

# MAINE STATE LEGISLATURE

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

**AS PASSED BY THE**

**ONE HUNDRED AND SEVENTEENTH LEGISLATURE**

**FIRST REGULAR SESSION**  
**December 7, 1994 to June 30, 1995**

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**BUDGET ADDRESS  
OF  
GOVERNOR ANGUS S. KING, JR.  
February 1, 1995**

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Mr. President, Mr. Speaker, members of the House and Senate, and citizens of Maine.

Less than a month ago, in the video that accompanied my inaugural address, I said that for Maine, our geography is our destiny. That our location and natural resources have largely determined our economy, our history, and our character as a state.

When it comes to government, there is another similar phrase that can sum things up--and cut through the welter of bills, laws, regulations, speeches, and proclamations that so often fill the air of this place.

That phrase is "budgets are policy"--for when you strip away all the talk, it's how we allocate our financial resources--how we spend the money--that is the best indication of our priorities and the best guide to our principles and policies.

It's not a perfect guide, of course, especially the first budget of a new chief executive who's been on the job less than four weeks. In fact, the budget I present tonight is of necessity built upon all that has gone before--programs and agency structures assembled incrementally over the last twenty years, prior expenditure levels, and practices and people I have inherited from the past. But it is a guide, nonetheless.

It is a guide not because of particular spending--or cutting--decisions, but because it sets an overall direction for Maine State government. And that direction is unmistakably toward a smaller, leaner, more productive, more efficient, more honest government.

This budget is driven by what we need rather than what we want.

This budget aims toward a government that makes choices and sets priorities, that treats our people like preferred customers instead of just taxpayers, and that finally understands that government--like every family in Maine--must live within its means.

Here's the big picture:

1. The budget I am presenting here tonight is in balance--a balance achieved without raising a dime in new taxes: No new fees, no new taxes, no new shifts to the property taxpayers of our towns and cities.

2. This budget is in balance without any new gimmicks, gets rid of the worst ones from the past, and starts the process of unwinding those that remain.

3. This budget is in balance but nonetheless includes for the first time in four years a commitment to the capital maintenance of the public buildings and facilities of this state.

4. This budget is in balance and even contains an automatic savings provision so that when good times return--as they surely will--we don't repeat the mistake of the Eighties and spend the cupboard dry when we should be retiring debt and saving for the hard times that will also come again.

5. This budget is in balance without insulting state employees or the people of Maine with furlough and shut-down days, a shortened work week, and delayed payroll payments.

6. This budget is in balance but still increases school aid to our cities and towns by more than \$40 million, the first significant increase in this account in four years.

7. This budget is in balance and holds overall general fund spending to an increase of slightly more than 3% in 1996, and under 3% in 1997--a far cry from the double digit increases of the Eighties and no mean feat when you consider both the cost of fixing past gimmicks and the Departments' initial requests.

Were it not for the funds necessary to get rid of the gimmicks, this would be essentially a flat-funded budget. We have more than held the line on spending.

8. And yes, this budget is in balance while putting the money for the Loon plates back in the wildlife fund where it belongs.

The decisions necessary to make this happen have not been easy. They have involved agonizing trade-offs among programs with merit and considerable support. Some of these decisions will put me at odds with some of my new friends in this room tonight. But all of them--taken together--are necessary to make the numbers add up--to make the whole package work.

And that larger vision is critically important, for if we look at the budget only as a collection of individual programs, reining in spending and getting

this financial monster under control will literally be impossible. You, our legislators, represent not only your party, not only those whose particular interests you pledged to support, and not only your local district.

Like me, you were elected to restore responsible government to the state of Maine. And tonight, and for the days of budget deliberations which lie ahead, I invite you to join me in keeping our focus on that primary responsibility--and on the big picture.

For no matter how worthy or important a particular program is--for your town or for your closest supporters--there is no more important priority than showing the people of Maine that we--you and me--understand the basic and unmistakable message of 1994--that we have gone to the bottom of the well on taxes and reached the end of our peoples' patience with gimmicks.

So what have we done to build this budget barely 90 days from that glorious day in November--when the people spoke and sent each of us here to do their bidding?

The process started almost a year ago, when all of us were still candidates, marching in parades, shaking hands, and meeting supporters in living rooms across the state--engaged in the sometimes silly but always sacred rituals of democracy.

In those quiet summer days, the departments of Maine's government gathered the numbers and put together their requests for what they estimated would be necessary to carry out their programs for the two years starting this July--to keep the doors open. And those requests totaled \$3.8 billion. Then the departments developed their requests for new or expanded programs which added \$465 million to the bottom line. Total projected expenditures? \$4.3 billion.

At the same time, estimates were being prepared of available revenues--How much would Maine people earn and what would their income tax payments be? How much sales tax would sales of cars, VCRs and all of the other products sold in Maine generate? How much would our economy grow or shrink in the next two years? And the answer came back that growth would be slow and that when all was said and done, we would have \$3.5 billion to spend.

Anyone see a problem here? That's right--nearly \$800 million worth of problem--a big number by any standards and especially for the State of Maine.

We were faced with a \$759 million difference between departmental requests and available revenues and an additional \$31 million problem because the state had been counting revenues before they were

received--an accounting practice that I call a "pull"--that the bond markets--and common sense--cannot forgive forever.

In tackling this problem, we were further limited by the fact that some agencies--most notably in the natural resource area--have already suffered a disproportionate share of cuts in past budgets and simply cannot carry the burden of further deep cuts this time around. In fact, the reality is--and we must remind both ourselves and our friends at home--that more than 80% of the state budget falls into just two categories: education and human services. So it is impossible to solve a significant budget shortfall without these two areas on the table.

And across the board cuts, my friends, simply avoid the real decisions, avoid the setting of priorities, and make a mockery of the job the people sent us here to do.

And so, shortly after the election, we began to climb the budget mountain. I divide what we have done into four categories and I want to speak with you about each of them tonight: "Squaring the books", "sharing the pain", "rightsizing government", and "preparing for the future."

Under squaring the books, otherwise known as the Gimmick Watch, we have:

1. Ended furlough days, shut down days, payroll pushes, and the shortened work week. This long overdue step will cost \$25 million over the next two years, but, it had to be done if we were going to be honest with our employees and the citizens of Maine. This gimmick is gone, dead, kaput.
2. We have funded the state's TQM program and Quality Centers "on the books" instead of through the back door which has been the practice in the past.
3. We have repaid the Federal Government for their share of employee savings "borrowed" from the retirement fund.
4. We have begun to move the funding of the State Police back to the General Fund from a too-great reliance on the Highway Fund.
5. We have begun a four-year commitment to the elimination of the "accounting pull" I mentioned above.
6. And, as I stated at the outset, we are returning the Loon Plate money to the wildlife fund where it belongs.

Is every single gimmick completely eliminated in this budget? No. As I have said often over the last several weeks, the road out of the woods is usually as long as the road in. But the largest have been

eliminated and we've set a credible course toward the elimination of the rest.

Have we even found every single gimmick? Almost certainly not. I expect and hope that the Appropriations Committee will find the ones we have missed and that we will work together to deal with them just as we did on the Supplemental Budget.

Which brings me to an important point: I don't consider this process a contest between myself and the Appropriations Committee or the Legislature as a whole. I'm going to repeat that--I don't consider this process a contest. I don't claim perfection for this document; we will differ on some items and we will work them out--that's the way the process is supposed to work. Nobody here is winning or losing.

By the way, as long as we are working on the details--whether a particular cut is preferable to another, how to fund a new program, the timing of cuts or other changes, you'll find me reasonable and receptive--the nicest guy in town.

But if the process starts to stray toward tax increases and new gimmicks, you'll find me stubborn, unreasonable, and altogether difficult to do business with. Some of you may even question my ancestry in one form or another.

I emphasize the point that this is not some kind of contest because I think it's important to change the whole way we think around here. For the past half-dozen years or so, an automatic assumption has grown up that the Legislature and the Governor are some kind of natural enemies--like dogs and cats or Macintosh and DOS users. We've got to break out of this way of thinking if we want to get anything done.

Because you know what? The people out there don't care who wins in these halls. They don't think of us as Senators or Representatives, Republicans or Democrats, Governor or Legislature. To someone who wants his taxes cut, her drivers license issued with a minimum of hassle, or a pothole filled, we're all the "gummint" as my father used to say. And the gummint doesn't have too many more chances to get it right.

So nobody out there should be keeping score--and if we can remember that, we all--including the people of Maine--will win.

Unfortunately, part of that winning will involve sharing some pain. And I want to turn to that now.

With an \$800 million difference between departmental requests and available revenues, we had to make some painful choices. Because of this shortfall, and because I don't have the benefit of having my own cabinet and departmental advisors in place, I have taken a tough stand against nearly all

requests for new or expanded programs--the so-called Part II budget. Given the hole we are in, we simply cannot afford the \$465 million wish list that the departments collectively put forward--and you will not find these items in the budget I am submitting to you. However, I have made one exception: to continue state funding for the Loring Development Authority.

Second, I propose that we discontinue the funding of the math and science magnet school at Limestone. I have carefully weighed the case made by its proponents, but simply cannot justify the expenditure of \$3.7 million for this purpose while we are holding increases in general school aid and assistance to higher education to relatively low levels.

I know that among some residents of The County, this is viewed as some kind of litmus issue--that failure to support this project indicates a lack of concern for their communities. All I can say is that my feeling about this project would be no different were it located in southern Maine, or indeed in my own home town.

Third, I am proposing that we delay the start-up of the York County Technical College by one year due to the especially tight situation in FY1996.

Fourth, I propose that we postpone the effective date of the environmental tax credit designed principally to benefit the paper industry. I am extremely sensitive to the important role the paper industry plays in the Maine economy and the importance of encouraging new investment, but, as with other cuts in this budget, we just can't afford it right now.

And besides, if we can straighten out our permitting process, the industry will save more than the tax credit promised--just in legal fees alone.

Fifth, funding to meet our legal obligations under the AMHI Consent Decree and under two other community consent decrees must come from within existing resources of the Department of Mental Health and Mental Retardation. I have directed the Department to focus its priorities and to create new efficiencies to meet the needs of the Consent Decree members.

This department restructuring will not be easy and it will strain services to other constituents, but I'm convinced that our mental health dollars can be better focused to meet the changing needs of all service populations.

We rank fifth in the nation in per capita spending on mental health services. We are not shirking this responsibility, but I am convinced that we are not spending these resources effectively.

Sixth, several accounts in the Department of Human Services will see declining support due to improved economic conditions and better program management. The number of Maine families on AFDC has declined by 6% in each of the past two years. This trend is expected to continue. We anticipate saving \$4.6 million over the biennium in this account, but we intend to transfer \$1.5 million of these savings to the ASPIRE program to continue to support the transition from welfare to work.

We will also be initiating several proposals to reform welfare policies resulting in an additional \$4.3 million in savings over the biennium. These are not easy cuts to make but I believe they are necessary to create a set of welfare policies targeted to the neediest of our citizens.

In the area of corrections, we are proposing that one housing unit at the Bolduc Correctional Facility be closed.

And finally, there are the hospitals and something called Tax and Match. Conceived in the days when budgets were tight and we thought the Federal Government would remain stupid forever, Tax and Match was a scheme to tax hospitals, get the revenues more than matched by Federal Medicaid money, and then send the hospitals back more than they had paid in with the state keeping a chunk for good measure.

It worked great for a while and the hospitals actually gained nearly \$58 million in the process. But last year the gravy train began to slow down and it's been projected that if no changes are made, the hospitals may pay in \$110 million more than they get back over the next two years. So what do we do?

Some argue that this tax should be eliminated right now--placing the full burden squarely on an already strained budget. At the other end of the scale, we could ignore the problem entirely and have the loss absorbed into our statewide health care bill.

I have chosen a third option which rests upon determining the exact nature and scope of the problem--what is the actual shortfall, when does it hit, which hospitals does it hit hardest, and what alternatives do we have that won't result in a direct charge to the taxpayers of Maine?

Over the coming months, my staff and I will work with legislators, hospitals, state and Federal officials and others concerned about this problem to find a responsible solution. I hope to submit a proposal to this session of the Legislature that will minimize the impact to our hospitals and avoid significant shifts in insurance costs and tax burdens.

And in light of the scarcity of resources at our disposal and the desire of everyone in this room to provide the people of Maine with some kind of broad-based tax relief, I would caution my colleagues who want to deal with this issue right away to keep their powder dry, at least until we see if there are other ways to skin this cat--for every dollar devoted to this purpose now is a dollar not available to cut property, sales, or income taxes later this year or next.

Which brings me to rightsizing government. This means particular cuts and the elimination of some programs, but it also means laying the ground work for a more far-reaching and systematic reduction in the role and cost of government in our society. The times--and our constituents--demand that we start this process now.

And here goes:

1. I propose dismantling the Maine Waste Management Agency and distributing its functions to existing agencies where they can be handled without additional administration and another layer of regulation.

2. I propose that once and for all, we get the State of Maine out of the liquor business.

3. I propose that we streamline the Maine Drug Enforcement Agency within the Department of Public Safety--taking full advantage of the opportunity to simplify the administration of this agency while still achieving its fundamental purpose.

4. And perhaps most importantly, we are proposing an innovative approach which will reduce the size of Maine State government. To accomplish this goal, we will work together with state employees:

- to recognize those employees who have developed highly productive programs and to find ways to share these successes in other parts of state government; in a high performance work organization, workers are viewed--and treated--as assets, not liabilities.

- to use technology to do our jobs more effectively,

- to identify those programs which are no longer necessary, which need a change in direction, or which can be delivered more efficiently if combined with other activities,

- and to ferret out those areas of inefficiency and waste which spoil the public's view of all state government.

But the key thing is to provide the discipline to be sure we stay this course. And so the hiring freeze that I announced at my inaugural will stay in effect,

and this budget reflects the de-funding of more than 500 positions over the next two years--with the savings applied to collective bargaining and improving technology throughout the government as well as to decreasing general fund appropriations.

These personnel reduction will be achieved mostly through attrition, but at the end of the day, Maine state government will be smaller.

Is this all that can be done to make state government more efficient, effective, and affordable? Is this all the programs that should be considered for cuts or consolidation? Certainly not. And as we get our people into the agencies and enlist the line workers--who know where the savings are better than any of us--more opportunities will undoubtedly be found and greater improvement achieved.

The ship of state won't stop on a dime, but let no one doubt that as of today, we've changed the course.

My focus in making these cuts and those to come will be primarily on administration--the centralized bureaucracy as opposed to direct services to our people.

By the way, I met a Governor this past weekend who told me what his state had done in circumstances similar to ours. They authorized a pay increase for state workers...but didn't fund it. Instead, the workers were challenged to find the saving themselves to pay for the raise--and they did it with room to spare. Everybody--including the taxpayers--won.

So this is not the final word--I view this budget as a first step in a number of areas, but one that is in balance and buys us the time to find further efficiencies. It is my hope, though not a promise, that this time next year, I will return to you with a supplemental budget that will allow us to deliver a meaningful tax cut to our people. And I think we can do it.

And finally--Mary says I say finally too much, that it just gets people's hopes up--we have to look further ahead than two years or even four. We have to recognize longer-term economic trends and change the way we do business, so that Maine will be in a position to compete as we move into the twenty-first Century.

This budget does this in several ways.

1. First, I am proposing a Budget Stabilization Mechanism whereby revenues in excess of an index of real economic growth will be put aside into a separate fund to be used only during periods of economic downturn. In this way, we can avoid the swings that pushed us so high in the Eighties and brought us so low in the Nineties.

2. I am proposing that the Governor be given the Line-Item veto, an effective weapon against excessive spending in 43 of our sister states and likely to be adopted on the Federal level in the near future.

3. We will begin in 1997 a program to phase out the property tax on machinery and equipment without impacting local budgets--one of the most serious impediments to the development of manufacturing jobs in our state over the long term.

4. I propose that starting in the next biennium, our budget process require that only 98% of projected revenues be budgeted for expenditure and that the two percent thus saved go into the budget stabilization fund.

5. I propose that Maine face the ever increasing costs of kids that come to school at age 5 or 6 who are not ready to learn, and in too many cases are damaged beyond repair. I have become completely convinced that the single most important investment we, as a people can make, is in our youngest children and in prevention of problems before they blossom into low achievement and enormous social costs.

And so, I am proposing that we commit ourselves to giving Maine children a Healthy Start--through coordinated services organized and led on the local level.

Based upon programs already in effect, and showing remarkable results in Hawaii, North Carolina, and New Jersey, Maine's Healthy Start will be not so much a new program, as it will be a new focusing of available, but often fragmented resources, and a calling forth of the tremendous untapped potential of volunteers in our communities.

But after all of this, there is a ghost haunting our deliberations here tonight, a specter who is laughing at us as we struggle to balance this budget. He is laughing because if we don't address him--and expel him from these halls--all our efforts this winter and spring will be for naught--and every two years from now on, we'll be sitting here facing a new budget gap.

What I refer to is the sea change taking place in Washington that all but guarantees a significant decline in Federal revenues. I call this ghost "Newt" just for ease of identification.

Federal funding is now 28% of our total budget. One of the things that shocked me as I dove into the numbers last month was the tremendous dependency we have developed on Federal money. For too long, these funds have been thought of as "free" and a job moved from the general fund to Federal sources was viewed as a neat savings.

Well, it isn't free and they aren't savings...and what's more, this money is going away just as surely as Sam Shapiro up there has lapel pins in his pocket. We must begin the process today to get off this track as fast as possible--for those states which do so will be ahead of the curve over the next five years.

I'm not saying we should arbitrarily turn down Federal largesse; but I am saying we should look this particular gift horse directly in the mouth to see what strings are attached and whether a dependency is being created that we won't be able to easily break.

As we now begin the debate necessary to enact and sign a budget, I will stand on three principles essential to my campaign, subscribed to by the citizens of Maine, and shared by the majority of legislators in this room.

First, I will not sign a budget that increases the tax burden on Maine citizens or that relies on new gimmicks; second, unacceptable demands on our state employees--shutdown days, furlough days, and payroll pushes--are part of our past and have no place in our future. And finally, this budget should be the last that is simply based upon spending levels that have gone before. We must move to performance based budgeting with benchmarks, measurement of results, and real accountability .

And so, budgets are policy and this one speaks for me. It is not the only or the final answer, but it takes a major step toward fiscal responsibility...and a brighter future for Maine and her people.

And it allows me to say that here in this building, just as is happening all across the state--at Shape in Biddeford, at Madison Paper, at Great Northern, at L.L. Bean--the attitude has changed, the approach has changed, the mood has changed, and yes, the people have changed.

Maine, my friends, is on the move.