

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

MAINE PUBLIC DOCUMENTS

1946-48

1948

(In three volumes)

VOLUME II.

INAUGURAL ADDRESS
and
BUDGET MESSAGE

OF
HORACE HILDRETH
GOVERNOR OF MAINE

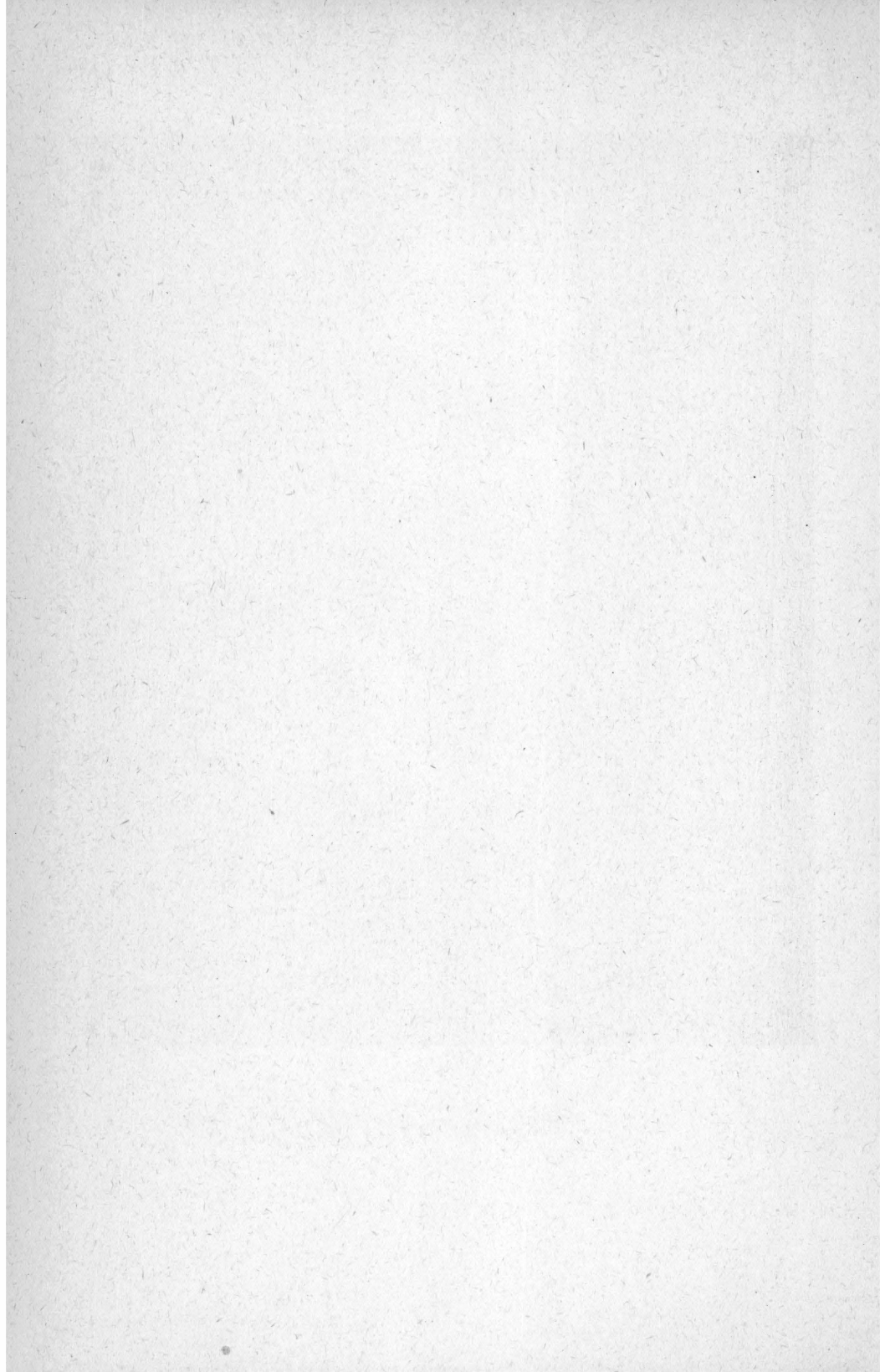
TO THE
Ninety-third Legislature

STATE OF MAINE



JANUARY

1947





Horace A. Kibbett

GOVERNOR OF MAINE

INAUGURAL ADDRESS

OF

HORACE HILDRETH

GOVERNOR OF MAINE

TO THE

Ninety-third Legislature

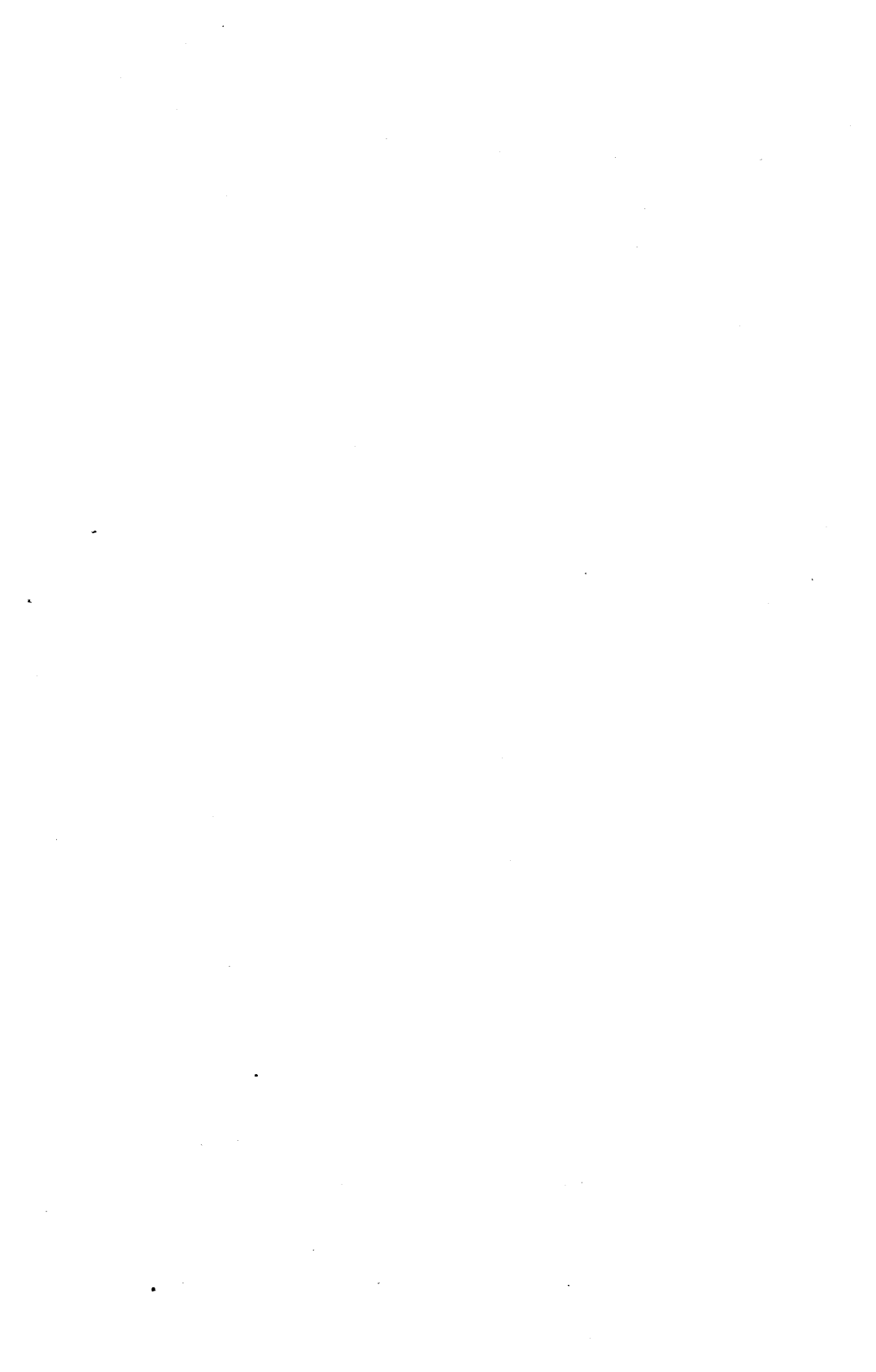
OF THE

STATE OF MAINE



JANUARY SECOND

1947



Address

Mr. President and Members of the 93rd Legislature:

This 93rd Legislature meets amidst the blessings of peace. Great as these blessings are, however, we face problems fully as difficult as any Legislature has faced for many years because, during the years of war and threat of war the solution of many problems of great concern to our citizens was postponed until the coming of peace. The cumulative effect of these postponements will require our most strenuous, our most intelligent, and our most courageous efforts if we are to reach wise solutions of these problems.

Two years ago I spoke of the separation of the powers of government as adopted by our forefathers and I reaffirm my confidence that, in Maine at least, each branch of government will continue to function with independent integrity while still having full faith and confidence in the other branches.

Under these tried and true principles Maine has steadily gone forward in the past two years. The record is there for all to see.

This progress was made possible by the cooperation of the 92nd Legislature, the various department heads, the Executive Council, and the citizens of this State—working together as a team—to all of whom I express my appreciation for their cooperation.

Finances

Today the State of Maine is in excellent financial condition. We have a total surplus of nearly \$10,000,000 almost equally divided between the Highway Fund and the General Fund. Nearly \$3,000,000 of the General Fund surplus has been set aside for purposes designated by the 92nd Legislature; the remaining General Fund excess of over \$2,000,000 is unearmarked, although a surplus of at least a million dollars is required for the management of a business with the volume of

the State of Maine. Our highway surplus, which could not be spent during the war, will be spent to some extent in the current biennium. Our bonded indebtedness is lower than it has been for 20 years. We have every reason to believe that we will complete this fiscal year, ending next June 30, without dipping into our General Surplus Fund.

We have called every bond which could be called before maturity, \$1,450,000 to be exact, at a saving of \$130,000 in interest to the State, and we have refinanced \$600,000 of Waldo-Hancock Bridge Bonds at a saving of \$162,000.

Looking to the future, however, the situation is far from bright. You have examined the comprehensive report of the Legislative Research Committee and the statements of the tax experts from the Institute of Public Administration. The difference between the estimated revenue available for the General Fund for the next biennium and the requests for General Funds by the various State departments is approximately \$7,000,000, and does not provide any appreciable amount for capital expenditures. In addition, the requests for the State Highway Department exceed by approximately \$7,000,000 the funds estimated to be available for that department. This total difference of \$14,000,000 exists without any provisions for the enactment of new legislation requiring the expenditures of State funds.

It seems to me desirable, however, at this time only to indicate the financial picture in these general terms. How the estimated available income should be divided; whether additional revenue should be provided, and if so, how; and the desirability of drastically limiting new capital expenditures in these days of high prices and shortages in material and labor are questions which are more properly discussed in the budget message, and will be left for that message.

EDUCATION

Teachers' and Superintendents' Salaries

There are no problems of greater importance or more pressing than those in connection with education.

Two years ago we enacted legislation at an annual cost to the State of approximately \$1,000,000, which resulted in raising the minimum salaries of teachers by 38.8 per cent.

Despite this large percentage increase, it brought our minimum teachers' salaries only to the inadequate sum of \$1,000 in a profession which is entitled to the respect of all and which contributes more to the proper functioning of a democracy than any other field of work. I urge legislation to increase the minimum salaries of teachers in Maine from \$1,000 to \$1,500, with an equitable allocation of this financial burden between the State and the communities.

State subsidies for salaries of superintendents should be increased also. This recognition has been owed this group for some time past.

Pensions for Teachers and State Employees

Maine has ignored its moral obligation to plan adequately and provide the sums necessary so that, in the years immediately ahead, we could meet our pension obligations to our teachers and State employees. One of the best legislative committee reports it has ever been my pleasure to read courageously and intelligently arrives at solutions of these difficult pension problems which fulfill our moral obligations. I hope and expect that you and the great majority of Maine's citizens will give this report wholehearted support.

University of Maine

For nearly twenty years the mill tax act has assured our State University a continuity of support which has facilitated the planning of its future development. The University since 1945 has more than doubled its enrollment. To assist in this expansion, the State increased its support. The appropriation made for the Plant Science and the Engineering buildings was lost in the referendum vote of last September.

It is reasonable and probably necessary that some additional support be given the University, at least for the period of the

emergency created by the abnormal enrollment caused by veterans seeking admission.

The Trustees of the University, however, should receive such guidance and direction as the Legislature can give with respect to long-term policy. This would be especially important, if a revision of the tax system should occur. After expansion has occurred, curtailment becomes difficult. There is evidence of an increasing demand for higher education—signs of a demand so great that the existing practice of State support may have to be changed. But also they should know how large a University the State is willing to support, what percentage of the cost of a college education the State wants to pay, and whether the emphasis should be on quantity or quality. I urge the Legislature to consider carefully the affairs of the University with respect to its future, and to give the Trustees its considered views concerning such basic policies as admissions, tuitions, and desirable size.

Fundamentally, the Legislature must balance the expenditure of dollars available for education between college-level education, secondary-level education, primary-level education, operating costs, and capital expenditures. Despite the extraordinarily fine job our State University has done under the able leadership of President Hauck, the thought of ever-increasing amounts of taxpayers' dollars being spent to subsidize college-level instruction, when our secondary and primary schools are woefully inadequate, our teachers' salaries and pension provisions insufficient, is sobering and even alarming to all thinking persons. After all, the efficient functioning of a democratic government depends not so much upon a limited few having the special advantages attributed to a college education as upon at least a moderately decent education in a competitive world being given to large numbers of our youths.

State Board of Education

It seems to me that the time has come when the Legislature should consider the desirability of creating a State Board of Edu-

cation. This Board would determine State educational policies, which responsibility is now vested solely in the Commissioner of Education. Under this proposal the Commissioner would be appointed by the State Board, and serve as its executive officer.

A State Board of Education recognizes the fundamental democratic principle that the schools belong to the people by placing policy-making duties in the hands of a representative group. Furthermore, it embodies recognition at the State level of the need for greater interest and participation on the part of the lay public in planning our educational system.

In addition to interpreting the will of the people on policies affecting our public schools, a State Board would lend invaluable influence in consummating such plans. The public and the Legislature would have the assurance that the basic policies had been carefully weighed and approved and would be continuously supported by a group of responsible citizens. Our present system places too great a responsibility on a single impermanent State School Officer.

Public Health and Welfare

Modern Public Health and Social Welfare programs emphasize prevention and control rather than temporary, palliative or relief measures.

How much of its income the State of Maine can afford to use for Public Health and Welfare is a matter for you to decide. A survey reveals a deficiency of nearly 1,000 hospital beds in the State, and a lack of health centers in rural areas. Consideration should be given to subsidies to local hospital and health units set up by single towns or combinations of towns to make such services available, as well as subsidies looking toward a satisfactory source of a d e q u a t e l y trained doctors to cover especially our rural areas.

The Maine Hospital Association advises me that the aid granted by the State for the indigent sick amounted to \$2.50 per

patient day, whereas the cost is figured by them at \$7.05 per patient day. How far this cost for indigent sick should be left with the private hospitals and how far provided by the State is a troublesome question, but, particularly in view of the lack of hospital beds, I believe the State should grant additional aid to the hospitals for these cases.

State Institutions

It is not only our private hospitals that are inadequate to meet present demands. Our State institutions have been for some time, and are now, obviously inadequate despite improvements at Pownal and the earmarking of funds for improvement of our mental institutions at Bangor and Augusta. Fortunately, intelligent, long range plans have been made in this department but the execution of these plans will depend upon the solution to financial problems which only this Legislature can provide.

“The ‘Williams Bill’ ”

During the last two regular sessions of the Legislature, the so-called “Williams Bill” has been presented for the purpose of transferring the towns’ share of Aid to Dependent Children and Board and Care of foster children to the State, thereby relieving the towns of approximately \$625,000 of relief costs. Consideration might well be given to such legislation in this session provided the State be permitted to retain the proceeds of the capital stock tax on trust and banking companies and national banks, and also eliminate the distribution of that part of the gross receipts taxes on railroad, telephone and telegraph companies now distributed to the municipalities—the present collection and distribution of which to municipalities present administrative problems of considerable annoyance and cost to all parties concerned.

Alcohol Clinic

I would like to recommend also that an intelligent and progressive start be made on the problem of alcoholics. Jail sentences are not the answer to this problem. Chronic drunkenness is more of a disease than a crime, and should be so treated.

There are five States where clinics along the so-called "Yale Plan" are being organized. When the State of Maine takes in nearly \$7,000,000 in revenue from the sale of alcoholic beverages, a small portion of this income might well be used to deal with this problem.

Place of Settlement

A measure which would do much to simplify the problems of welfare aid, both on State and town levels, is the abolition of the settlement law and the substitution of residence for settlement in the statutes which refer to welfare and assistance. Such a bill was introduced at the 1945 session, but due to existing war conditions was referred to this Legislature. With war conditions over, Maine might follow the lead of New York and Rhode Island in the passage of such a bill with the State bearing its fair share of redistributed welfare costs so that communities would not suffer inequitable hardships.

Juvenile Delinquency

In the past few months there has been an appreciable decrease in juvenile delinquency. This does not mean that the problem can or will be ignored. Some months ago, at my request, a group of qualified citizens, particularly interested in the various aspects of this problem, commenced work and it is expected their recommendations will be available for your consideration.

State and National Guard

The close of hostilities found Maine with a well-organized and constantly improving State Guard of about 3,000 men. This is gradually being demobilized and in its place we are re-establishing, in part, units of the old National Guard and also organizing new air and ground units in conformity with Federal plans. Veteran officers with broad experience have accepted positions of leadership.

Our guard units have a very positive value to the State and to the communities in peacetime. They deserve your active support

and encouragement. To make them more efficient and more attractive to our young men, they should have adequate armories. I am hopeful that the time is not far off when, through the combined efforts of federal, state, and municipal governments, an adequate construction program can be established. Such armories should serve not only for the training of the national guard, but also for civic betterment of the communities. Insofar as possible, armories should be built with due deference to this possible civilian and community use, with proper recognition of the communities that are willing to share in expense of building and maintaining armories that can serve both military and civilian purposes.

Aviation

If we are to secure Federal funds for airport construction in Maine, they must be matched on a fifty-fifty basis. Our Aeronautics Commission recommends that the municipalities provide the land and that the towns and the State match funds equally to meet Federal funds. This represents as fair a plan as can be devised for the various interested parties. I offer one word of caution. Maine has more airports per capita than any State in the Nation. This Federal money will be available only for the construction of new airports and not for maintenance. Therefore, the allocation of any limited State funds available for aviation development should take into consideration the problem of maintenance of our present airports as well as the construction of any new airports.

Water Pollution

Two years ago a fine start was made on the problem of water pollution by prohibiting pollution from new sources. Although there must be no let-up in our efforts to clean up our polluted waters, we must bear in mind that there are many sides to this problem that require understanding and cooperation, and not overlook nor undervalue the huge stake of the working man and industry.

Highways

The importance of highway development, being obvious to all, needs no elaboration in this address. The problems are primarily those of means and methods and the fair distribution of the money available between Federal Aid highways and highway development in our rural areas.

Two years ago, the Legislature adopted a policy of not creating new highway debt in excess of that retired during the biennium. This policy should be continued and current revenues should provide the balance of financing any highway program which the Legislature approves over and above any bonds permitted to be re-issued and this should be only to the same amount that other State highway bonds are retired during the biennium.

Again, I recommend that the so-called "pork-barrel" road resolves be eliminated and that the 93rd Legislature continue this movement started by the 92nd Legislature.

State Parks

The State has accepted a gift of some 250 acres of seashore property to be developed as its first beach recreational area for public use. This is the generous gift of Mr. Walter Reid, one of Maine's self-made men who has never lost his affection for his native State and its people. Mr. Reid has followed up his original gift with the offer of some 600 additional adjoining acres. I am hopeful that the detailed arrangements for the consummation of this gift can be speedily accomplished, and that when the Park Commission's plans for long range use of this unique property are ready, the Legislature will provide the funds necessary for the maximum development of this Park.

I could not mention State Parks without mentioning Baxter State Park. Our distinguished ex-governor, whose name it bears, continues his generosity by adding to this perpetual memorial to the enduring benefit of the citizens of Maine.

During the past two years as a result of substantial appropriations, our State Parks have been materially improved and the in-

creased patronage is testimony to the value and need of such recreational facilities. Additional capital expenditures are necessary to complete our park program and to provide adequate facilities for our citizens. Once properly equipped, however, most parks should pay their own way to maintain them for future generations.

Fish and Game

With the increasing inroads made each year on our supply of fish and game by thousands of visitors, it is fortunate that some time ago long range plans were made to preserve and increase the supply which brings so many dollars to Maine each year. The plan of the Department to push this program as fast as labor and materials are available should have our full support. On the other hand the objective of this Department should be eventual self-support, for we who enjoy the sports of hunting and fishing should be the ones to support it.

As a courtesy and gesture of good will to our part-time residents, many of whom do more for Maine than year-'round residents, it might be worth-while to enable any non-resident taxpayer, paying an annual real estate tax of \$100 or more, to purchase hunting and fishing licenses upon the same basis as residents. I believe that such a policy would pay rich dividends, for too often these part-time residents get too little in return for the tax dollars they pay.

Agriculture

It is apparent that, if we are to maintain our agricultural income in competition with other great farm states, Maine must maintain its lead in a program of quality. To do this our agricultural industries must continue to devote a great deal of attention to the preparation for market and merchandising of their products. It is commendable that our potato and blueberry growers and our corn canners tax themselves to help finance their promotional program. Other groups may well consider this plan. With such notable precedents as have been set by these groups

in taxing themselves, it should be very difficult for minority groups to secure subsidies at the general taxpayer's expense on the excuse that what helps them helps the whole state.

Sea and Shore Fisheries

Earnings of our fishermen have increased from approximately \$3,000,000 in 1939, to nearly \$14,000,000 in 1946. This increase has been consistent in other phases of the industry, such as processing, marketing, shipbuilding, and allied activities, until today fishing in the broad sense is a \$50,000,000 business. The Department of Sea and Shore Fisheries has assumed greatly increased responsibilities in the fields of marketing, conservation, propagation, research and development. The industry itself, however, should not expect the State to provide the major support of this Department indefinitely but should pay a fair share itself, as do several of our agricultural and industrial groups, and direct its efforts to making this Department largely self-supporting.

Forestry

In the field of forestry long range work and plans have been carried on by the Forestry Department; the Taxation Department, and the Interim Legislative Committee, created for the purpose of studying the utilization of forest products.

The result of these studies and this work, including an aerial survey in Hancock County, portend much for the future economic development of Maine, and more specifically move us toward what seems to be a definite trend from many angles that the system of forestry taxation in organized towns at least should be changed to a severance basis.

Labor

Two years ago Maine passed an Occupational Disease Bill. Today there are many questions of interest to labor in the State of Maine, such as predetermination of wages on State projects, widening the scope of Maine's Unemployment Compensation

Law, and the accumulation of second injury funds, which I recommend for your consideration.

Important as these specific matters might seem, however, the problem of overwhelming importance to labor today, not only in Maine but throughout the nation, is whether or not public opinion is going to turn reactionary in protest against vicious abuses of unscrupulous labor leaders. We have in this State many able and fair labor leaders, and organized labor deserves credit for many steps it has taken to improve working conditions.

With the passing of the war, however, the interest of the American public in labor problems is centered on the course that labor leadership is going to follow. Unfair and undemocratic processes are just as bad when practiced by labor leaders as by unscrupulous politicians. Freedom to work should be guaranteed to all of our citizens. Workers are now protected from ruthless discrimination by unfair employers. They should also be protected from discrimination by ruthless labor leaders who have used their positions to oppress and injure both employees and employers.

Whether these problems can best be settled by Federal legislation or piecemeal legislation by the several states is problematical. We solve no vital problems, however, by looking back rather than ahead. Difficult as these problems are, they can only be solved by fair play, mutual understanding, and cooperation by both industry and labor, and with freedom from any spirit of vengeance or desire for punitive action on the part of either the leaders of industry or labor.

Veterans

Two years ago when we met here, the sons and daughters of Maine were scattered all over the world. Of the 95,000 Maine men and women who wore the uniform, 87,000 have been separated from the services; 2,551 made the supreme sacrifice; 3,925 were wounded in action. The latest report shows that about 14,000 Maine veterans had been allowed claims for ser-

vice connected disability and are receiving \$627,000 per month from the Federal government. Of nearly 5,000 G. I. Loans totaling approximately \$18,500,000 approved for Maine veterans, I am proud to state that only one foreclosure on real estate has been made—the best record of any State in the Union.

The Veterans' Administration is paying a total of approximately a million dollars per month to enable nearly 16,000 of our veterans to fit themselves for civilian life by attending school or college or taking on-the-job training. The State has rendered substantial aid, not only by increasing the facilities at the University of Maine but also by establishing a State Vocational Training School at Augusta. Profiting by the experience of this school, we should continue our efforts to progress in the field of vocational training for veterans and at a later time for post high school youth.

In November only 6,000 Maine veterans received \$608,000 readjustment allowances, indicating that they have not yet found or accepted suitable employment, and, consequently, are still unadjusted to civilian life. It is gratifying to report that this figure is gradually shrinking from a peak over \$1,000,000 in August.

The State is now spending more than \$850,000 per year on behalf of veterans of World War I and World War II and their families, quite apart from Federal payments.

Our World War II veterans as a group are modest. The vast majority of them have asked no favors—they have wanted no favors. Upon the people in the home town rested the duty of helping to provide opportunity for the returning veteran, and I feel that for the most part the people have not failed their returning service men and women.

During the critical days of rapid demobilization, the hard-working Maine Council of Veterans Affairs, with Colonel Robinson Verrill, a veteran of both World Wars, as its able chairman, performed in an outstanding manner, along with the Veterans Service Committee and other patriotic organizations, the duties of

coordination between State and town and city, and in guiding community efforts along the paths leading most directly to the absorption of the returning veterans as satisfied and forward-looking citizens. To the members of this Council, and particularly the members of its Executive Committee, do I, on behalf of the citizens and veterans of Maine, express appreciation for their unselfish and uncompensated work.

Last September the citizens of this State rejected a proposal to pay a cash bonus to veterans of World War II. The people have spoken in a decisive manner, and, in view of their decision, this Legislature should determine whether other steps should now be taken to assist our veterans further.

So far as I, as Governor, am concerned I will consider favorably any measure helpful to our veterans, with only two qualifications; first, that we fairly meet the cost of such proposals instead of cowardly dodging them and referring the burdens to future Legislatures and future generations while assuming the credit for ourselves; and, secondly, that any methods to meet the cost of additional veterans' benefits will not bring more evils than benefits, such as opening wider the doors of gambling in the State of Maine.

Governmental Machinery

I believe that our Constitution should be amended to provide a single four-year term of office for the Governor, to prohibit a governor from succeeding himself, and to provide for the governor's election in a year when a presidential election is not being held.

Under the present system, a governor takes office the first week in January and the legislative business is wound up in April. If a governor elects to run for a second term, he has only about eight months to devote himself to the duties of his office before he begins his campaign for reelection, and, regardless of party and of record, the incumbent governor is faced with the political necessity of spending an appreciable amount of time during the

next nine months carrying on a primary campaign and an election campaign. Many states have recognized this and have increased the term of office to four years, even though some have not prohibited a governor from succeeding himself in office. I believe a four-year term without the ability to succeed oneself will give the state the maximum degree of efficient performance from its governors.

I suggest that a committee be appointed to study this and other suggested changes in our Constitution, to do a comprehensive job on a fundamental instrument.

Senator Bishop has at previous sessions placed two constitutional amendments before the Legislature, both of which are worthy of careful consideration. One of these would increase the number of signers required on a referendum petition from 10,000 electors, which is obviously too easy a number to obtain, to 25 per cent of the number of electors voting in the preceding biennial election. The second proposal would change the time when an amendment to the Constitution could be adopted by the people. Now it must be the second Monday in September following passage of the proposed amendment. Such an election should be held over to the next regular or special state-wide election thus preventing an important question from being decided at an expensive special election in which there is always slight public interest. I furthermore recommend that Maine follow the example of New York State and require constitutional amendments be approved by two successive Legislatures before being submitted to the people for their approval.

Another constitutional change which is worthy of careful consideration, is one changing the power of veto given the Governor. It is impossible to examine carefully the hundreds of bills, including the General Appropriation Bill and the General Highway Bill, that are piled on the desk of the Governor in the closing days of a legislative session. Neither the Attorney General, the Revisor of Statutes, the Governor, nor all three together, with their staffs, can possibly cope with this situation satisfactorily.

I call your attention to the following provision of the New York Constitution.

“No bill shall become a law after the final adjournment of the Legislature, unless approved by the Governor within thirty days after such adjournment. If any bill presented to the Governor contains several items of appropriation of money, he may object to one or more of such items while approving of the other portion of the bill.”

Such a provision in our Constitution instead of the present five-day limitation would allow adequate checking by the department heads involved as well as the Executive and Legal Departments. You will note also that the New York Constitution provides a Governor may veto one or more items in an appropriation bill without vetoing the whole bill. Such a provision would result in better legislation.

I recommend also the passage of the Rankin Bill which was passed in one branch of the Legislature last session. In substance this bill creates the office of Director of Legislative Research, while still preserving the Legislative Research Committee, but the Director would have the following three functions:

- A. Research
- B. Continuous revising of statutes
- C. The drafting of legislation

It would not create a new department but would codify and consolidate several functions which are now being carried on by our state government. The value of governmental research varies greatly with the continuity of the personnel carrying on the research. With our Legislative Research Committee, as constituted at the present, with no continuing Director, there is a constantly changing group, and only with the continued services of at least one person can the maximum results of Legislative Research be achieved. Some states have long since found this out.

Conclusion

Knowing you as I feel I do, I am sure that the affairs of State will have your most careful consideration and deliberation. I trust that our decisions, yours and mine, will, with God's help, do honor to us and be of material, moral, and spiritual benefit to the State and all of its citizens.

May we all, in the exercise of the powers with which we are temporarily vested, say to ourselves as Abraham Lincoln said to himself, "I desire to so conduct the affairs of this administration that if, at the end, when I come to lay down the reins of power, I have lost every other friend on earth, I shall at least have one friend left, and that friend shall be down inside myself."

A handwritten signature in cursive script that reads "Horace A. Kitchin". The signature is written in black ink and is followed by a horizontal line that extends to the right.

GOVERNOR OF MAINE

BUDGET MESSAGE

OF

HORACE HILDRETH

GOVERNOR OF MAINE

TO THE

Ninety-third Legislature

OF THE

STATE OF MAINE



JANUARY NINTH

1947

Mr. President and Members of the 93rd Legislature:

In accordance with the laws of the State, I am transmitting to you this morning the State of Maine Budget Document for each of the two fiscal years of the coming biennium. The figures referred to will be in round numbers.

It is a difficult task at best to look ahead nearly three years and estimate all the requirements of a business the size of the State of Maine. Undoubtedly your own experiences tell you that the present unsettled condition of our national economy adds greatly to the difficulty of this task.

Please keep this thought in mind when considering the budget recommendations and department requests. Remember also that the Legislature meets regularly only once every two years; and, therefore, when the Appropriation Bill is passed and the Legislature has adjourned, irrespective of changes in conditions or requirements, the State Departments have no source of additional funds short of a Special Session, an increase in revenues over budget estimates, or recourse to the Contingent Account.

At the end of the Budget Hearings on October 29, the total over-all requests from all departments and agencies of the State exceeded the estimated revenues by more than \$14,000,000. I was, therefore, faced with one of two choices; either to present an unbalanced budget, leaving it to you to decide whether the deficit should be met by additional taxation or by borrowing, or to balance the budget by reducing services and thereby limiting expenditures to the amount of estimated revenue from our present tax laws. I chose the latter course, to balance the budget, for it seems fundamental to me that your Governor must limit the extent of State expenditures to the revenue provided for by the laws which the Legislature has enacted.

While the unbalanced Federal budgets of the last decade or more present ample precedent, my Yankee training, which I believe is similar to that received by most residents of Maine, absolutely precluded my presenting an unbalanced budget.

For the present fiscal year which ends next June 30, our estimated General Fund expenditures are \$26,500,000.

For each year of the next biennium, it is estimated that our General Fund revenues from all sources will be about \$26,740,000. In other words, the revenue for each year is only about 1% more than the amount we are spending this current year. There is no money in sight under present laws for any of the increases requested. There is only enough to provide about the same number of dollars for each year of the next biennium as are being spent this current year.

The Budget Document which has been placed before each of you was prepared on this basis. We have distributed the available revenue, with very few exceptions, in approximately the same amounts as estimated expenditures for this year. These estimates include a continuation of the \$7.20 a week cost-of-living increase to State employees passed by the Special Session last July. There is practically no provision for major capital expenditures, new undertakings, salary merit increases, or increases in existing functions of government. The budget does not provide for the use of the General Fund or Highway Fund surplus which will be no larger than they should be.

My recommendations contemplate the exercise of every economy consistent with good government in our daily work and also the maintenance of our State financial structure on a sound basis consistent with current laws.

Now that you have the scope of our problem in mind, I will deal with it in detail under three major headings: General Fund, Highway Fund, and Other Funds.

General Fund

The General Fund is the principal operating fund of the State, and it is credited with most of the unearmarked revenues which the State collects.

In my Budget Message to the 92nd Legislature, I recommended strongly the adoption of legislation that would transfer many earmarked revenues to the General Fund. Such action was taken and as a result, sound forward progress was made toward simplification of the financial structure of the State.

I hope you gentlemen will keep this important matter in mind as you pursue your deliberations. The effectiveness of future Legislatures may be seriously handicapped unless we keep our revenues free from earmarking so that they may be available for appropriation by each Legislature to meet the changing needs of State Government.

The departments under the General Fund have requested appropriations for the next two years which, with their earmarked revenues and carrying balances, would permit expenditures of \$30,000,000 each year, or \$60,000,000 for the biennium. The total estimated revenues under present laws will amount to only \$53,000,000, a difference of \$7,000,000. I have recommended appropriations which will limit the amount of expenditures to the amount of revenues; that is, \$53,000,000.

No money is available for the increases requested by the Health and Welfare Department to furnish the service required by law to our needy.

No money is available to our Departments of Institutional Service, of Education, or other State departments and agencies to meet their requests for increased funds so that they may carry on their obligations as they see them. I repeat, there is in sight for the next biennium only sufficient funds to provide our departments and agencies with approximately the same number of dollars each year of the next biennium as they have been allotted this current year which ends next June 30.

Highway Fund

The Highway Fund is supported for the major part by earmarked income from gasoline taxes, motor vehicle registration fees, and operators' license fees, augmented at times by the proceeds of Highway and Bridge Bonds, frequently in substantial amounts.

These funds are appropriated by you for specific highway purposes on the basis of recommendations by the Highway Commission. The expenditures which they propose for the next biennium, a total of \$39,500,000, exceed the total revenues accruing to the Highway Fund, under present laws, by \$7,000,000. Even by using the proceeds of all reissuable highway bonds, we would still need an additional \$2,900,000 to finance the proposed Highway program. This, of course, assumes that you will continue the policy established by the previous Legislature, as stated in my Inaugural Address, of limiting the reissue of highway bonds to the amounts of highway bonds retired during the biennium, and that no provision will be made for new additional bond issues.

Under the above policy, \$3,358,000 in bonds can be reissued. The money in sight from all the above sources will permit the financing of the State Highway Program as submitted by the Highway Commission, and the matching of \$4,000,000 of Federal Funds available during the first year of the biennium, but will *not* provide for matching about \$2,700,000 of another \$3,913,000 of Federal Funds estimated to be available during the second year of the biennium.

Many States have this problem in one form or another and overtures have already been made to Washington by the Council of State Governments for a change in the present requirements. It is possible, and even expected, that the time limits now set for matching highway funds will be extended over a longer period. Under the present regulations, highway construction is competing unsuccessfully with private industry for men and

materials in a market of scarcity and high cost, and with consequent delays in construction. It is desirable, therefore, to extend the period of availability of Federal funds so that the less essential construction can be deferred to a time when the money will mean more in miles of roads built and also in jobs when the need for jobs is more acute.

Other Funds

The remaining funds of the State are so thoroughly controlled by existing laws that they require little comment from me at this time.

In accordance with my recommendation of two years ago and in compliance with action taken by the 92nd Legislature, the Waldo-Hancock 4% bonds have been refinanced with a resulting saving in interest of \$162,765 to the State of Maine.

We hope to refund similarly the Kennebec Bridge Bonds next June 1 at a substantial decrease in interest cost.

Unfortunately, there are no outstanding bonds which can be refunded during the next biennium.

Two years ago I questioned the wisdom of reissuing bonds. We then ranked tenth in the Nation in per capita debt charges. Today we rank only twelfth according to the U. S. Census Bureau although our bonded indebtedness is the lowest in 20 years. We have \$14,250,000 of bonds outstanding, of which \$14,000,000 are highway and bridge bonds.

This year we are paying about \$440,000 in bond interest. A pay-as-you-go policy would gradually eliminate that item. Of course for major projects of capital expenditures, such as a State office building, it may be advisable to issue new bonds, but provision should be made to eliminate such debt as soon as practicable. I am definitely opposed to floating bonds to meet ordinary capital outlays. We should instead establish a financing program sufficient to cover annual capital outlays.

Summary and Conclusions

I now wish that I could thank you for your attention and conclude my remarks, but such is not the case. It is my belief that new sources of revenue are necessary if the State government is to continue to render the services which existing laws and precedent require it to provide. I have been aware for some time that this situation was developing.

The State of Maine has been very close to its present position on past occasions, but has carried on, on a more or less temporary basis, and by one means or another has paid its bills, not, however, without loading itself up with a very large per capita debt service charge.

A State government experiences the same increases in costs in conducting its business as you and I as individuals. While some of us have been able to make up for a part, at least, of these increases in cost by charging more for our goods or services, our State government has no such avenue of relief. It is entirely dependent on mortgaging our future by borrowing or on increased revenue from taxes, which revenue under our present tax structure, unfortunately, does not expand and yield sufficient additional income to keep pace with rising costs.

The big exception to this is our liquor revenue, and I might observe that it makes poor sense to attempt to solve our dollar problems by drinking ourselves to death.

The State is a large purchaser of almost everything used by the average citizen. We have nearly 20,000 people for whom we supply, through our Health and Welfare Department and our Institutions and Hospitals, all or part of their food and clothing. We buy medicines and drugs, automobiles and trucks, machinery and equipment. We have buildings, highways and bridges to build and maintain. Our employees also are affected by the same rising costs just as you are. In short, as the costs of living and doing business increase generally, by so much do the costs of State government increase.

The income in sight from existing sources of revenue for the next biennium is clearly inadequate, in my opinion, to provide for the maintenance of governmental functions even at their present levels. I have been unable to provide for the demand for shorter working hours in our institutions where 24 hour service 7 days per week is necessary, nor for the many deferred maintenance items or capital expenditures, to say nothing of the expansion in State Government services demanded by the people of the State.

During the war years, much of our normal upkeep and repair of State property had to be deferred. Many of these essentials must be provided if only to preserve our plants, and prevent much larger expenditures later when we may be less able to provide means of meeting the bill.

Therefore, I would not be realistic should I deny that provision for some of these expenditures, which I have not found sufficient funds to finance, should be made by you.

You will be asked to consider new measures to supplement existing, but as yet unused, appropriations for capital expenses. The amounts appropriated have not been spent for they have proven to be inadequate for the purposes intended on account of increased building costs. While, as a general policy, new construction should be held to a minimum during a period of shortages and high prices, the crowded conditions and lack of adequate facilities at some of our institutions is a pressing problem which should demand your careful attention. There are other capital expenditures which you will doubtless be asked to consider.

Our State University will ask you for additional funds to meet increased costs. Our Vocational Training School should be continued. Our highways and bridges have had a minimum of attention during the war years. It is time we consider whether or not we can afford to delay essential highway repair, and in some cases new construction, any longer. We compete with other States for our vacationland business. Let's not lose it.

Having in mind the direction in which we were headed, I asked two very able and nationally known experts of wide experience in State government, Dr. Luther Gulick and Mr. Phillip Cornick of the Institute of Public Administration, to come to Maine last October and to review our situation and advise us. Both of these gentlemen have had considerable previous experience in dealing not only with the financial problems of the State of Maine but with those of many other States. Most of you have, no doubt, read their letter to me, which was released to the press a few weeks ago, in which they made some very specific recommendations. Whether or not you agree or disagree with those gentlemen, you would do well to give serious consideration to their opinions.

Perhaps no greater compliment can be paid the opinions of Dr. Gulick and Mr. Cornick of the Institute of Public Administration than to refer to the conclusions of your own Legislative Research Committee following a very intelligent and comprehensive study of revenue sources. The Legislative Research Committee's conclusion is principally contained in these words:

“We were impressed with the general recommendations in the Gulick report and we agree with the general conclusions that a sales tax or an income tax or a combination of each should be enacted by the 93rd Legislature, along with an increase in the gas tax.”

Whether or not the Legislature will determine that all these taxes are necessary is problematical, but I am certain that some additional revenue is necessary. In my message to the special session of the Legislature last July, I pointed out that 23 States have a sales tax; 32 States an income tax and 14 of these States have both an income and a sales tax.

I further pointed out that if we had been far-sighted enough to have had one of these forms of taxation operating during the

war years, as many States did, we would not be facing the difficult financial road that now lies ahead of the people of Maine.

No one can actually tell, of course, what the Legislature is going to do by way of adding new expenditures. If the Legislature concludes that very substantial new revenues must be raised, then the Legislature should carefully consider revising our whole tax structure and give municipalities the relief they undoubtedly need, and for which they have long waited. On the whole, our municipalities face worse financial problems than the State. The towns and cities, dependent as they are on real estate taxes for their principal source of income, find also that revenues are not keeping pace with increasing expenses. They share with the State the property tax field. The State levy for the past fourteen years has been $7\frac{1}{4}$ mills per \$1.00 of the State valuation, yielding the state about \$4,750,000 a year.

This is one tax which can be readily administered at the city and town level. You may well consider the advisability of the State withdrawing from this field provided new sources of revenue can be found to replace the amount which would be lost to the State, should it vacate this field.

It is quite proper that our departments should want to do the best job possible. We want department heads who are eager to do so, but the Legislature must keep the department expenditures within reasonable limits through appropriations, and balance what the State can properly spend on government, as a whole, and on each department.

After much consideration, the most logical approach to our problems seemed to be the one which I have presented. It was not within our province to legislate new revenues or anticipate your actions. Your predecessor Legislatures have given the Executive Department its cloth in the form of revenues. We have cut our expenditures to fit it. It is now your obligation to examine the needs of our government as they may be presented to you and provide for them as your wisdom may direct.

I might add the words of your Research Committee when they said in their conclusion: "We recognize the competency of normal legislative procedures to solve the problem."

You have to decide first whether the proposed budget, which allocates all the estimated revenue, is adequate, and, if not, secondly, what additional needs you will choose to provide for, with, I hope, some consideration given to the recommendations in my Inaugural Address, and then finally what means you will choose to raise the revenue required to meet the provisions you enact. If the means are not provided to execute your decisions, the Executive Branch of our government has no alternative but to veto measures which cannot be carried out within the revenue you provide.

I express my thanks to the members of the Legislative Budget Committee, consisting of Senators Cleaves and Boutin, and Representative Bowker; to our Commissioner of Finance and Budget Officer, Mr. Raymond C. Mudge; Mr. Ford Campbell, Assistant Budget Officer, and others who worked with and for us, for their efforts in attempting to solve a most difficult problem.

A handwritten signature in cursive script, reading "Horace A. Hilditch", followed by a horizontal line extending to the right.

GOVERNOR OF MAINE