us to make tough choices throughout state government as well. Most state agencies have endured cuts of five to ten percent—or more—below level funding in their next biennial budget, although we have maintained our funding for Corrections and Mental Health and Mental Retardation functions above current levels.

**Shared Pain Throughout Government**

To ensure that this fairness spreads beyond the Executive Branch, my proposals ask other branches of government to do the same.

My proposal reduces funding for higher education by about five percent. Our University system currently has the lowest tuition rates in New England. While our proposals may require some increase in tuition, they will simply bring our tuition costs back in line with other states in our region.

We have spread similar cuts to the Legislature and the Constitutional Officers, asking them to consider the same target levels that other Executive branch agencies have considered.

We have also asked our state employees to return to a full work schedule at present salary levels, eliminating furlough and shutdown days. I hasten to point out that we are not attempting to balance this budget on the backs of state employees; the depth of cuts across state government should speak to our commitment to fairness in our budget.

I believe we have no choice but to make the structural, permanent changes to our budget to ensure that we do not face a future budget gap. And I believe that my budget fairly meets the basic needs I heard repeated, again and again, during my Town Meetings last month.

You will hear, again and again, from the special interests who benefit most heavily from the spending programs in the State budget. They will tell you about the painful cuts their programs will endure.

And when you are approached by a special interest group, I ask you to remember the hard-working taxpayers of Maine-who we all represent-who cannot take the time from their jobs to be in the halls of the State House protecting their interests.

The taxpayers are asking you to support this budget for them. They deserve no less. Because beyond the Special Interests who frequent the halls of the State House, there is another, broader interest for our State. Seek out the citizens who make up your hometown, and ask them about their budget.

Their response may surprise you-and their views will mirror those I mentioned earlier.

“Just do it”

“Make tough decisions”

“Why can't we live within our means?”

Hard-working taxpayers will tell you about how they get by.

They'll tell you that they use generic drugs-because they can't afford the name brands that some on Medicaid receive.

They'll tell you that they have only basic health care-because they can't afford the expensive options some enjoy on our entitlement programs.

They'll tell you they've watched as their job security has been lost.

The lucky ones will tell you that they still have a job.

My budget seeks to restore a basic fairness to our budget, encourage personal and family responsibility, and bring costs back to a level ordinary citizens can afford. I believe that living within our means is one of the fundamental requirements of government.

So before you say we can't cut, I ask you to look again at our budget. Look at the consequences of not making long-term changes to our government-cuts in programs, year after year; citizens living off state services while working people struggle under the burden of high taxes.

We must change our government and our mindset-and in these difficult times I see an opportunity for the future. I am eager to work with you to make the most of these opportunities, and hope to spend time with each of you to discuss our budget proposals, and why I believe they are so necessary.



By working together, building a consensus on our budget, I believe we can ensure Maine citizens that our state is on a sound fiscal course, and spare future leaders from dealing with these problems that have vexed us for so long.

Thank you very much.