

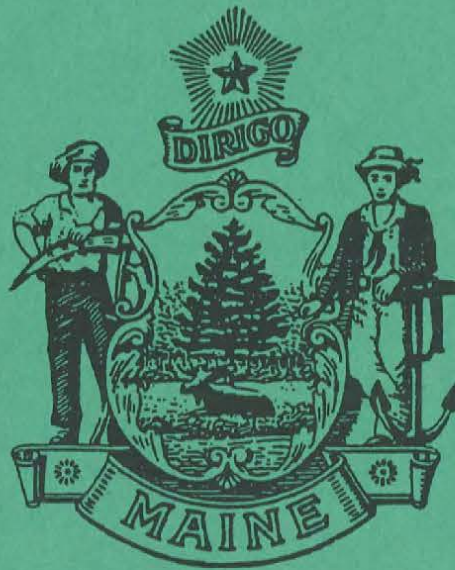
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BUDGET IN BRIEF



Summary of the Program and Budget Proposals for the Fiscal Years 1998-99

**Submitted by
Governor Angus S. King, Jr.**

BUDGET IN BRIEF

Table of Contents

<u>SECTION</u>	<u>PAGE</u>
<u>Message from Governor Angus S. King, Jr.</u>	i
<u>FY 98/99 General Fund Biennial Budget Summary</u>	1
<u>General Fund Appropriations FY96 - FY99</u>	2
<u>General Fund Revenues FY97 - FY99</u>	3
<u>FY 98/99 General Fund Appropriations Policy Area Pie Chart (GOVERNOR'S RECOMMENDATIONS)</u>	4
<u>FY 98/99 General Fund Revenues Pie Chart (GOVERNOR'S RECOMMENDATIONS)</u>	5
<u>General & Other Funds Trend Charts 1984 - 1999 (BY DEPARTMENT/AGENCY)</u>	
-Administrative & Financial Services	6
-Agriculture , Food & Rural Resources	7
-Attorney General	8
-Audit	9
-Conservation	10
-Corrections	11
-Defense & Veterans' Services	12
-Economic & Community Development	13
-Education	14
-Environmental Protection	15
-Executive	16
-Finance Authority of Maine	17
-Maine State Housing Authority	18
-Human Services	19
-Inland Fisheries & Wildlife	20
-Judicial	21
-Labor	22
-Legislature & Legislative Law Library	23
-Marine Resources	24
-Mental Health, Mental Retardation & Substance Abuse Services	25
-Maine Maritime Academy	26
-Professional & Financial Regulation	27
-Maine Public Broadcasting Corporation	28
-Public Safety	29
-Maine State Retirement System	30
-Maine Science & Technology Foundation	31
-Secretary of State	32
-Maine Technical College System	33
-Transportation	34
-Treasury	35
-University of Maine System	36
<u>Governor's Recommendations: Highlights and Initiatives</u>	37-44

BUDGET MESSAGE

Honorable Members of the 118th Legislature and Citizens of Maine:

As we began to put together the biennial budget for FY 1998-99, we were faced with a projected revenue shortfall of more than \$360 million. The cause of the shortfall was primarily due to a number of tax cuts that became law last year but are due to take effect during the next biennium. Most of these tax cuts did not identify what programs were to be reduced or eliminated to make up for the loss of tax revenue. To say that the challenge we faced in preparing this budget was daunting is an understatement.

I am pleased to report, however, that the FY 1998-99 Biennial Budget that I am submitting to you today eliminates the budget shortfall. It is a balanced budget that contains no increase in taxes, further eliminates budgetary gimmicks, maintains essential services, provides a modest but long-overdue pay increase for state employees, and provides relief for Maine communities by increasing school funding by three percent over the biennium. To accommodate changes in state sentencing laws and the opening of the juvenile detention center in Charleston, the budget contains additional funding for the Department of Corrections including new guards and other personnel. These positions are offset, however, by reductions that will result from closing the state's remaining retail liquor stores for no net increase in overall state employment.

Because we have kept the growth in state spending well below the projected growth in the economy, this budget will lower the overall tax burden on Maine people, from 12.4 percent today (as a percentage of personal income) to less than 11.5 percent at the end of the biennium, closer to the national average. It is my hope that we can continue this downward trend beyond the next biennium to help attract new businesses and ensure economic growth.

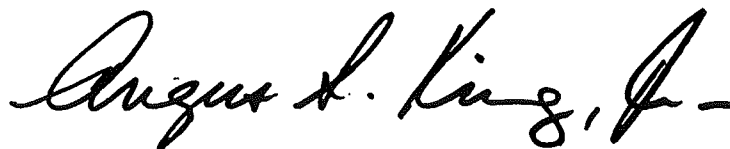
It was impossible to accomplish all of this without considerable pain. This budget contains more than \$142 million in real program cuts and eliminations, and another \$100 million in reductions from legally mandated growth in current services. Additionally, I have not included in this budget the individual income tax cap that was passed in the last session of the Legislature. It is my inescapable conclusion that the cuts that would be necessary to pay for the tax cap - \$130 million - would have required a tax increase at the local level, negating any benefit from the tax cap. I am all for putting more money into the pockets of Maine people. But putting money in one pocket while taking it from another is not honest tax relief.

Similarly, I have decided to phase out funding for the magnet school in Limestone. This was a difficult decision, one that I am sure will be fully debated over the next few months. However, in the end I simply could not justify the \$2.1 million expense for a single school when the needs throughout our education system are so great.

Not counting the additional general fund spending required to make up for the repeal of the hospital tax-and-match, the overall growth in state spending will be less than two percent under this budget, a real achievement.

Although I could sign this budget into law tomorrow, I stand ready to work collaboratively with the members of the 118th Legislature on any changes or refinements you may recommend. My bottom line, however, is that whatever we do with this budget, in the end the overall tax burden for Maine people must continue its downward slope toward a more affordable state and local government.

I look forward to working with each of you to achieve this important goal.



FY 98/99 GENERAL FUND BIENNIAL SUMMARY

	DEPARTMENT REQUESTS	BUDGET OFFICE RECOMMENDED	GOVERNOR'S BUDGET	TOTAL CUTS AND ADDITIONS
TOTAL GENERAL FUND	3,953,290,549	3,939,964,470	3,708,332,448	
INCREMENTAL CUTS		(13,326,079)	(231,632,022)	(244,958,101)
Capital Construction- Repairs-Improvements			13,387,340	13,387,340
ADDITIONS FOR NEW PROGRAM INITIATIVES			55,336,443	55,336,443
Collective Bargaining			12,262,151	12,262,151
TOTAL DIFFERENCE				(163,972,167)

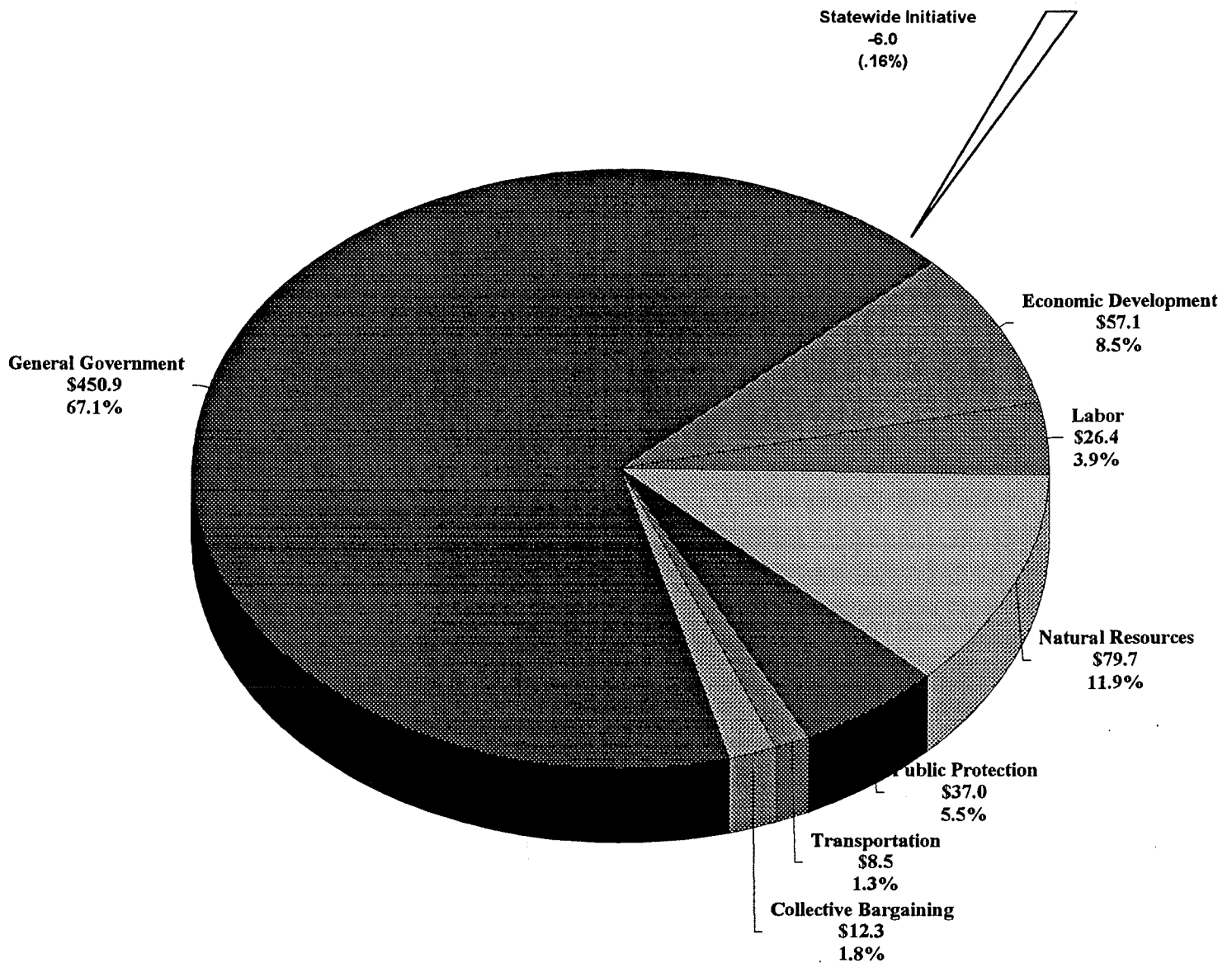
GENERAL FUND APPROPRIATIONS

DEPARTMENT/AGENCY	FY96	FY97	GOVERNOR'S BUDGET			
			FY98	CHG +/-	FY99	CHG +/-
ADMINISTRATIVE AND FINANCIAL SERVICES	86,554,470	76,002,341	75,741,789	-0.34%	83,745,588	10.57%
AGRICULTURE, FOOD AND RURAL RESOURCES	9,306,885	9,264,593	5,857,557	-36.77%	5,931,509	1.26%
ARTS COMMISSION, MAINE	513,389	526,509	522,597	-0.74%	531,013	1.61%
ATLANTIC SALMON AUTHORITY	105,107	109,127	145,895	33.69%	151,306	3.71%
ATLANTIC STATES MARINE FISHERIES COMMISSION	30,956	23,061	23,845	3.40%	24,703	3.60%
ATTORNEY GENERAL	6,761,739	7,325,846	8,673,983	18.40%	9,229,126	6.40%
AUDIT	1,241,486	1,352,392	1,377,965	1.89%	1,411,697	2.45%
CONSERVATION	18,189,119	18,986,554	18,826,945	-0.84%	19,291,055	2.47%
CORRECTIONS	65,319,909	66,315,068	71,781,061	8.24%	75,740,385	5.52%
CRIMINAL JUSTICE COMMISSION, MAINE	20,000	20,000	20,000	0.00%	20,000	0.00%
DEFENSE AND VETERANS' SERVICES	3,718,478	3,398,858	3,457,872	1.74%	3,537,475	2.30%
ECONOMIC AND COMMUNITY DEVELOPMENT	5,865,289	6,227,457	7,251,058	16.44%	6,149,951	-15.19%
EDUCATION, STATE BOARD OF	264,165	91,094	93,313	2.44%	95,729	2.59%
EDUCATION	693,094,519	716,738,699	740,136,322	3.26%	755,595,951	2.09%
ENVIRONMENTAL PROTECTION	3,861,536	4,349,958	4,469,639	2.75%	4,654,585	4.14%
ETHICS AND ELECTION PRACTICES, GOVERNMENTAL	134,535	140,313	159,010	13.33%	153,646	-3.37%
EXECUTIVE DEPARTMENT	3,700,337	3,781,091	3,881,806	2.66%	3,993,226	2.87%
FINANCE AUTHORITY OF MAINE	9,043,394	9,043,394	8,298,394	-8.24%	8,088,394	-2.53%
GLOBAL AND GEOGRAPHIC EDUCATION	5,000	0	0		0	
HEALTH DATA ORGANIZATION, MAINE	140,000	0	0		0	
HISTORIC PRESERVATION COMMISSION, MAINE	223,204	228,814	226,307	-1.10%	229,685	1.49%
HISTORICAL SOCIETY, MAINE	24,761	24,761	24,761	0.00%	24,761	0.00%
HOSPICE COUNCIL, MAINE	49,020	49,020	0	-100.00%	0	
HOUSING AUTHORITY, MAINE STATE	735,294	735,294	500,000	-32.00%	500,000	0.00%
HUMAN RIGHTS COMMISSION, MAINE	399,579	412,955	438,203	6.11%	426,255	-2.73%
HUMAN SERVICES	321,876,024	337,682,424	350,739,728	3.87%	441,236,619	25.80%
INDIAN TRIBAL-STATE COMMISSION, MAINE	15,000	22,500	22,500	0.00%	22,500	0.00%
INLAND FISHERIES AND WILDLIFE	15,067,831	16,374,523	15,572,943	-4.90%	16,512,370	6.03%
INTERNATIONAL TRADE CENTER, MAINE	0	381,116	410,626	7.74%	410,626	0.00%
JUDICIAL DEPARTMENT	33,143,821	35,033,506	35,100,504	0.19%	37,109,473	5.72%
LABOR	11,317,230	11,327,661	13,138,999	15.99%	13,244,735	0.80%
LAW AND LEGISLATIVE REFERENCE LIBRARY	933,678	1,017,656	998,637	-1.87%	1,029,667	3.11%
LEGISLATURE	13,639,950	14,737,369	15,362,649	4.24%	17,098,207	11.30%
LIBRARY, MAINE STATE	2,315,297	2,387,357	2,398,708	0.48%	2,466,434	2.82%
MARINE RESOURCES	7,132,913	7,587,530	7,193,743	-5.19%	7,335,699	1.97%
MARITIME ACADEMY, MAINE	6,504,561	6,569,930	6,635,629	1.00%	6,768,342	2.00%
MENTAL HEALTH, MENTAL RETARDATION & SUBSTANCE ABUSE	146,548,365	157,891,646	158,278,584	0.25%	162,862,430	2.90%
MUNICIPAL BOND BANK, MAINE	113,637	113,637	56,818	-50.00%	0	-100.00%
MUSEUM, MAINE STATE	1,090,341	1,042,543	1,011,678	-2.96%	1,046,583	3.45%
PINE TREE LEGAL ASSISTANCE	148,050	148,050	148,050	0.00%	148,050	0.00%
PROPERTY TAX REVIEW, STATE BOARD OF	98,750	100,441	88,062	-12.32%	89,498	1.63%
PROFESSIONAL AND FINANCIAL REGULATION			150,000			-100.00%
PUBLIC BROADCASTING CORPORATION, MAINE	2,230,157	2,230,157	2,230,157	0.00%	2,230,157	0.00%
PUBLIC SAFETY	8,006,013	9,389,295	15,284,562	62.79%	14,727,004	-3.65%
RETIREMENT SYSTEM, MAINE STATE	181,369	188,624	192,708	2.17%	200,416	4.00%
SACO RIVER CORRIDOR COMMISSION	5,000	5,000	5,000	0.00%	5,000	0.00%
SCIENCE AND TECHNOLOGY FOUNDATION, MAINE	2,740,000	2,740,000	672,000	-75.47%	300,000	-55.36%
SECRETARY OF STATE	3,178,859	3,019,612	2,986,020	-1.11%	2,983,850	-0.07%
ST. CROIX INTERNATIONAL WATERWAY COMMISSION	10,000	10,000	10,000	0.00%	10,000	0.00%
TECHNICAL COLLEGE SYSTEM, MAINE	28,770,504	29,674,910	29,581,659	-0.31%	29,778,638	0.67%
TRANSPORTATION	2,826,122	2,789,509	5,164,585	85.14%	3,355,225	-35.03%
TREASURER OF STATE	83,423,389	91,165,247	73,862,669	-18.98%	74,353,113	0.66%
UNIVERSITY OF MAINE SYSTEM	132,642,841	135,103,698	138,994,735	2.88%	141,723,830	1.96%
WORLD TRADE ASSOCIATION, MAINE	125,000	10,417	0	-100.00%	0	
STATEWIDE INITIATIVES	455,933	3,522,560	(1,666,667)		(4,333,333)	
COLLECTIVE BARGAINING			4,247,553		8,014,598	88.69%
TOTAL GENERAL FUND	1,733,842,806	1,797,414,117	1,830,781,161	1.86%	1,960,255,771	7.07%

GENERAL FUND REVENUE FORECAST CHARTS

SOURCE	FY 97	FISCAL YEAR 1997-1998			% CHG 97-98	FISCAL YEAR 1998-1999			% CHG 98-99
		ORIG.	ADJ.	BUDGET		ORIG.	ADJ.	BUDGET	
Sales Tax	682,367,131	738,298,995	3,207,162	741,506,157	8.67%	767,830,955	3,448,001	771,278,956	4.02%
Gross Receipts Tax	45,851,380				-100.00%				
Individual Income Tax	676,732,021	676,230,000	48,198,622	724,428,622	7.05%	676,230,000	82,391,653	758,621,653	4.72%
Corporate Income Tax	63,547,000	74,246,760	8,418,610	82,665,370	30.09%	77,959,098	8,508,291	86,467,389	4.60%
Cigarette & Tobacco Tax	44,822,299	44,890,210		44,890,210	0.15%	43,503,205		43,503,205	-3.09%
Insurance Company Tax	38,061,754	35,663,000		35,663,000	-6.30%	35,312,000		35,312,000	-0.98%
Public Utilities Tax		28,475,000		28,475,000		28,925,000		28,925,000	1.58%
Inheritance & Estate Tax		12,397,521		12,397,521		12,831,434		12,831,434	3.50%
Property Tax - Unorg. Terr.		10,290,909	713,464	11,004,373		10,622,772	(74,943)	10,547,829	-4.15%
Income from Investments		(1,000,000)		(1,000,000)		(800,000)		(800,000)	-20.00%
Transfer from Liquor		21,199,678	3,662,882	24,862,560		21,397,879	6,091,489	27,489,368	10.57%
Transfer from Lottery		37,887,870	750,000	38,637,870		40,362,981	750,000	41,112,981	6.41%
All Other	237,582,796	105,493,238	4,590,978	110,084,216	-53.66%	106,726,089	4,815,576	111,541,665	1.32%
TOTAL REVENUE	1,788,964,381	1,784,073,181	69,541,718	1,853,614,899	3.61%	1,820,901,413	105,930,067	1,926,831,480	3.95%

FY 98/99 GENERAL FUND APPROPRIATIONS RECOMMENDED (BY POLICY AREA AS OF 1/31/97)



Dollars in millions

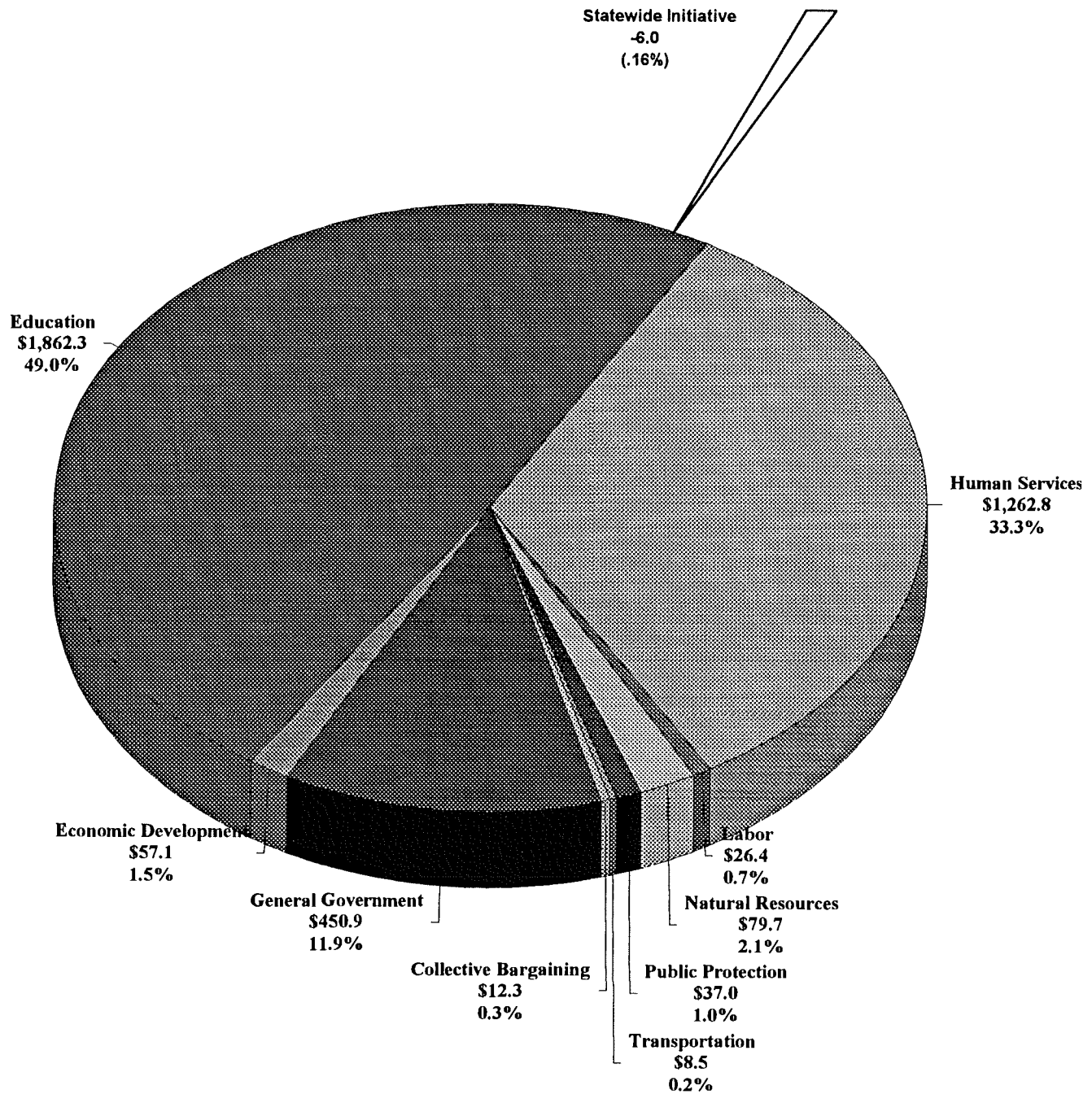


STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
Bureau of the Budget
State House Station #58
Augusta, Maine 04333

ERRATA

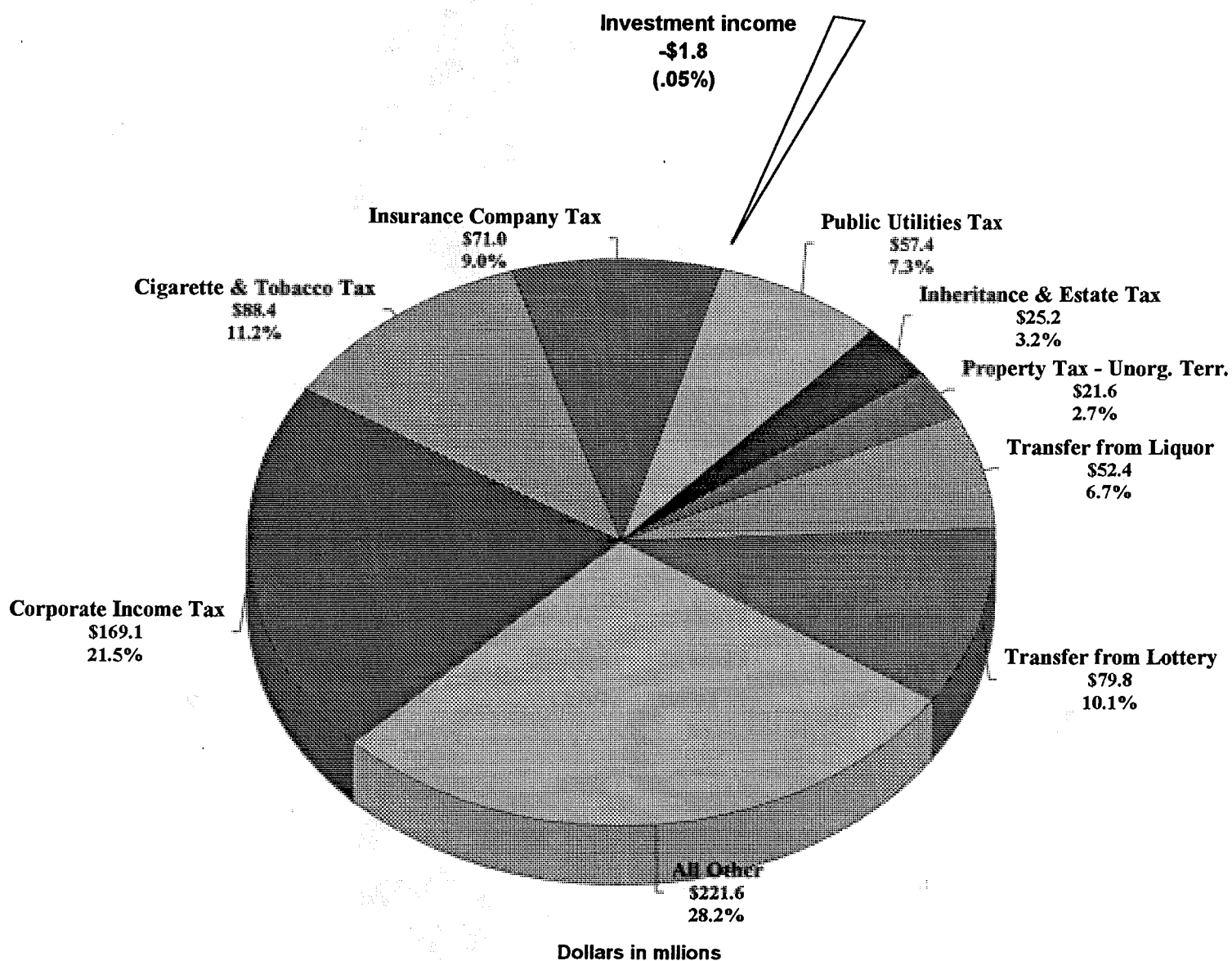
Please be advised that the attached sheet corrects page 4 of the Budget-in-Brief Summary of the Program and Budget Proposals for the Fiscal Years 1998-99.

FY 98/99 GENERAL FUND APPROPRIATIONS RECOMMENDED (BY POLICY AREA AS OF 1/31/97)



Dollars in millions

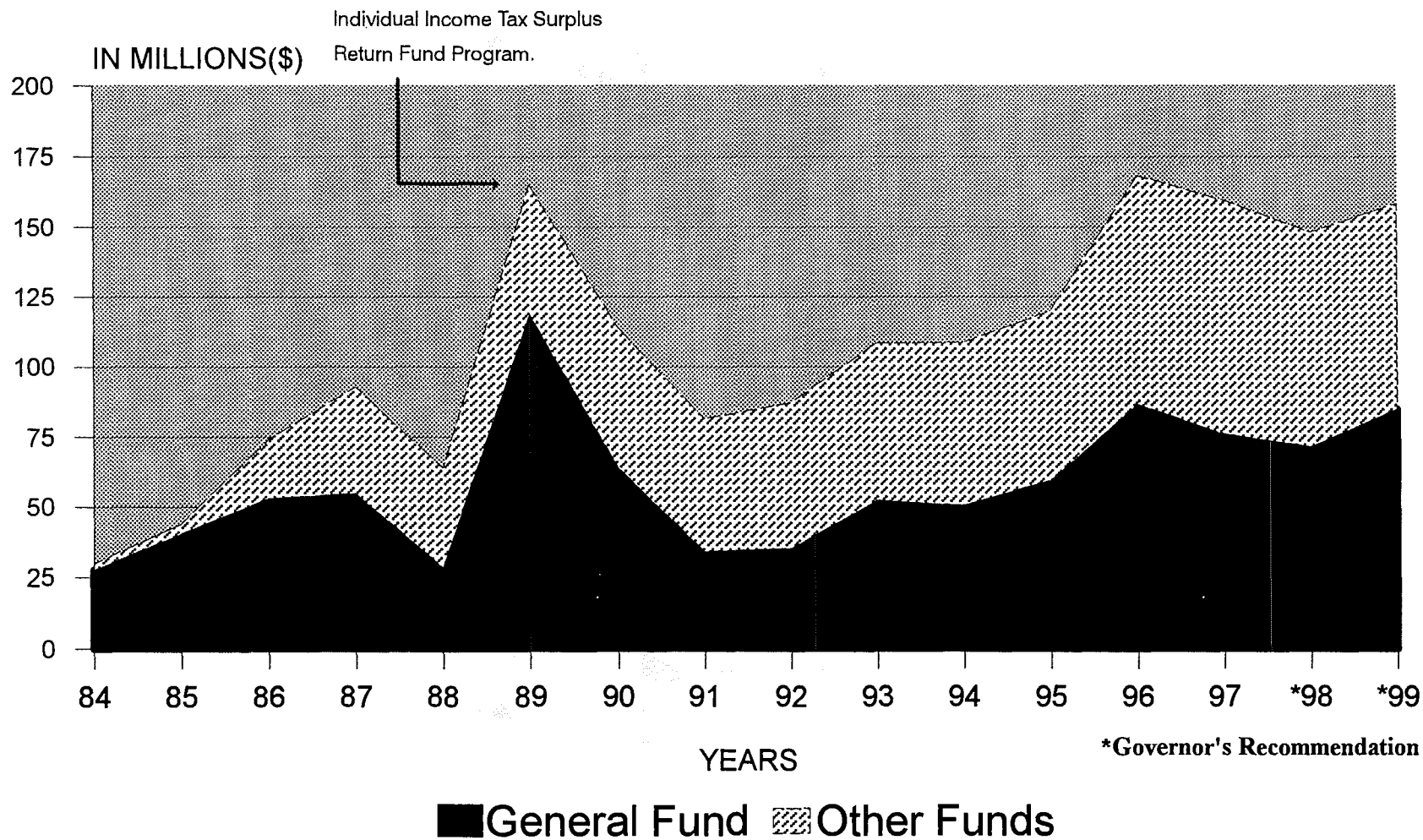
FY 98/99 GENERAL FUND REVENUES RECOMMENDED (AS OF 1/31/97)



Dept. of Administrative & Financial Services

GENERAL FUND & OTHER FUNDS TREND

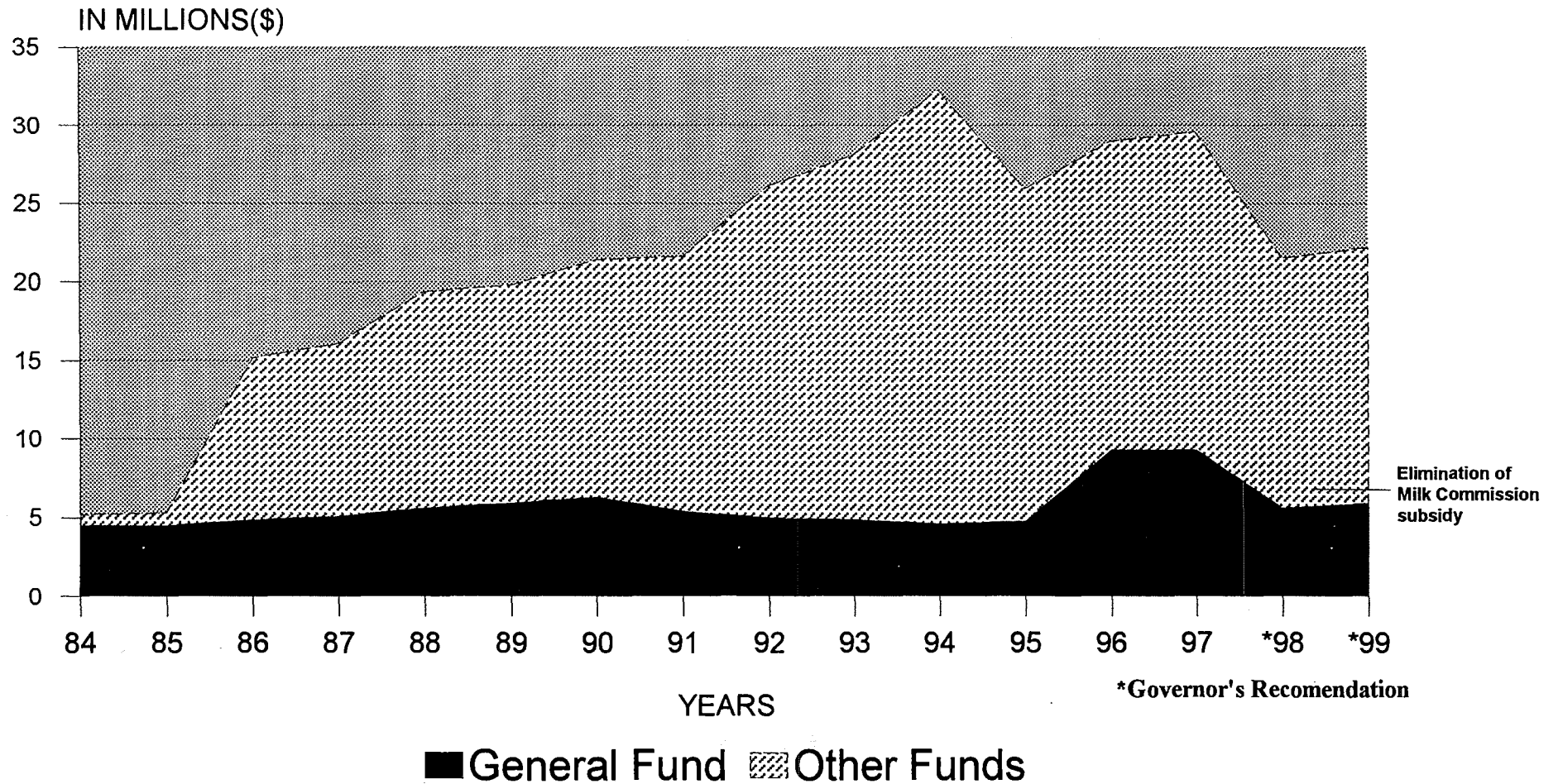
1984 - 1999



Dept. of Agriculture, Food & Rural Resources

GENERAL FUND & OTHER FUNDS TREND

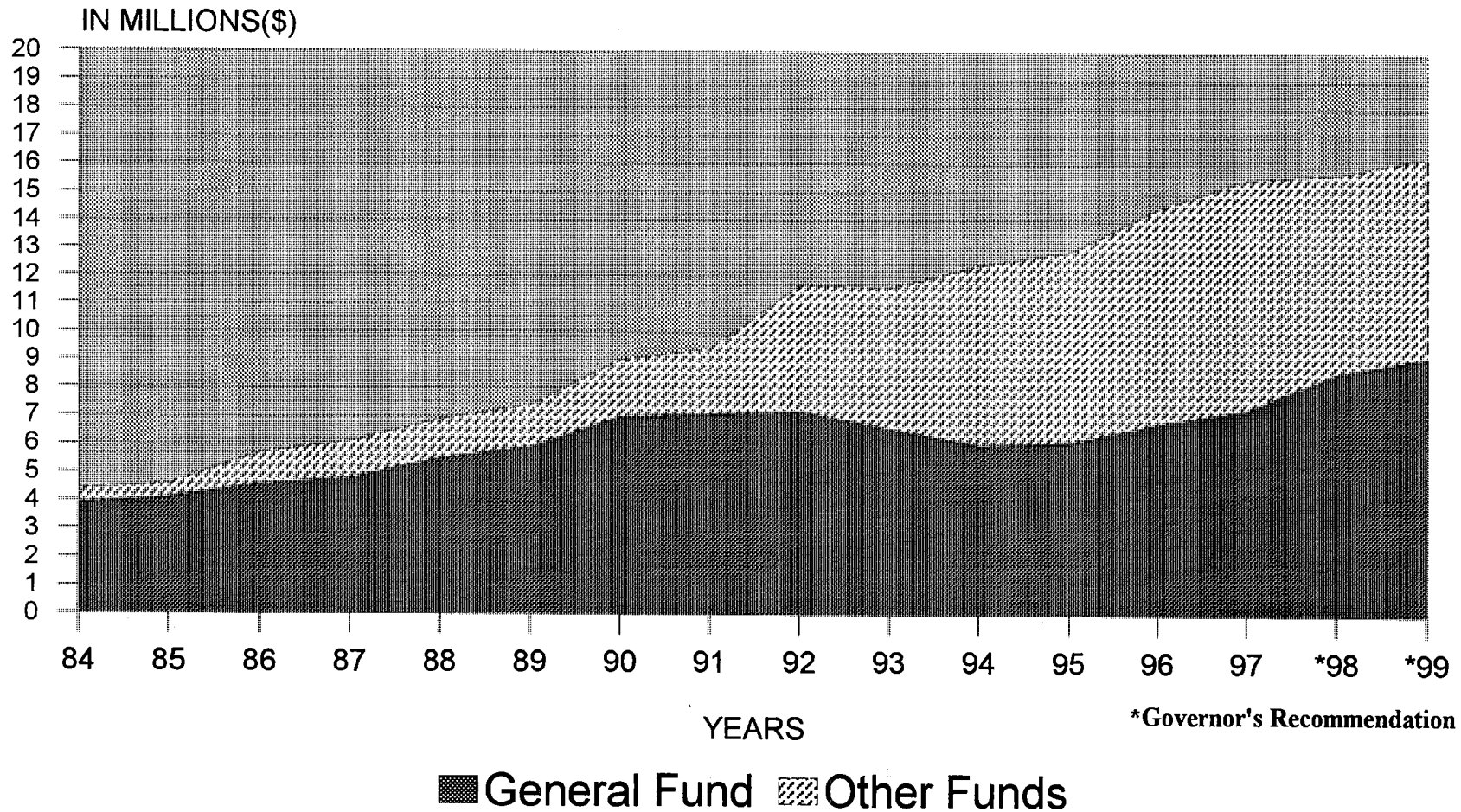
1984 - 1999



Dept. of Attorney General

GENERAL FUND & OTHER FUNDS TREND

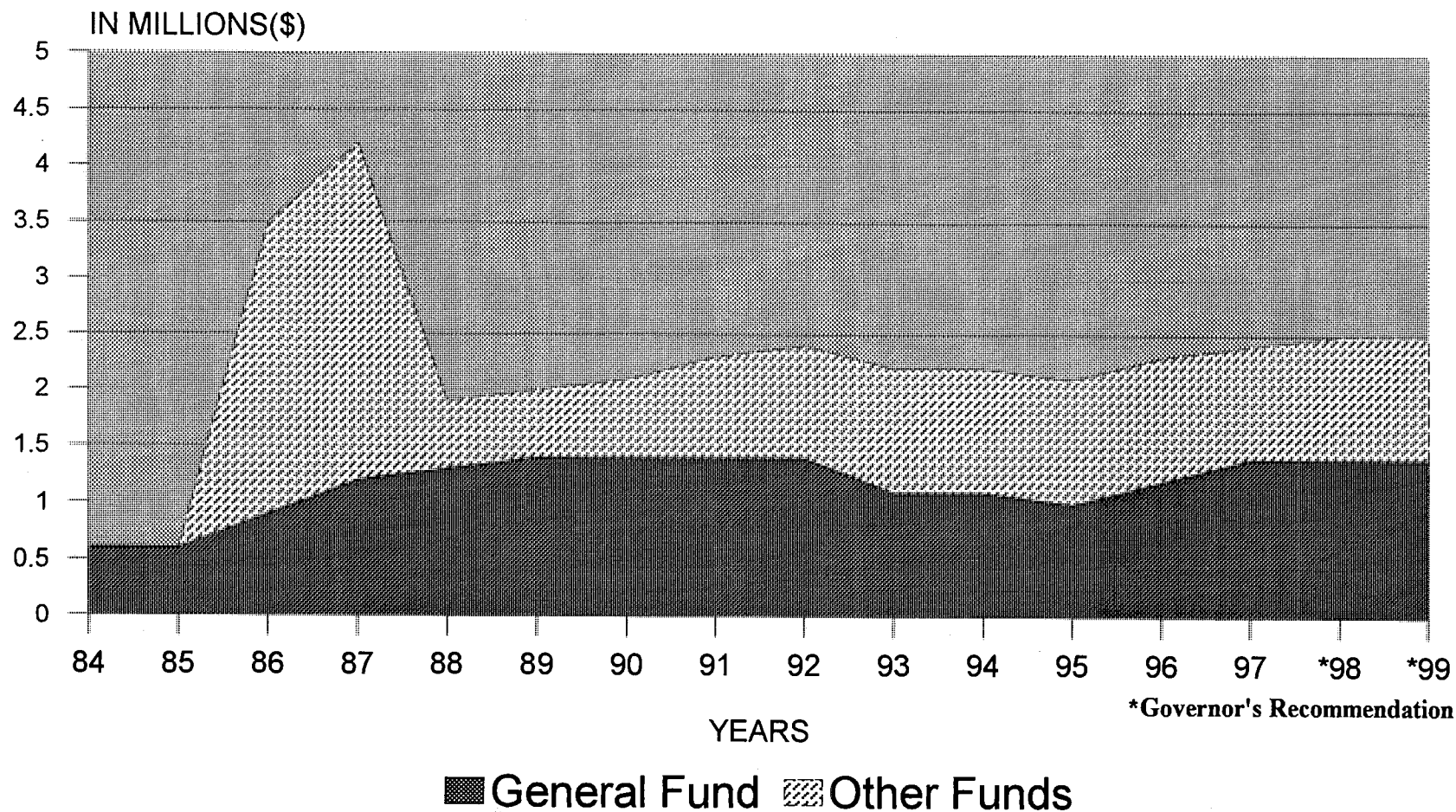
1984 - 1999



Department of Audit

GENERAL FUND & OTHER FUNDS TREND

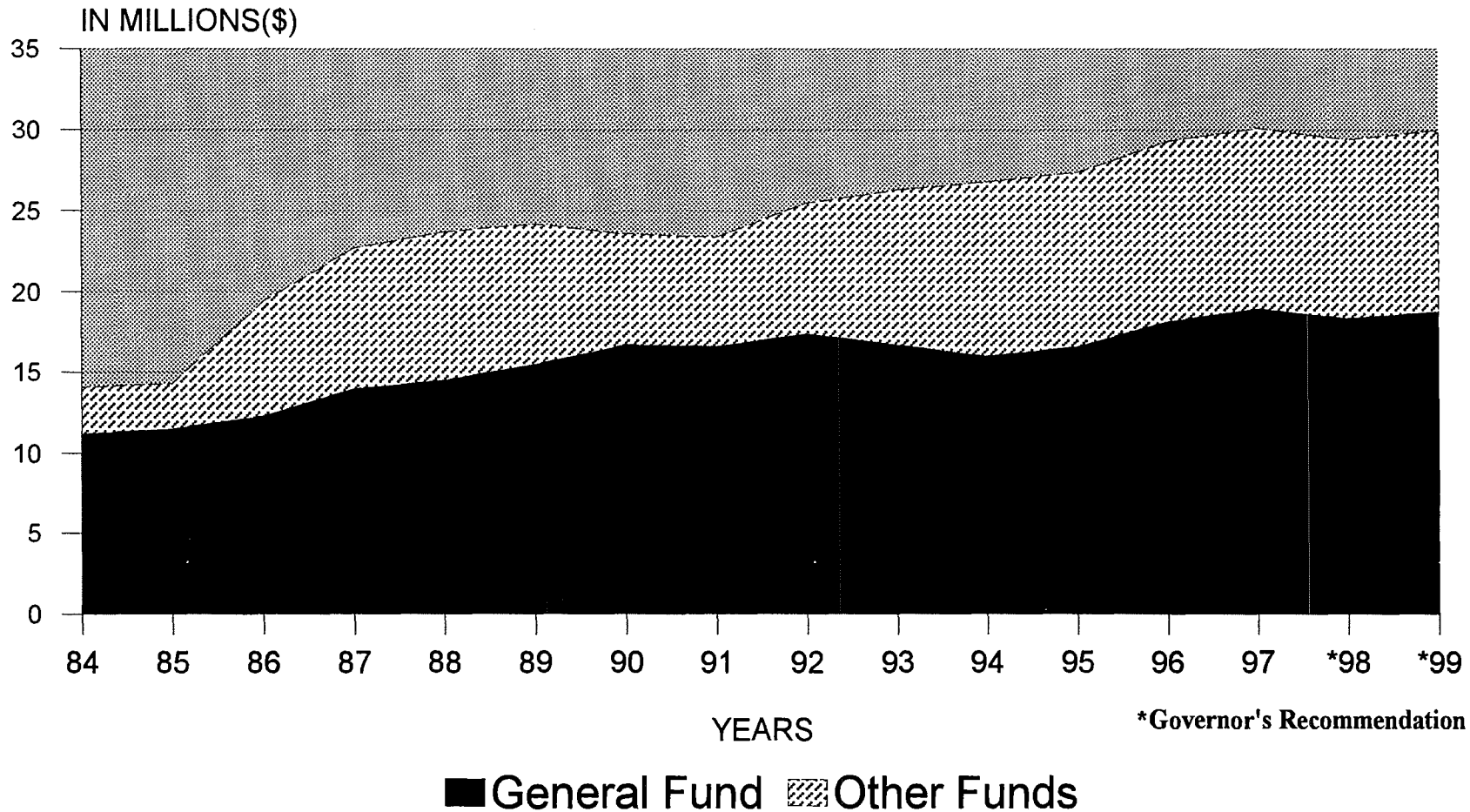
1984 - 1999



Dept. of Conservation

GENERAL FUND & OTHER FUNDS TREND

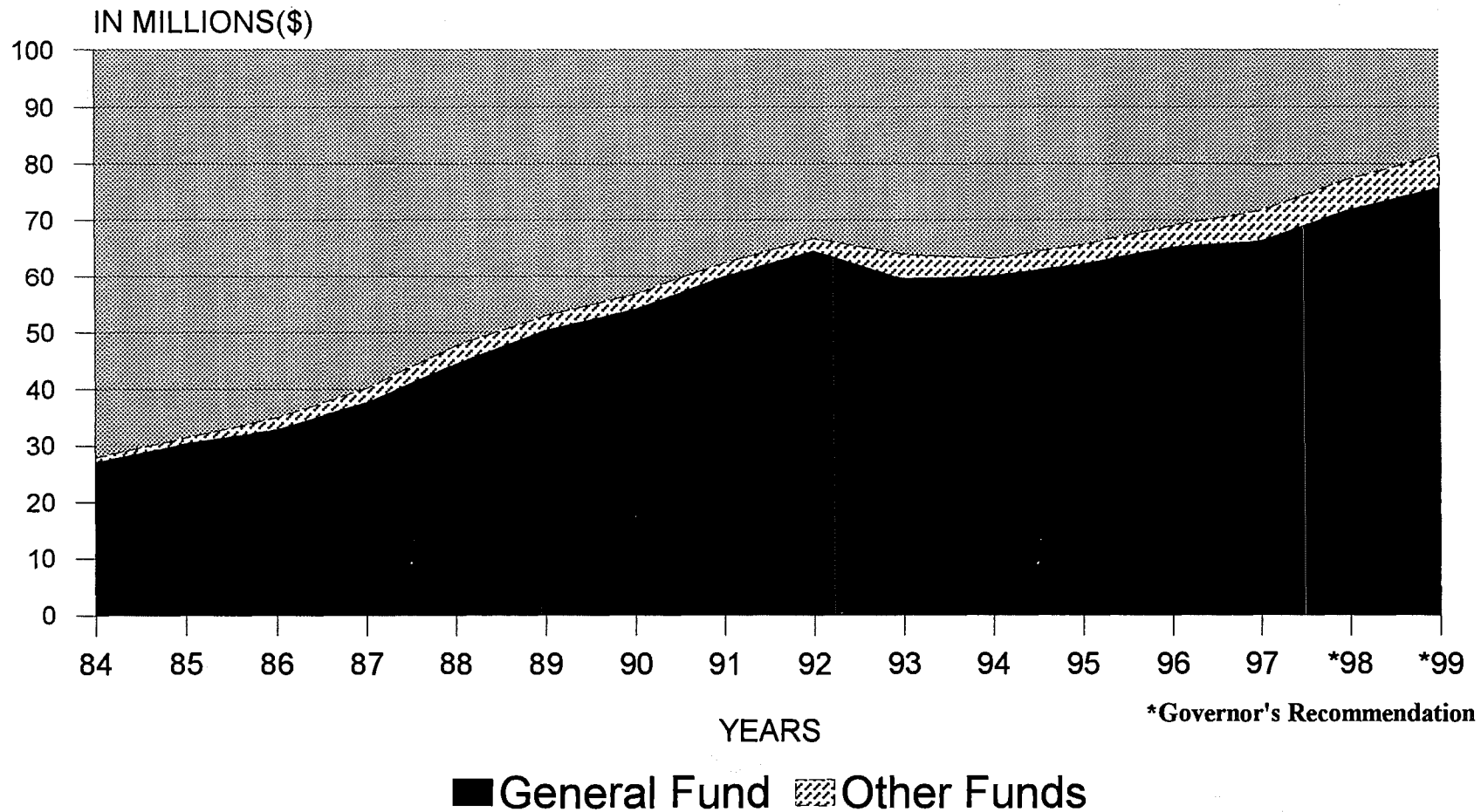
1984 - 1999



Dept. of Corrections

GENERAL FUND & OTHER FUNDS TREND

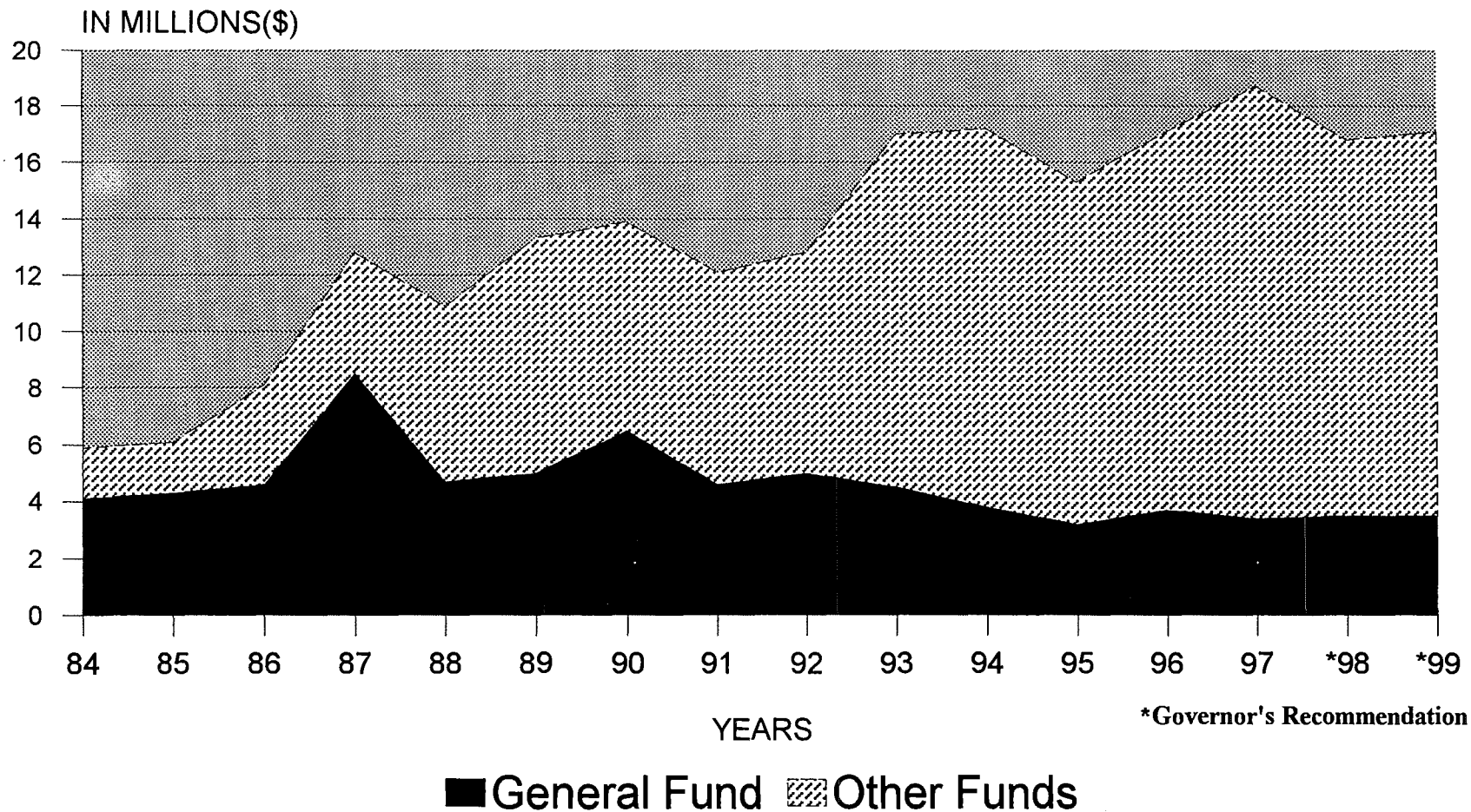
1984 - 1999



Dept. of Defense & Veterans' Services

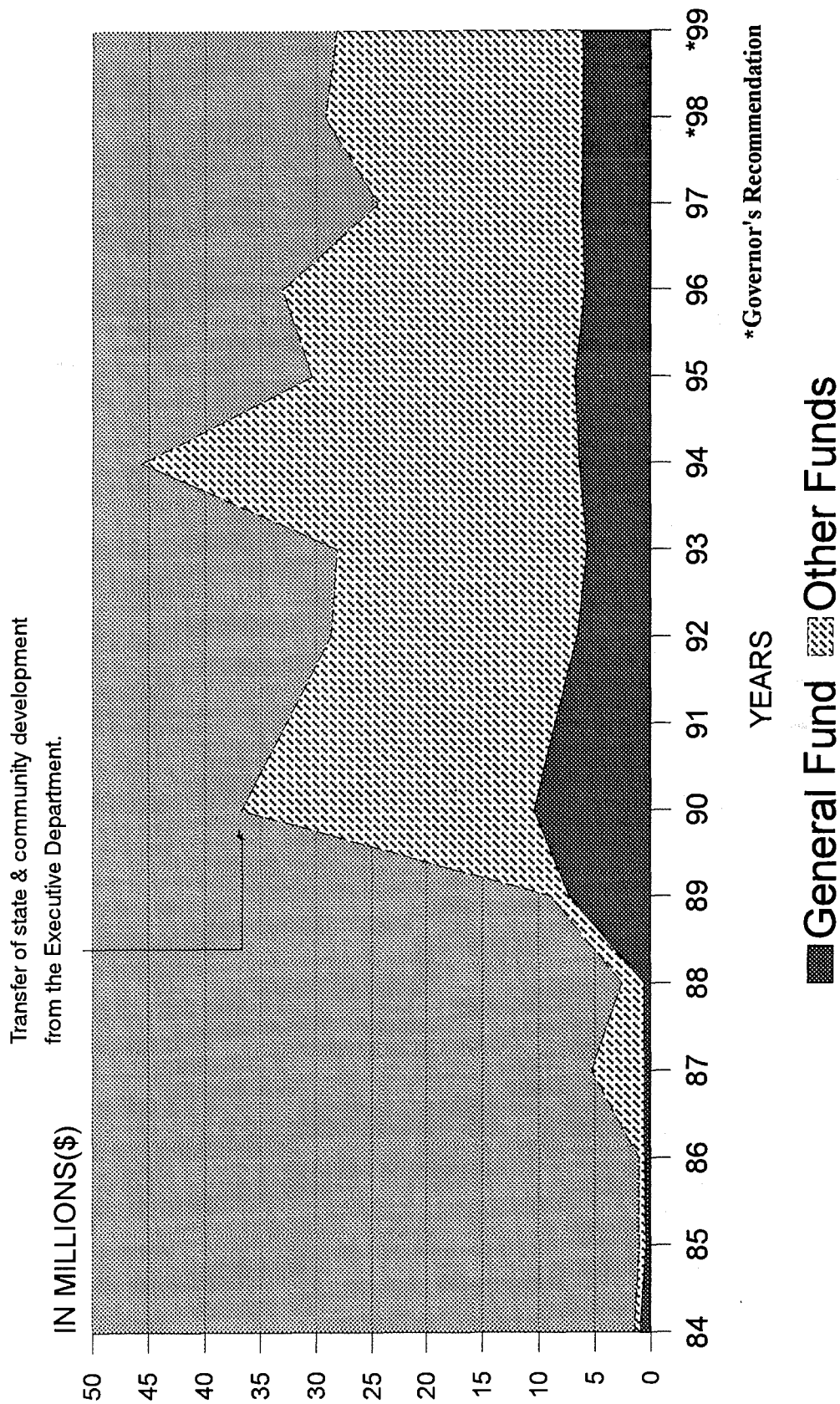
GENERAL FUND & OTHER FUNDS TREND

1984 - 1999



Dept. of Economic & Community Development GENERAL FUND & OTHER FUNDS TREND

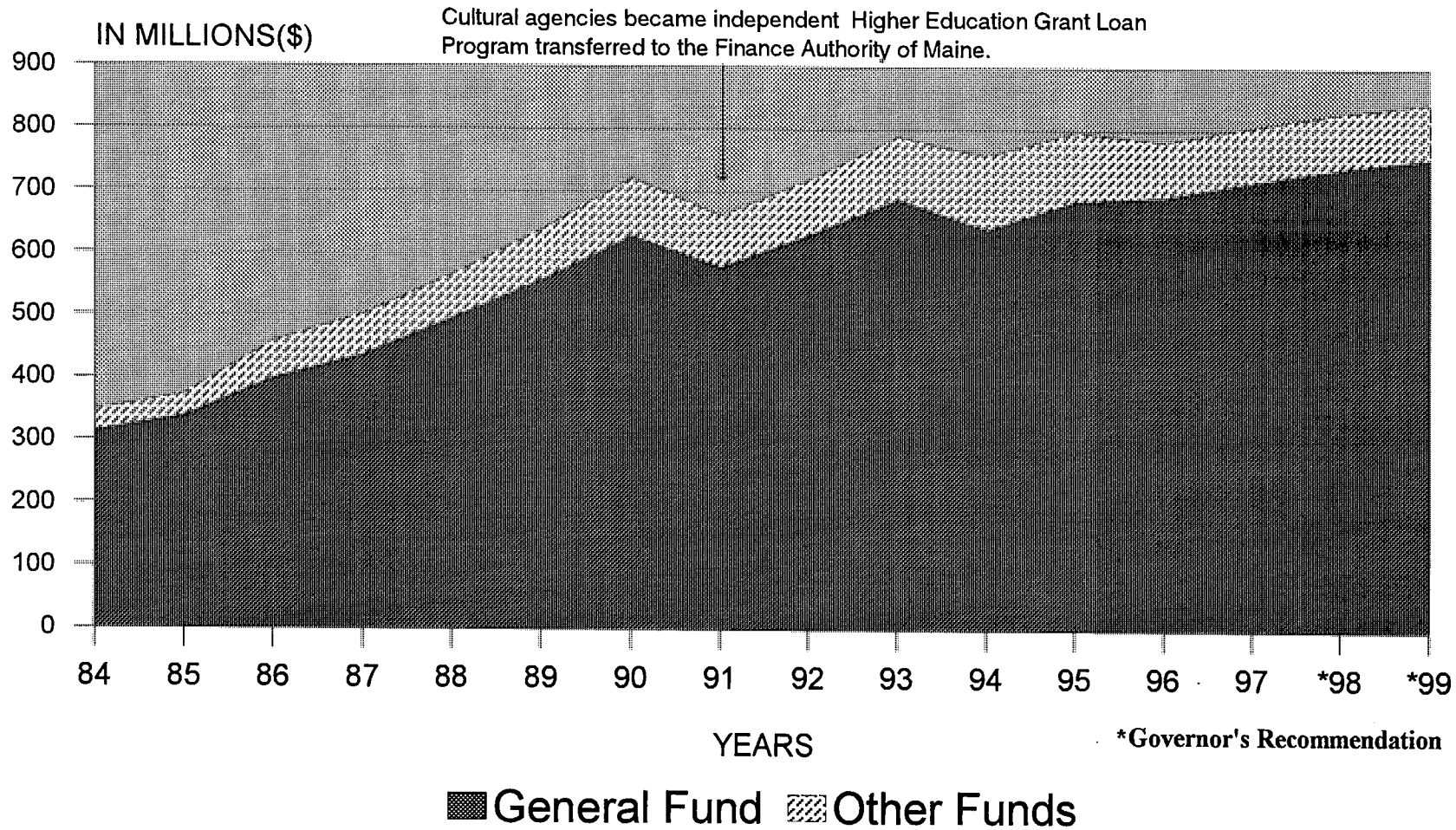
1984 - 1999



Dept. of Education

GENERAL FUND & OTHER FUNDS TREND

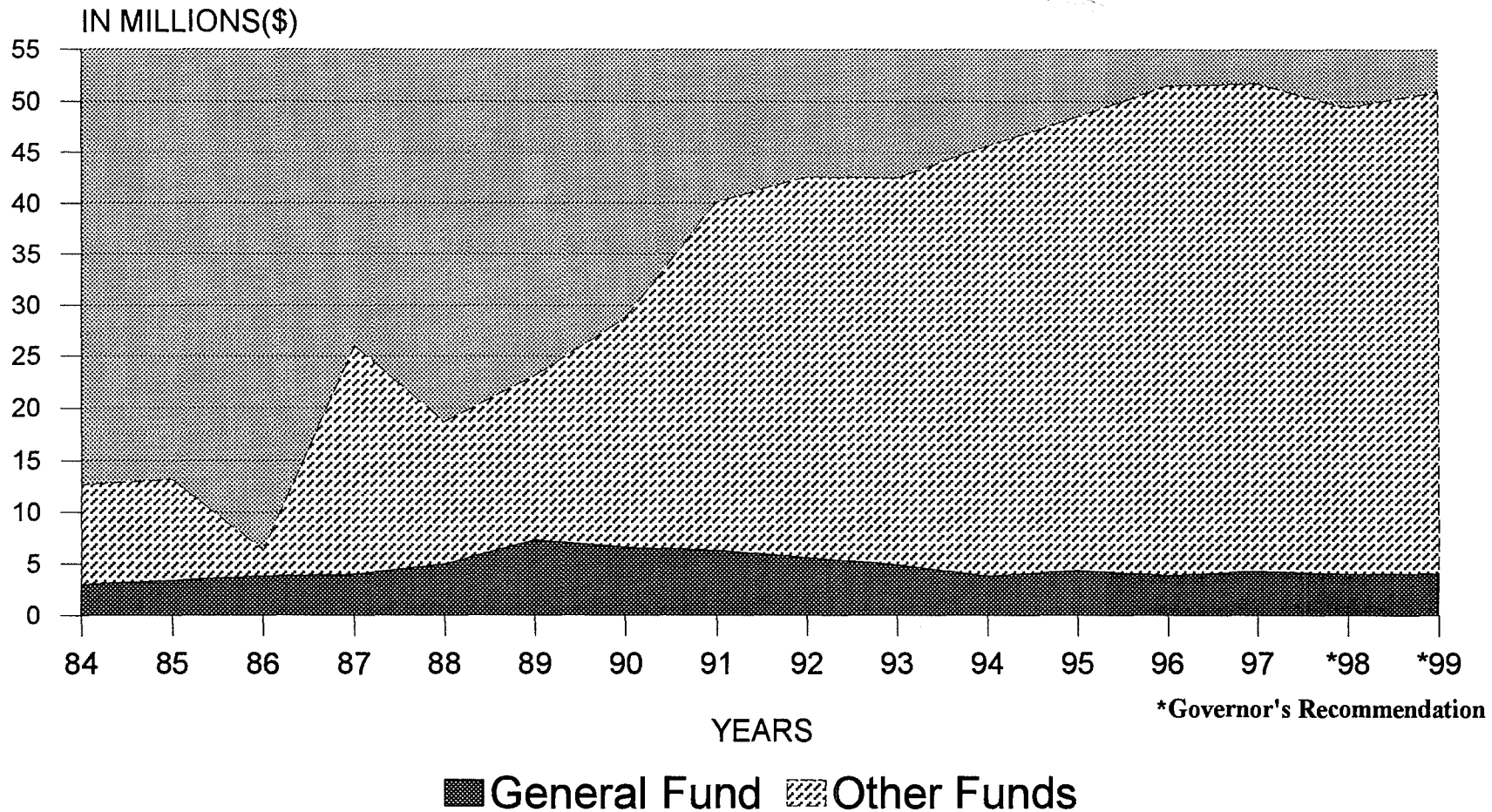
1984 - 1999



Dept. of Environmental Protection

GENERAL FUND & OTHER FUNDS TREND

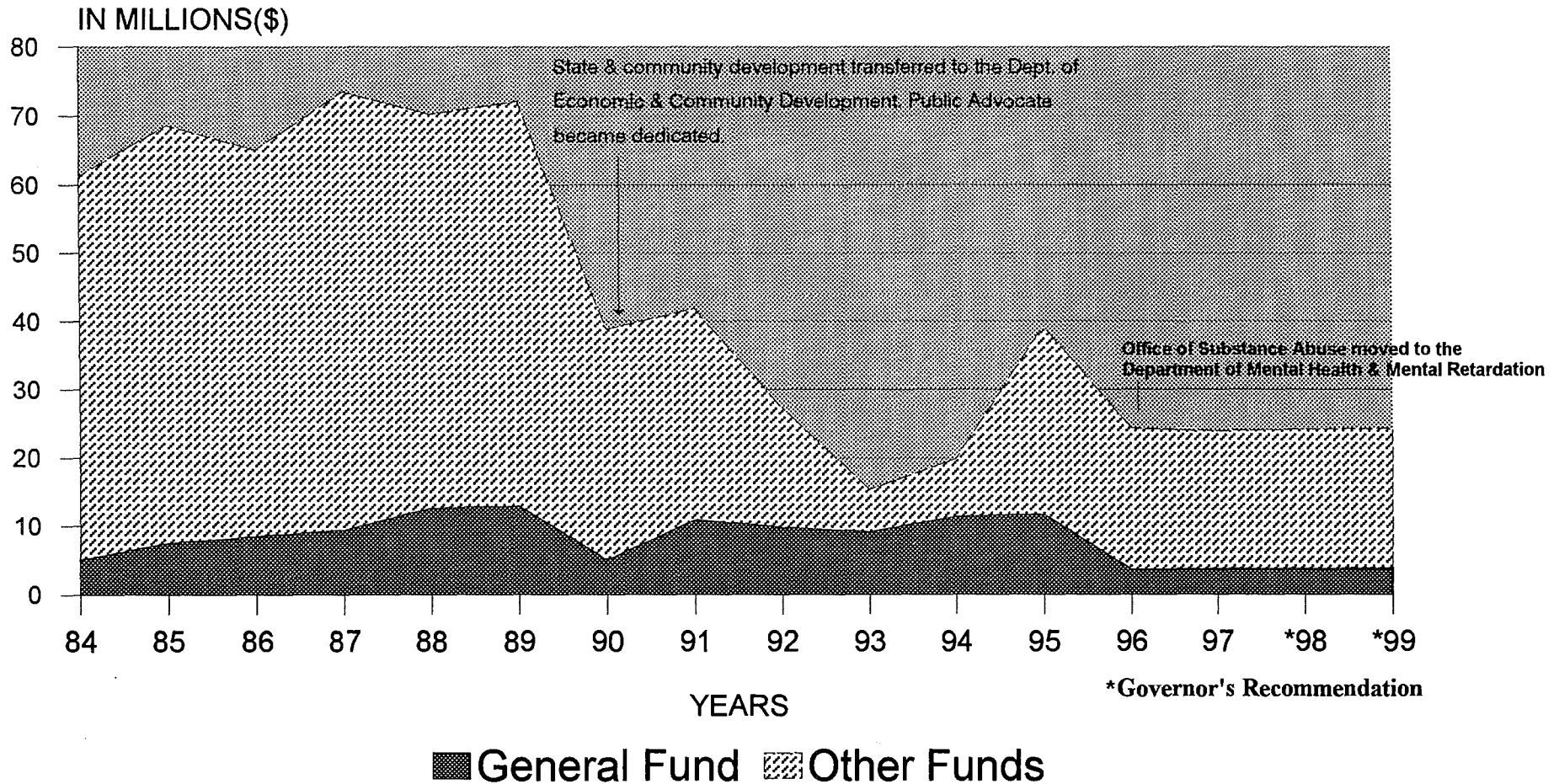
1984 - 1999



Executive Department

GENERAL FUND & OTHER FUNDS TREND

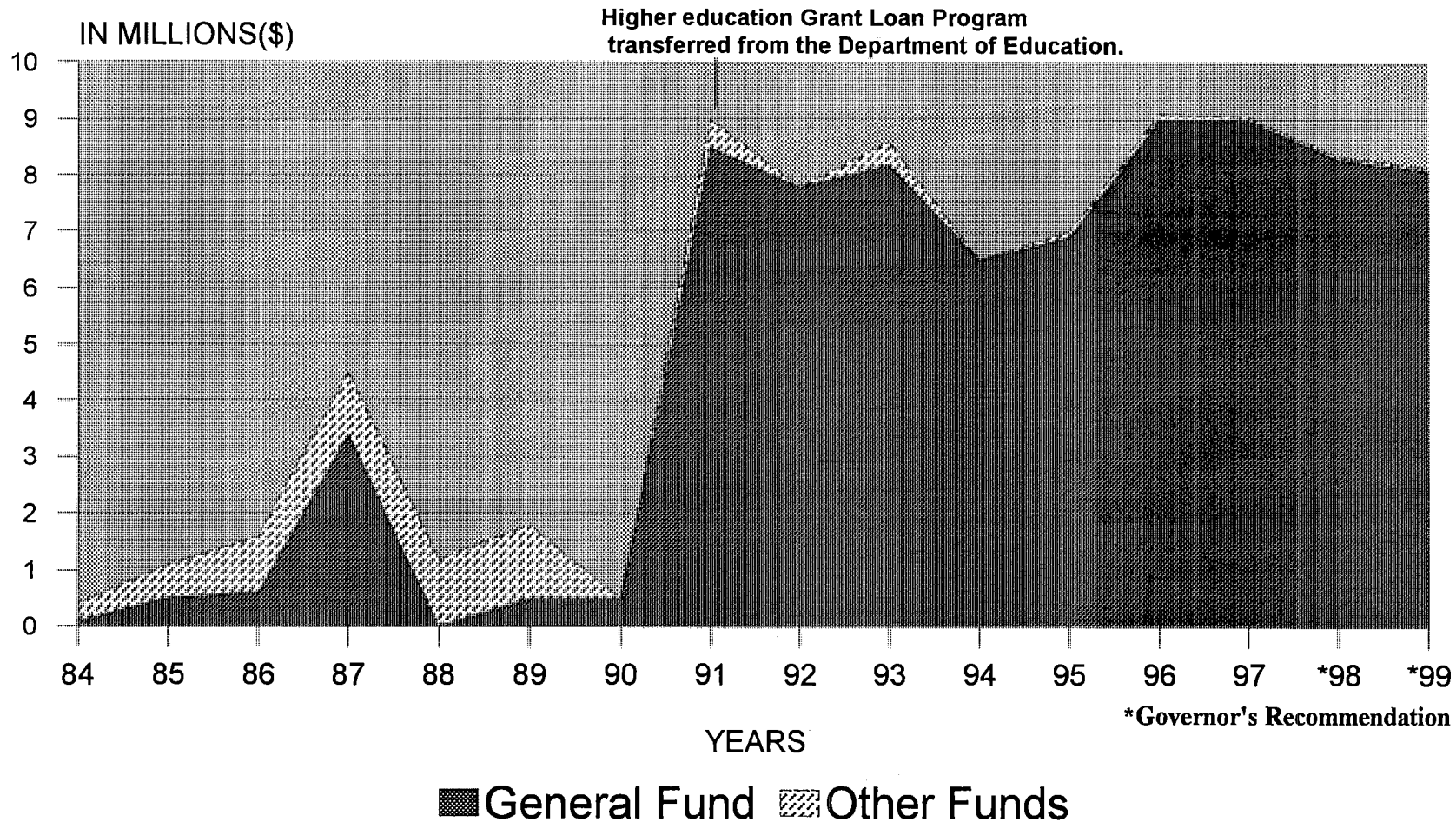
1984 - 1999



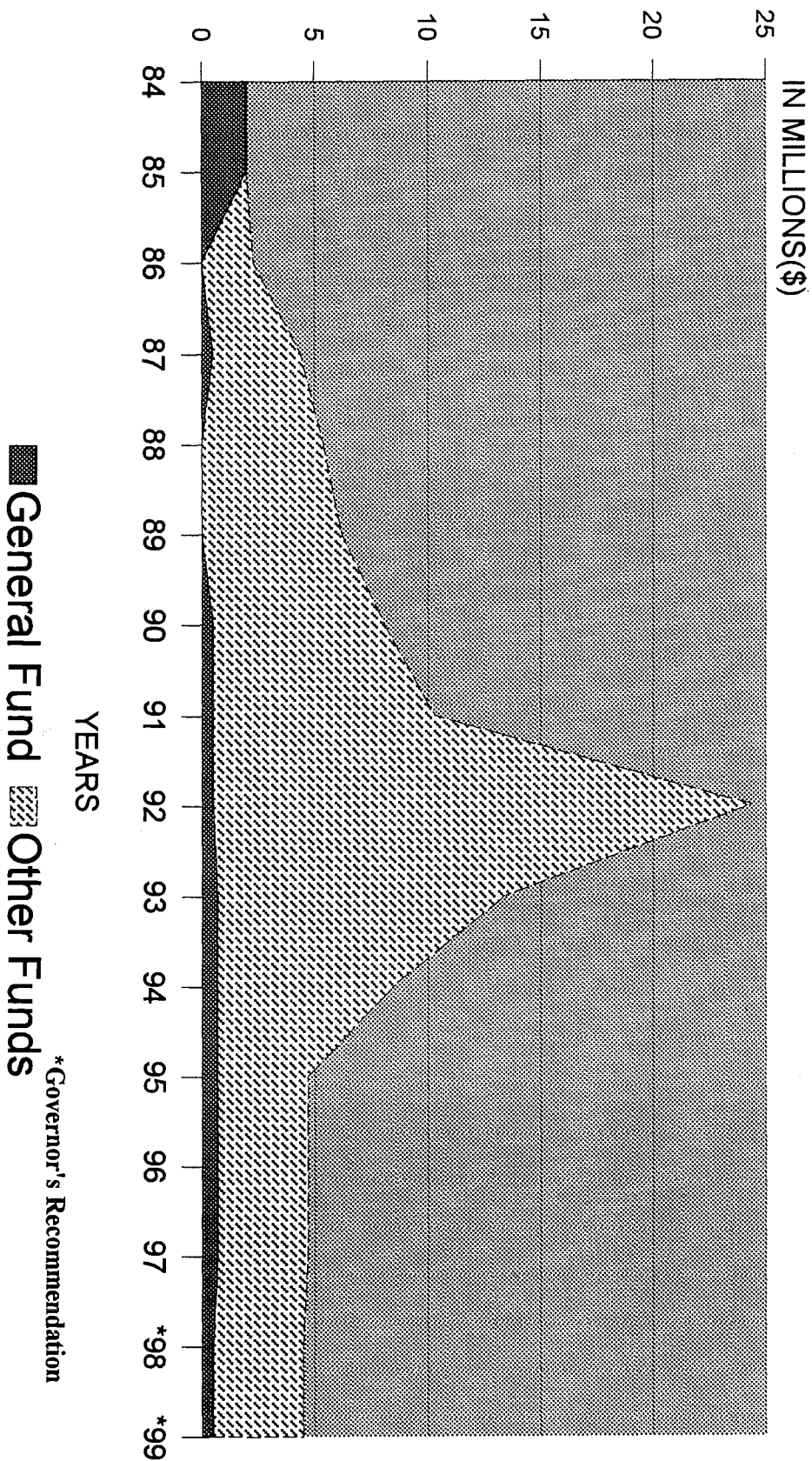
Finance Authority of Maine

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999

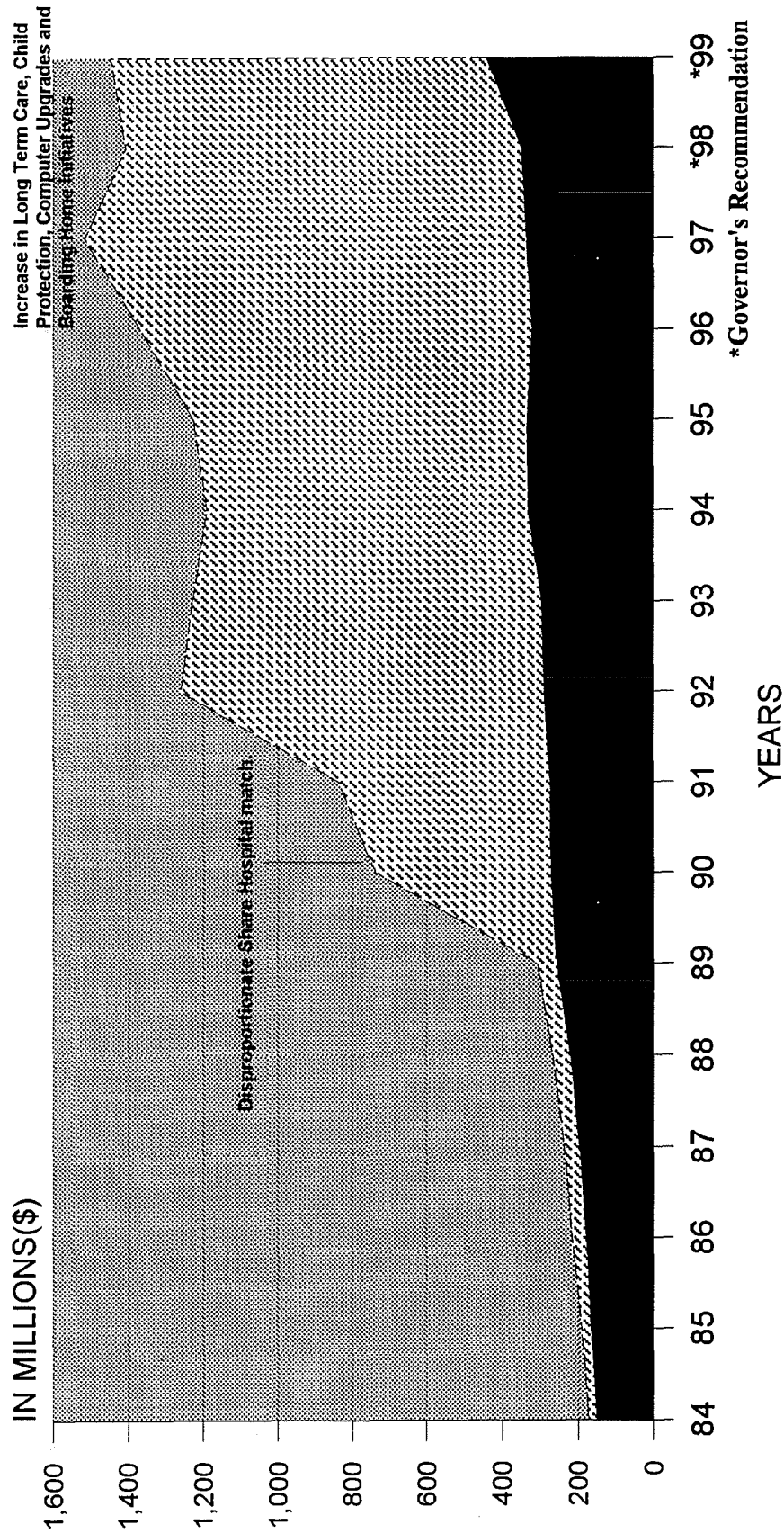


Maine State Housing Authority **GENERAL FUND & OTHER FUNDS TREND** **1984 - 1999**



Dept. of Human Services GENERAL FUND & OTHER FUNDS TREND

1984 - 1999

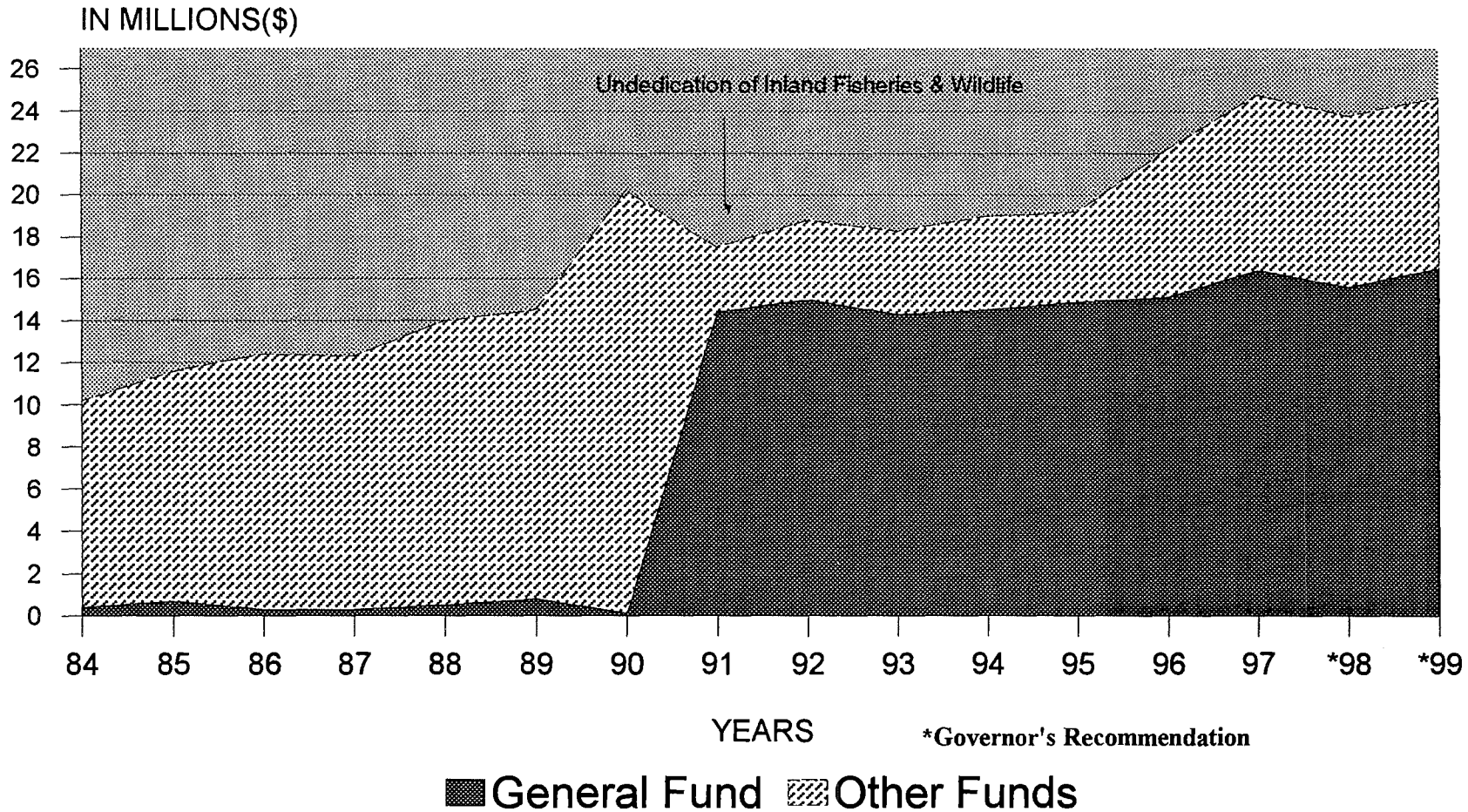


Dept. of Inland Fisheries & Wildlife

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999

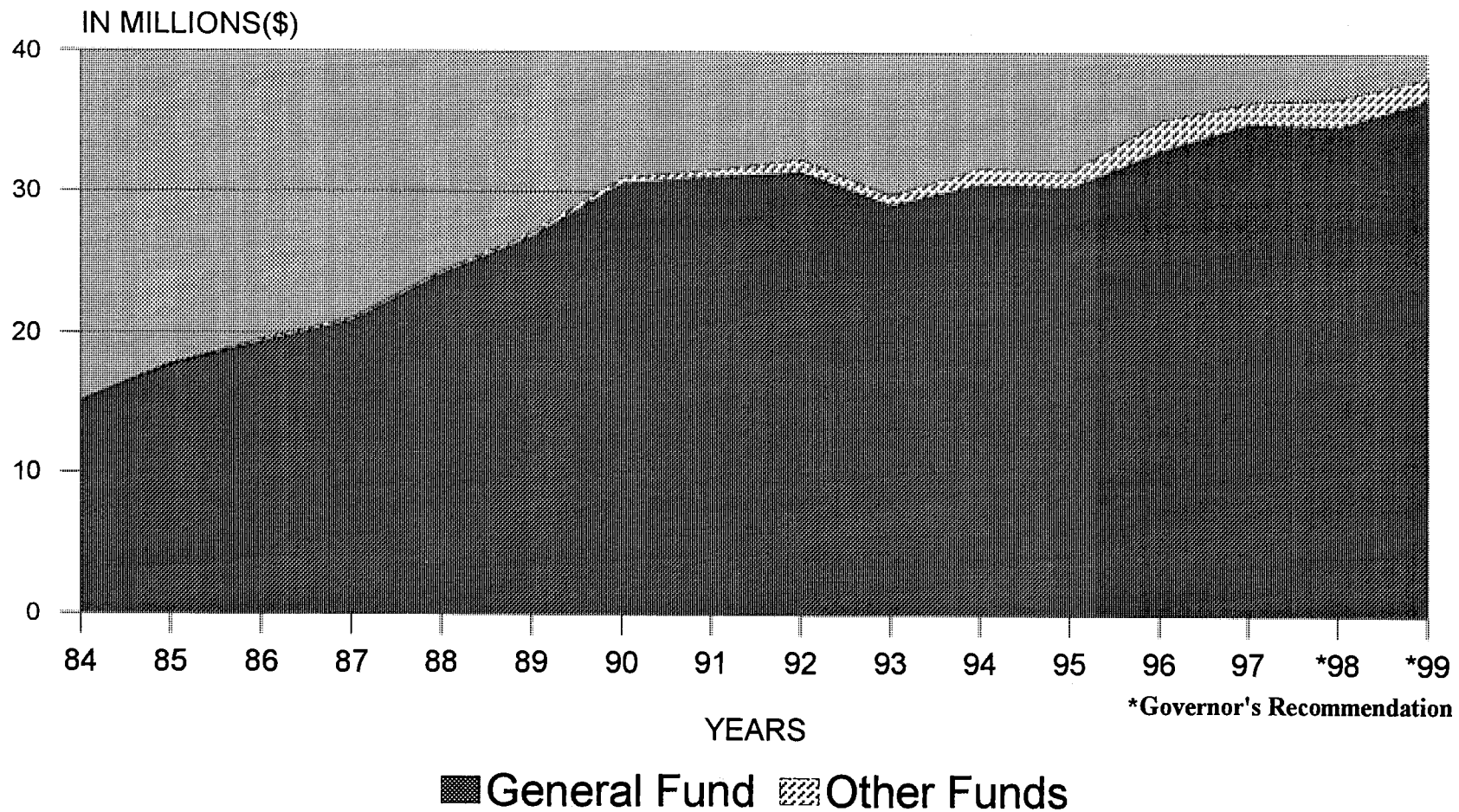
-20-



Judicial Department

GENERAL FUND & OTHER FUNDS TREND

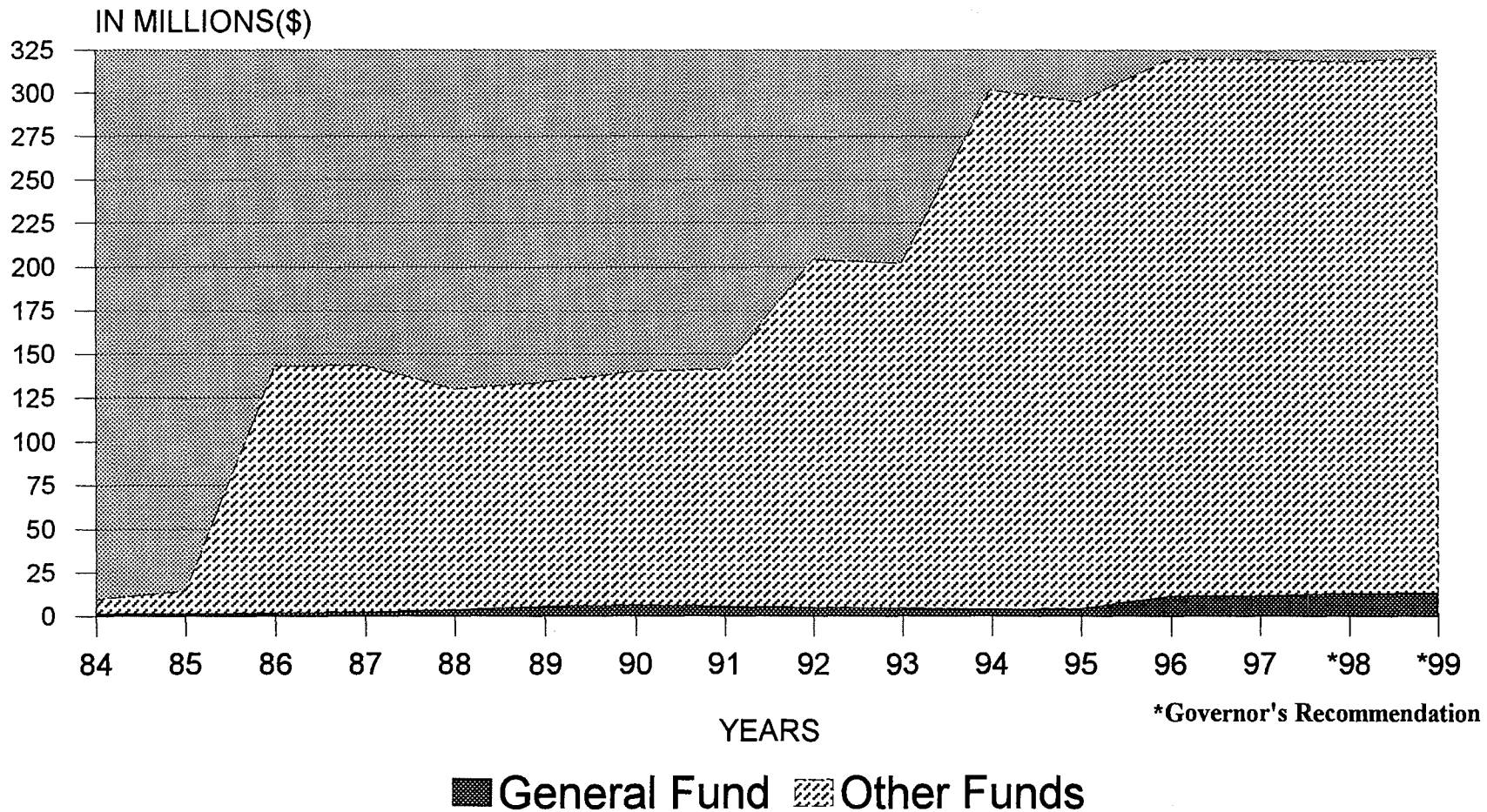
1984 - 1999



Department of Labor

GENERAL FUND & OTHER FUNDS TREND

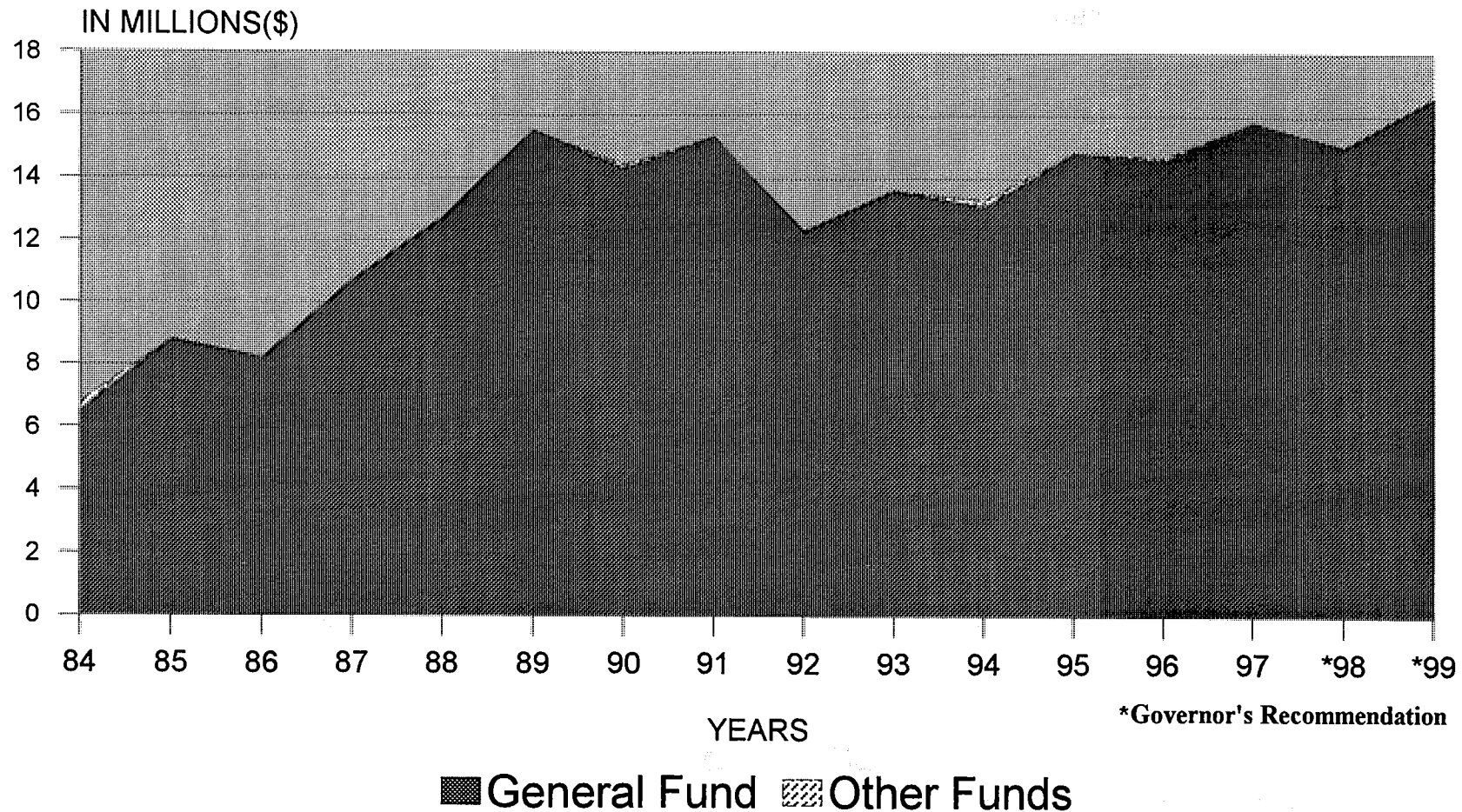
1984 - 1999



Legislature & Legislative Law Library

GENERAL FUND & OTHER FUNDS TREND

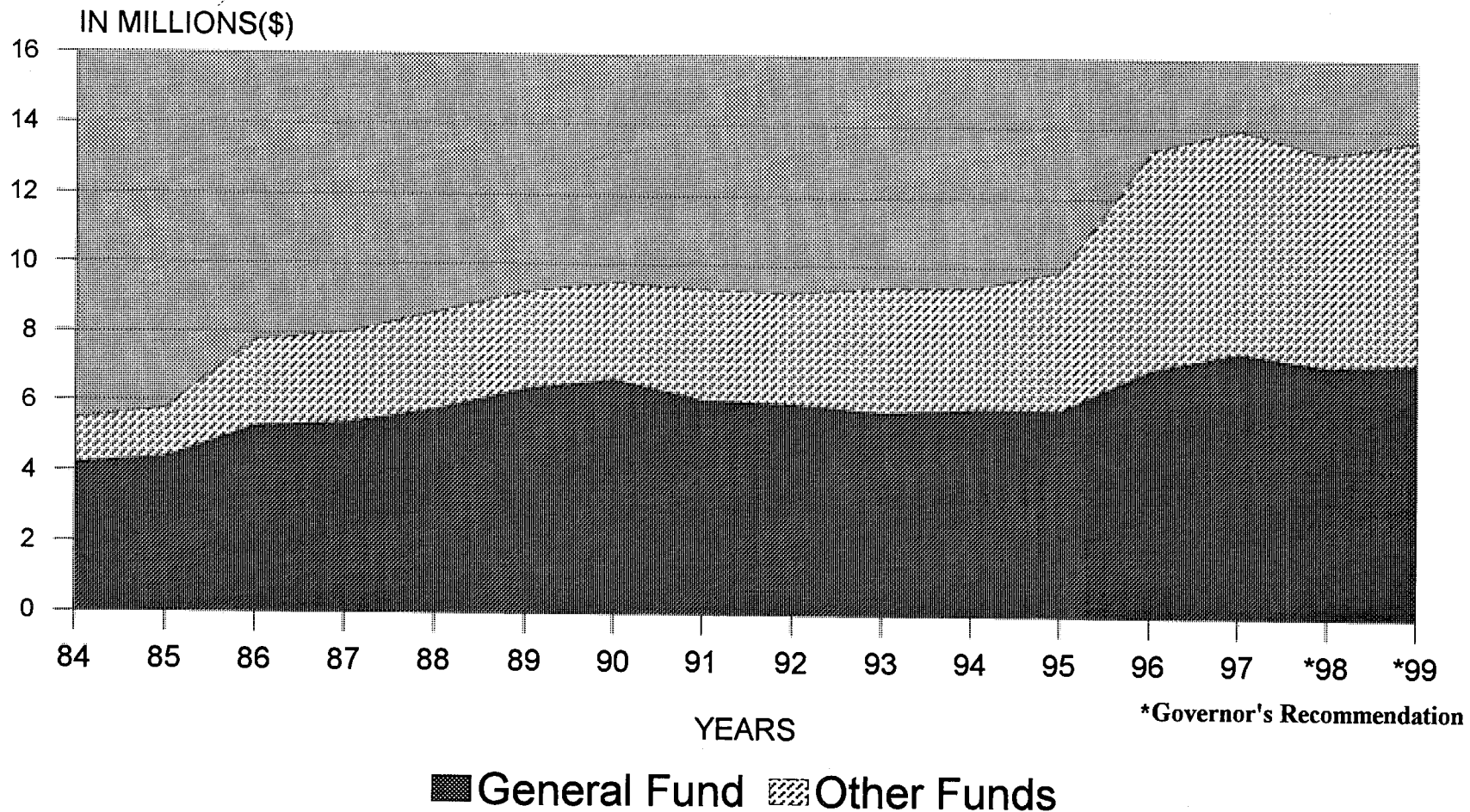
1984 - 1999



Department of Marine Resources

GENERAL FUND & OTHER FUNDS TREND

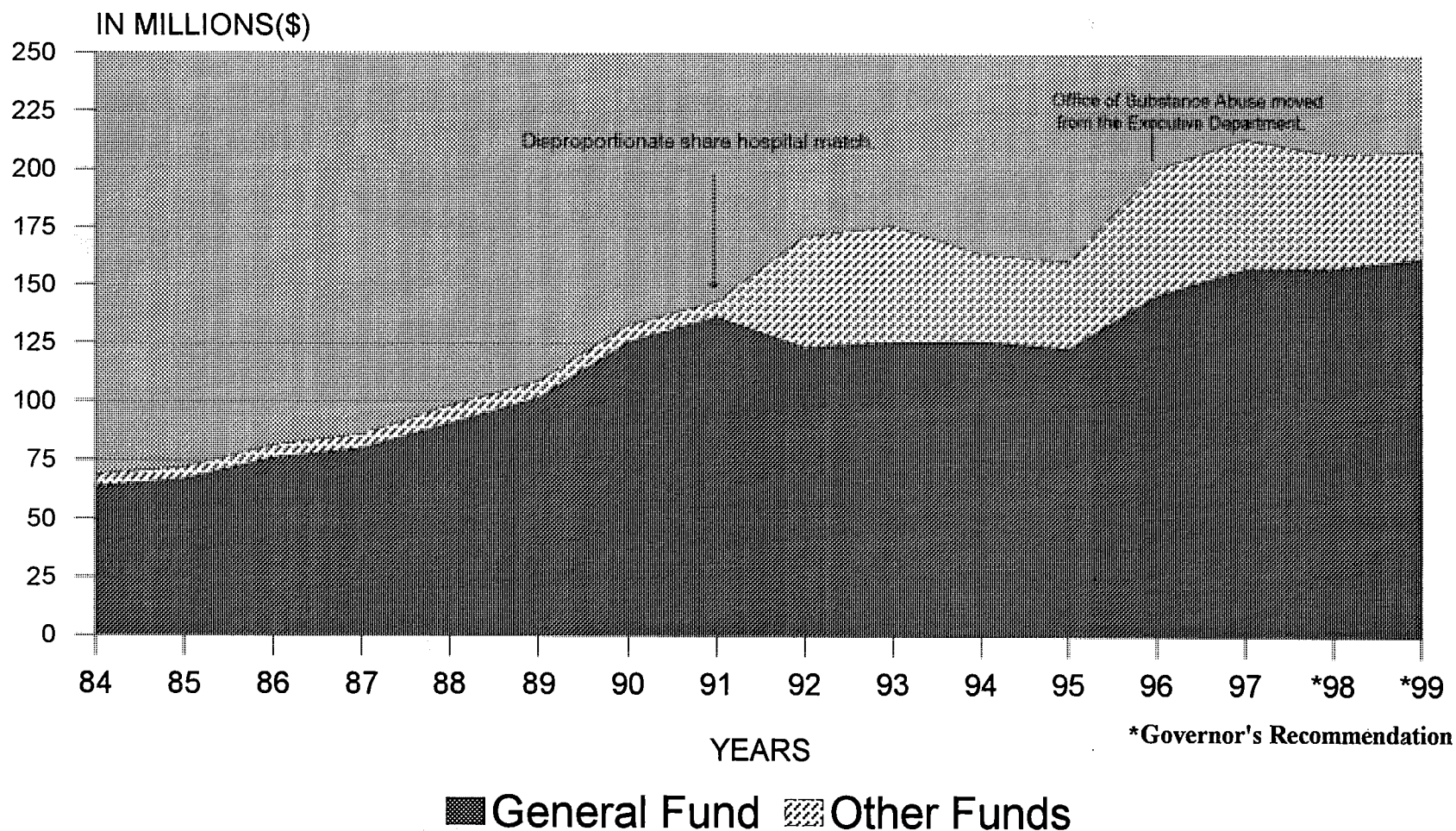
1984 - 1999



Department of Mental Health, Mental Retardation & Substance Abuse Services

GENERAL FUND & OTHER FUNDS TREND

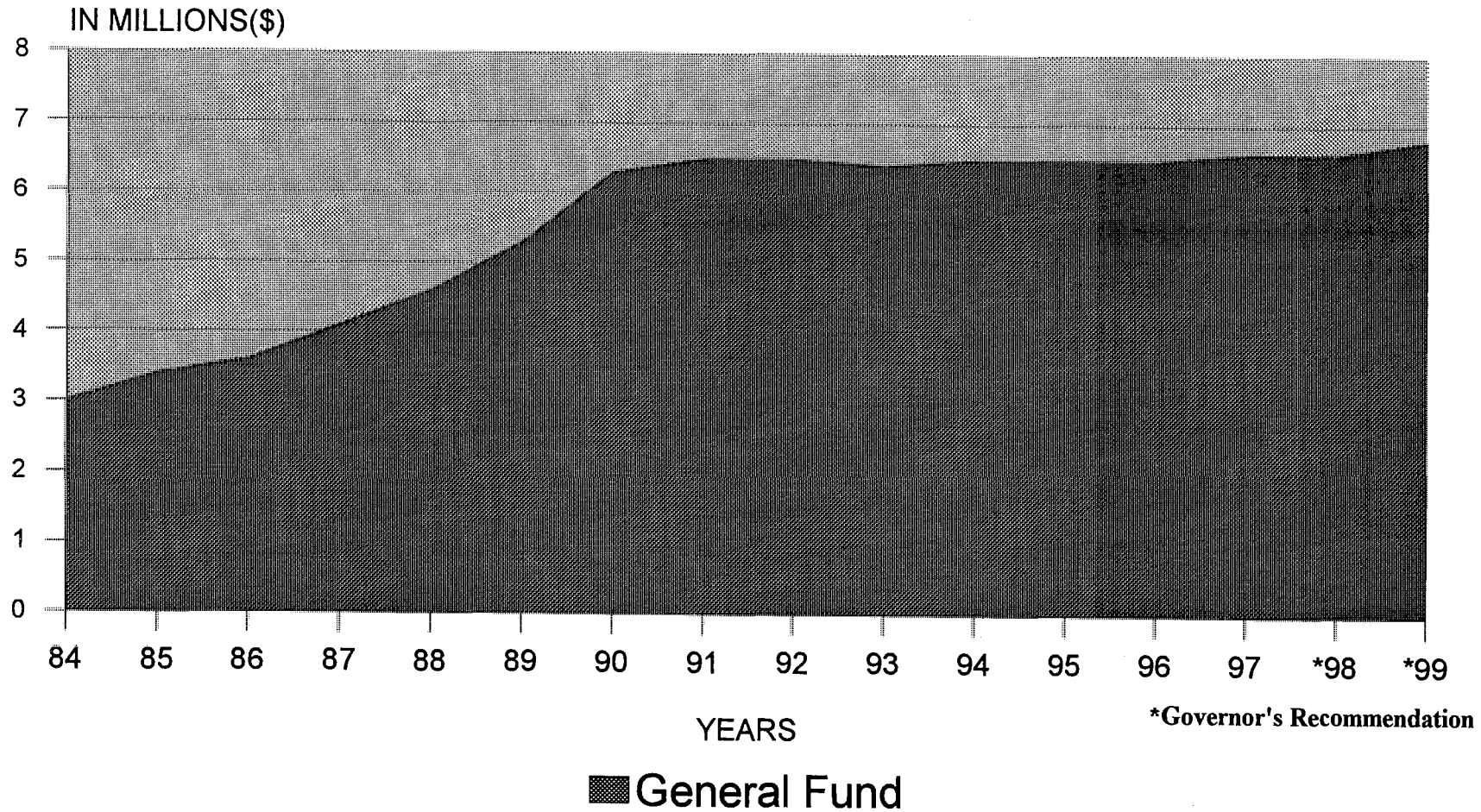
1984 - 1999



Maine Maritime Academy

GENERAL FUND & OTHER FUNDS TREND

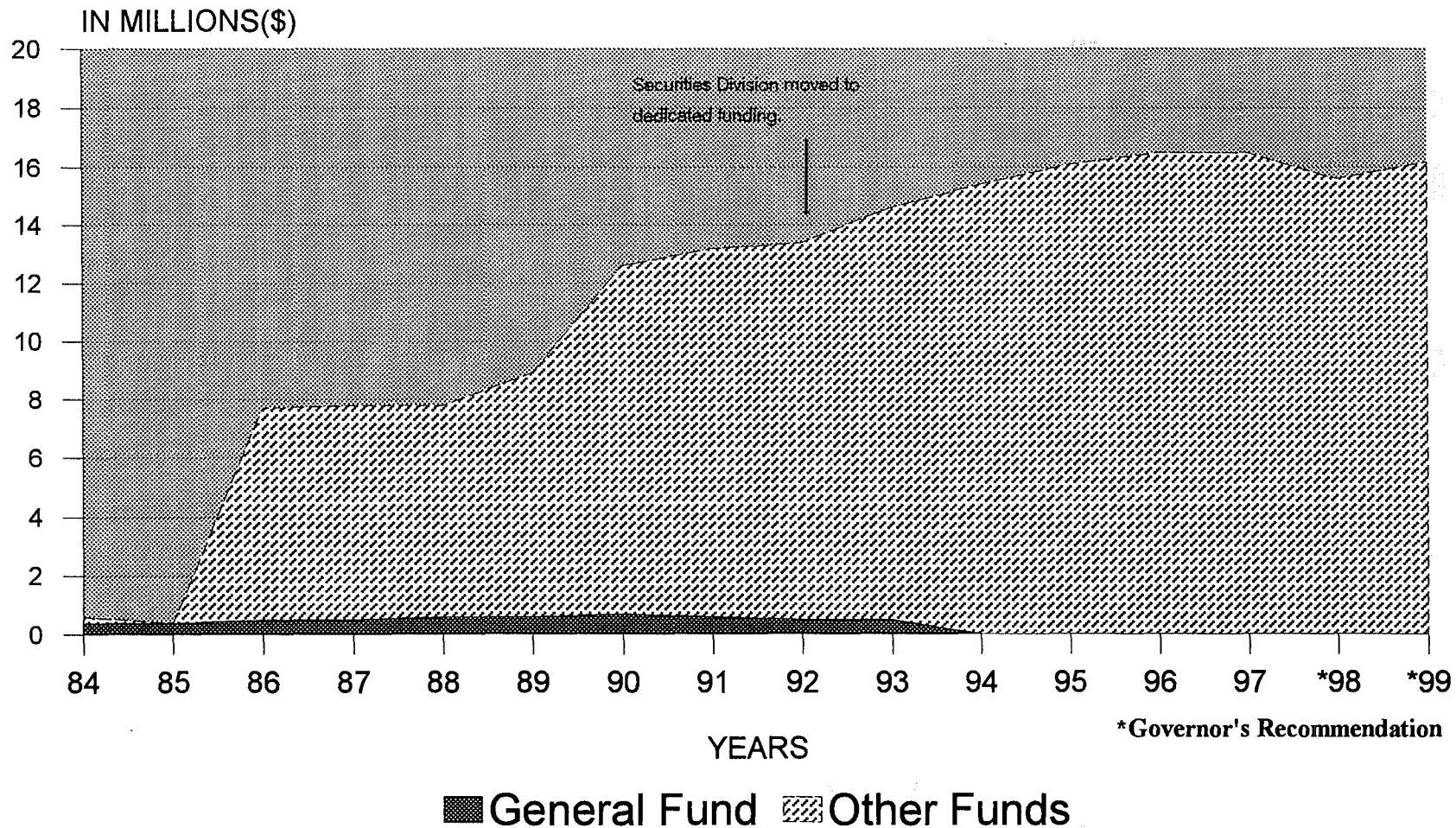
1984 - 1999



Department of Professional & Financial Regulation

GENERAL FUND & OTHER FUNDS TREND

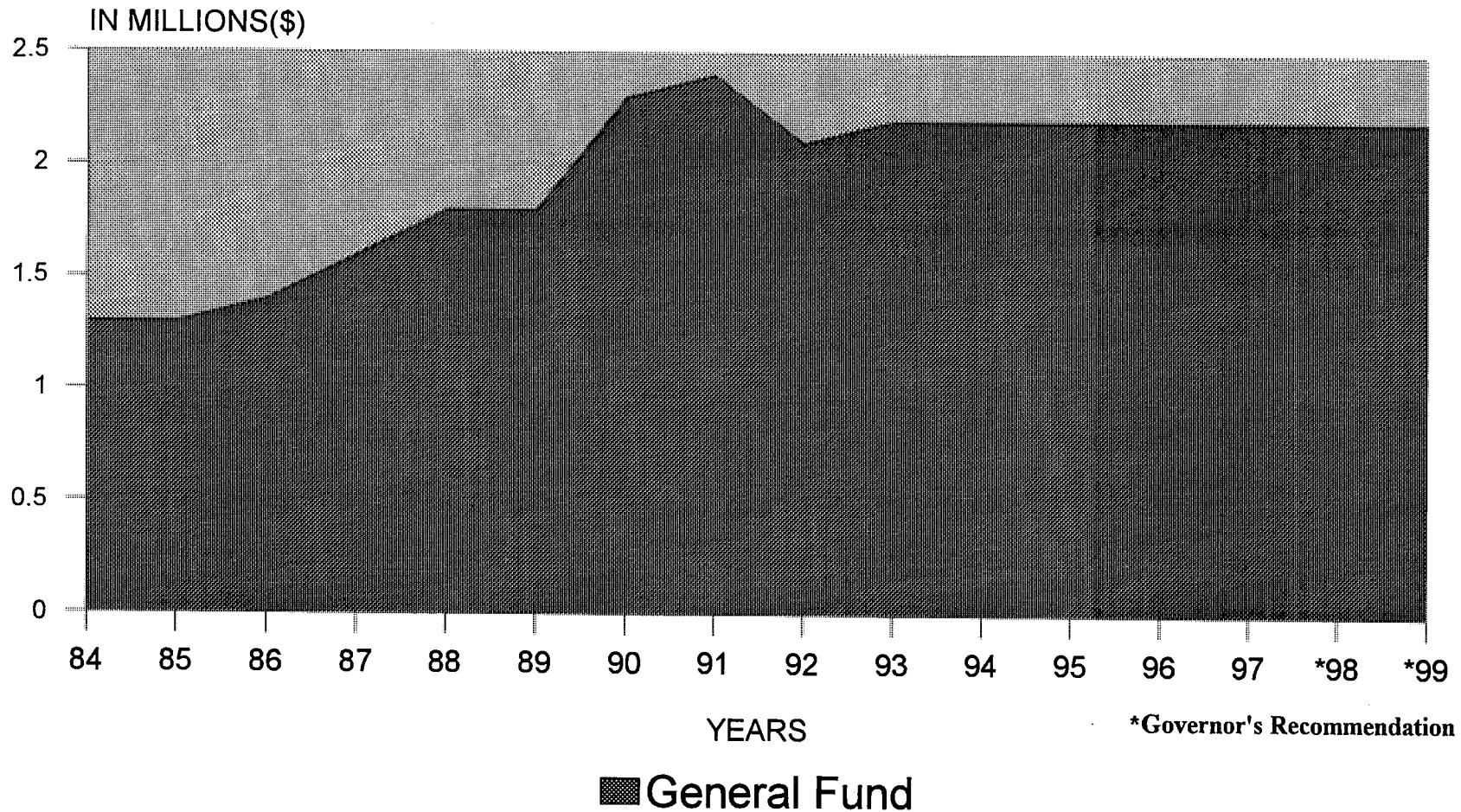
1984 - 1999



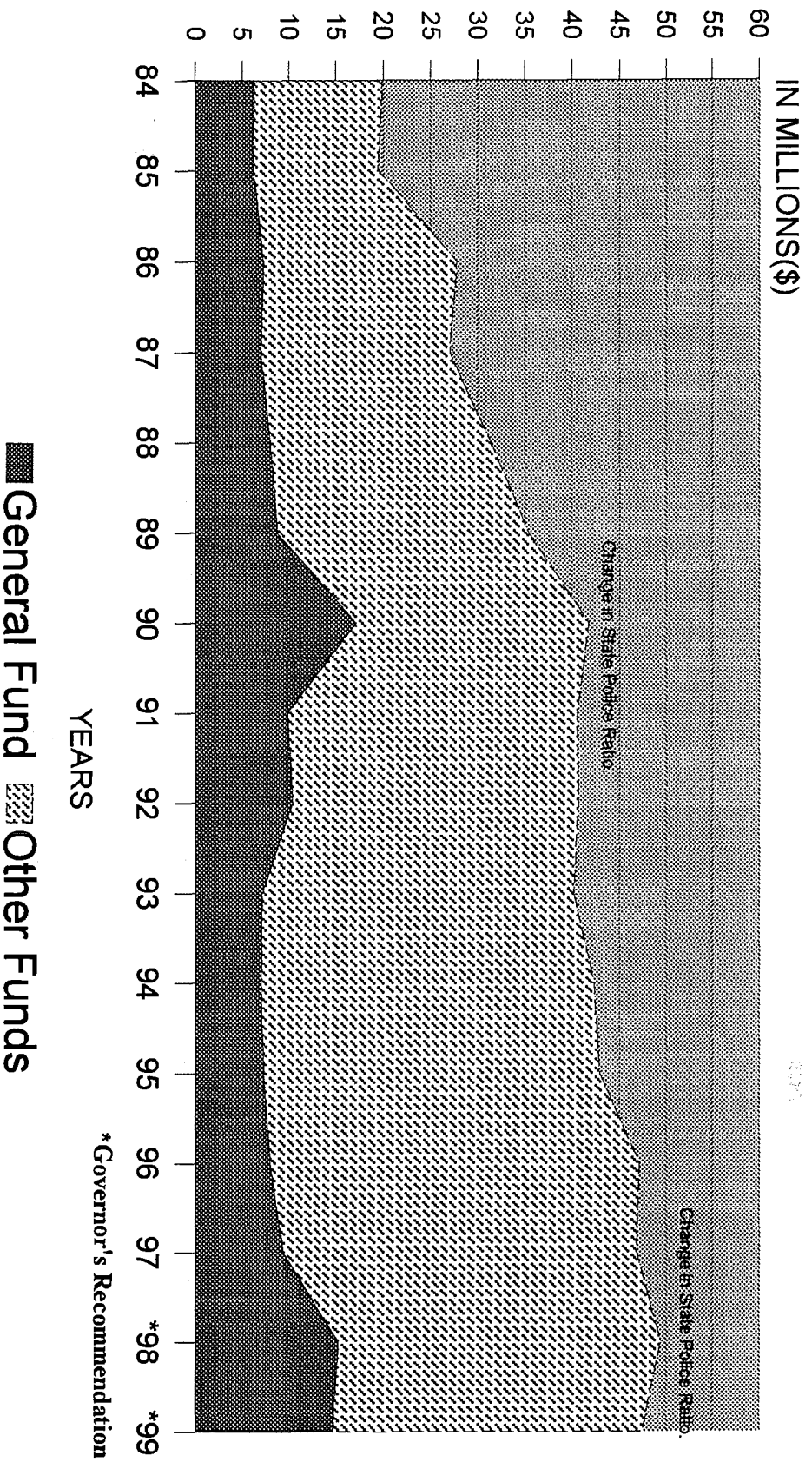
Maine Public Broadcasting Corporation

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999

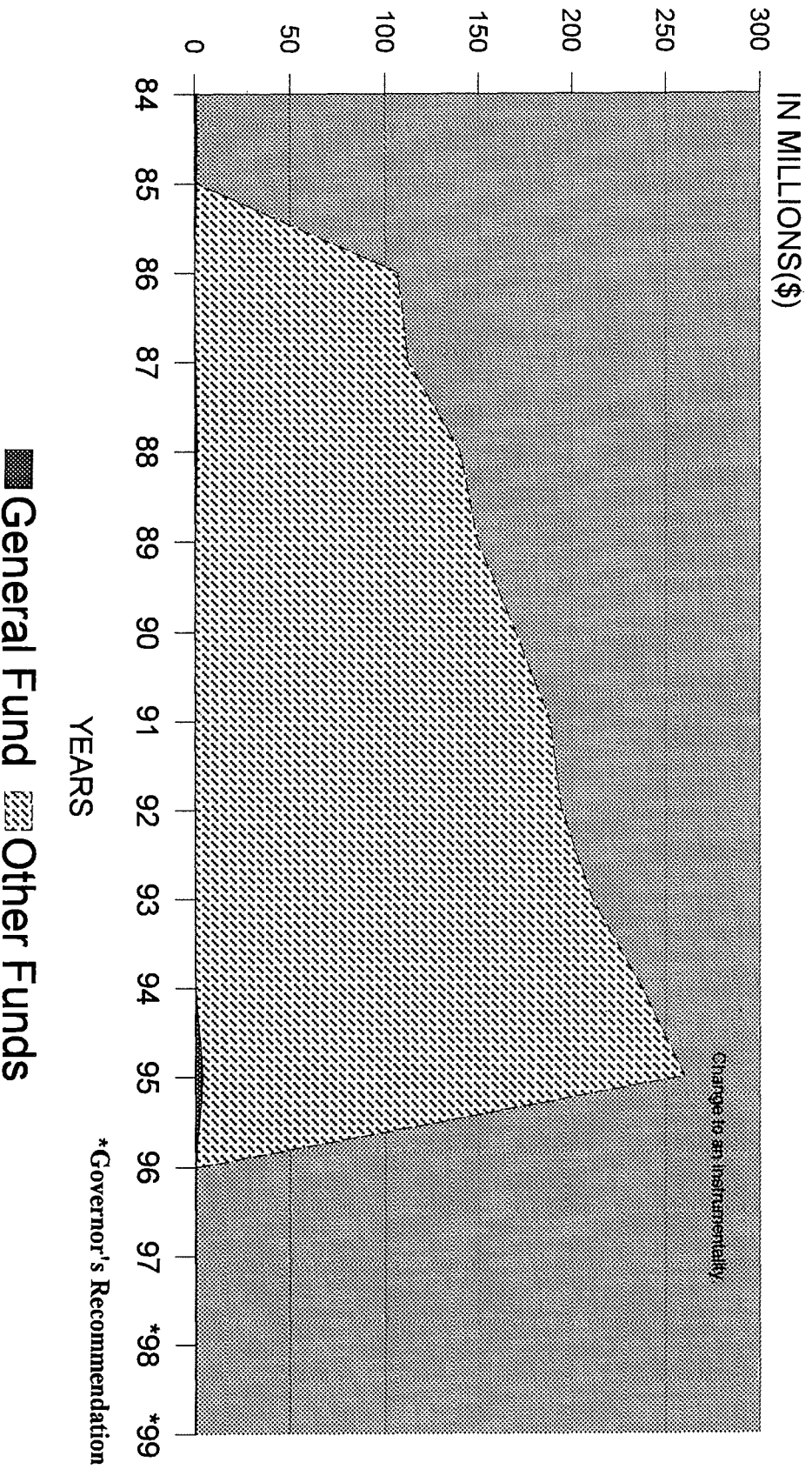


Department of Public Safety GENERAL FUND & OTHER FUNDS TREND 1984 - 1999



Maine State Retirement System GENERAL FUND & OTHER FUNDS TREND

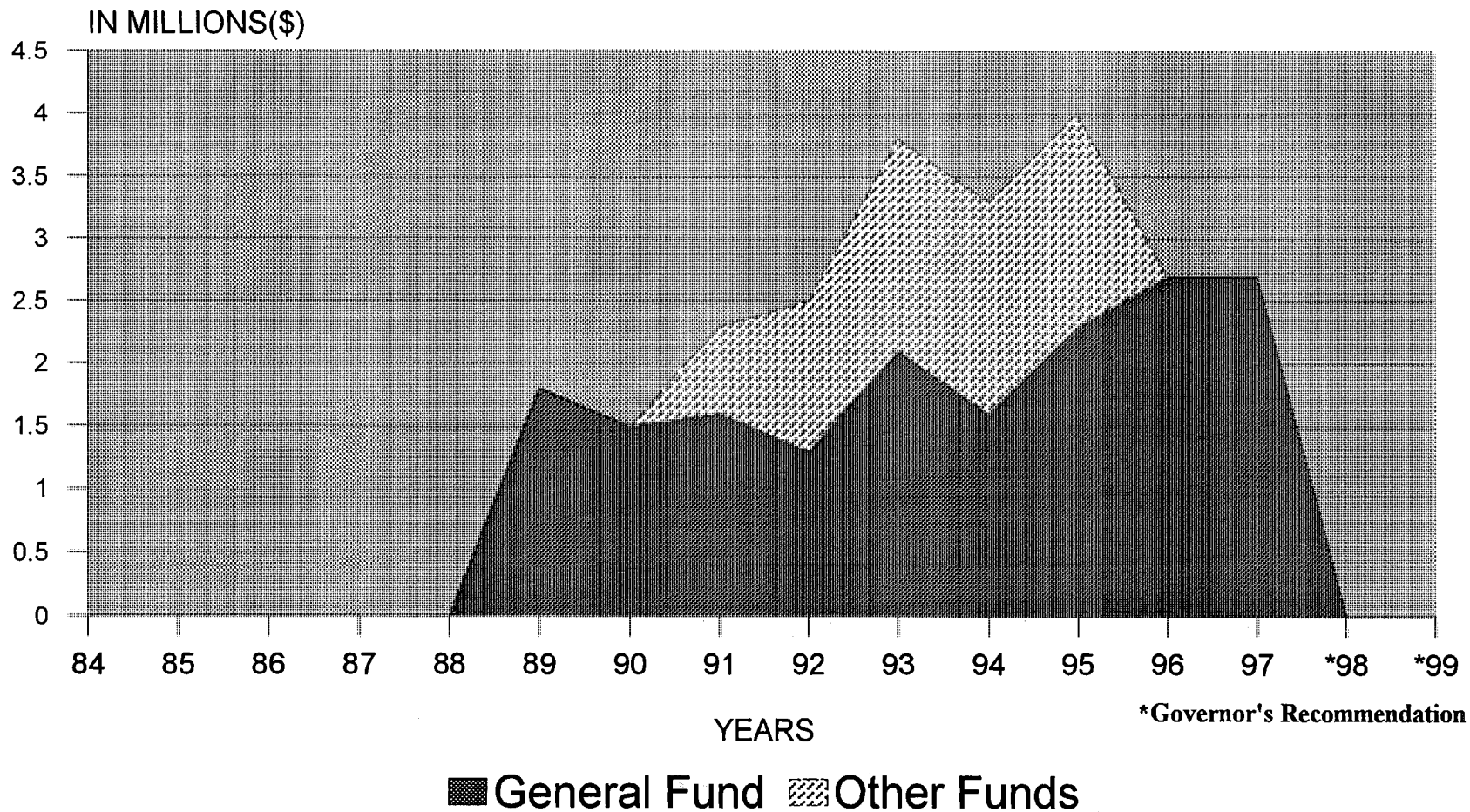
1984 - 1999



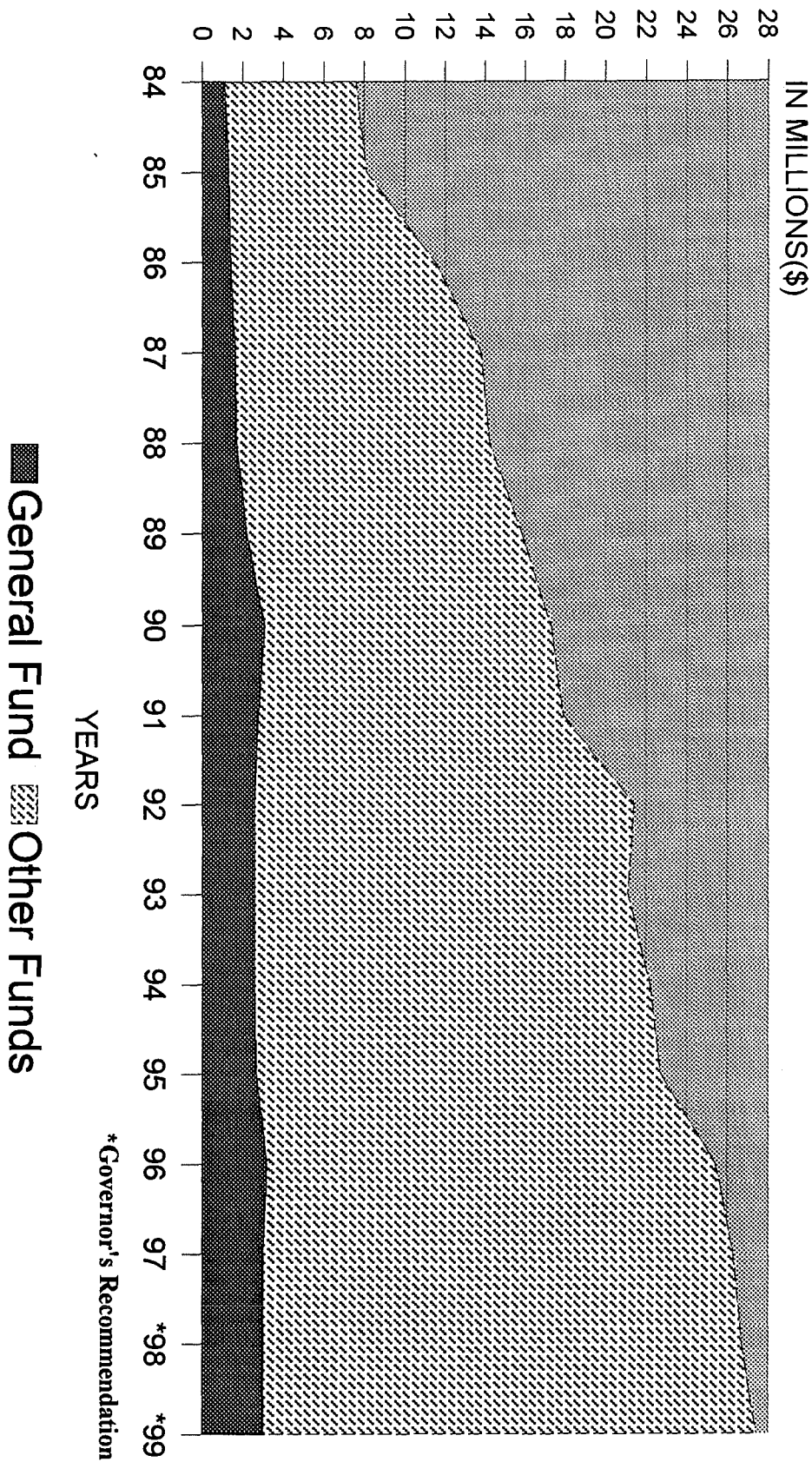
Maine Science & Technology Foundation

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999



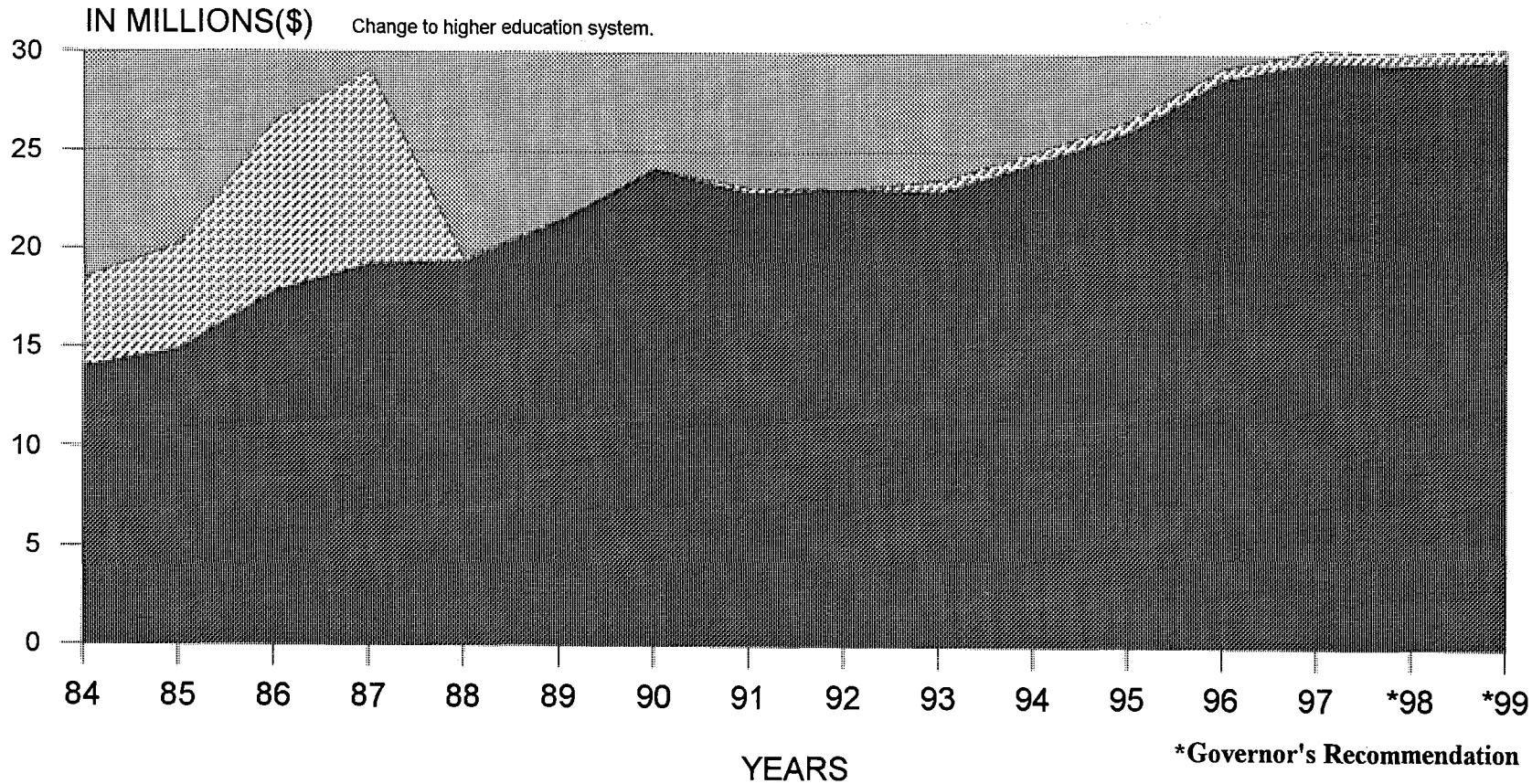
Secretary of State GENERAL FUND & OTHER FUNDS TREND 1984 - 1999



Maine Technical College System

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999

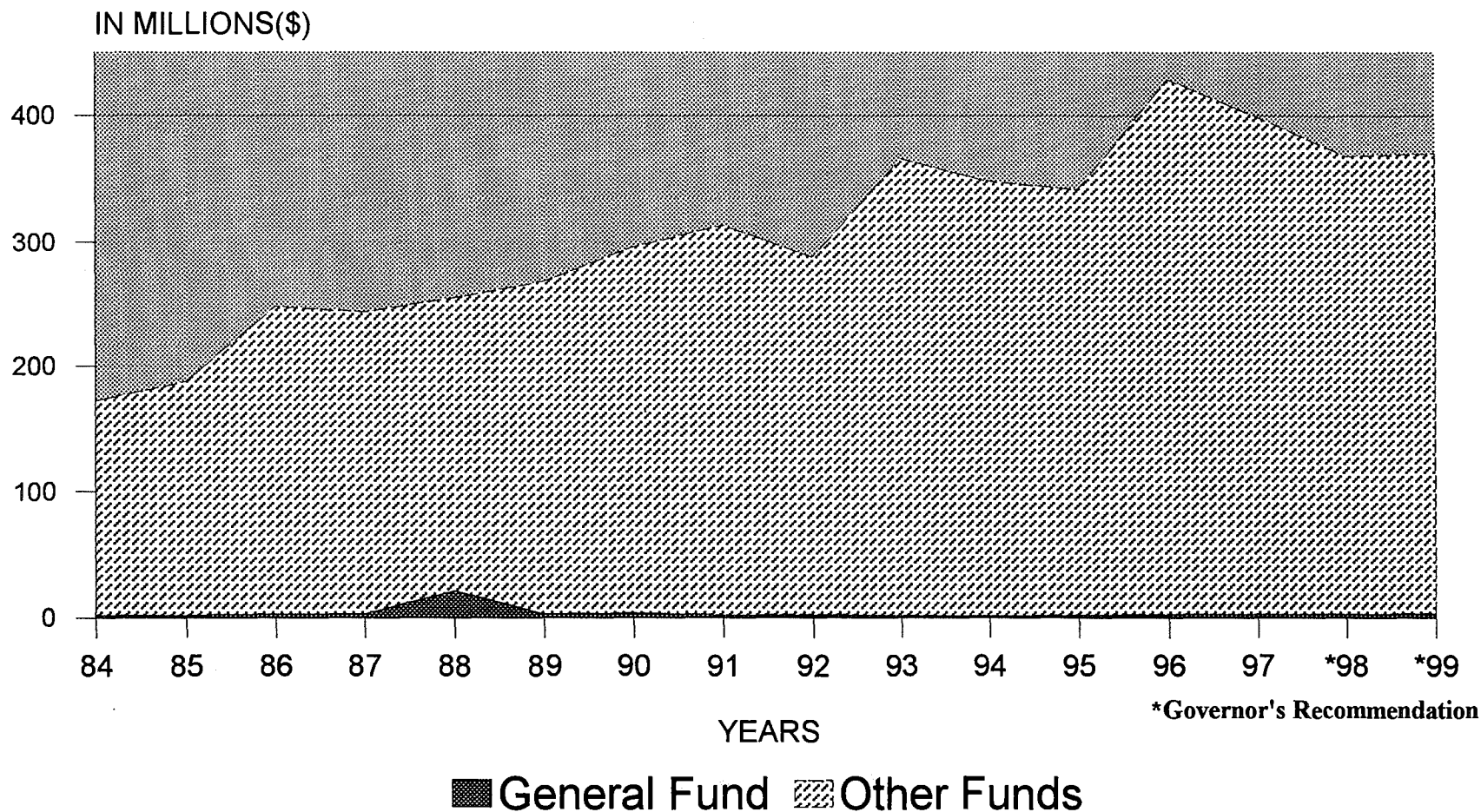


■ General Fund ▨ Other Funds

Department of Transportation

GENERAL FUND & OTHER FUNDS TREND

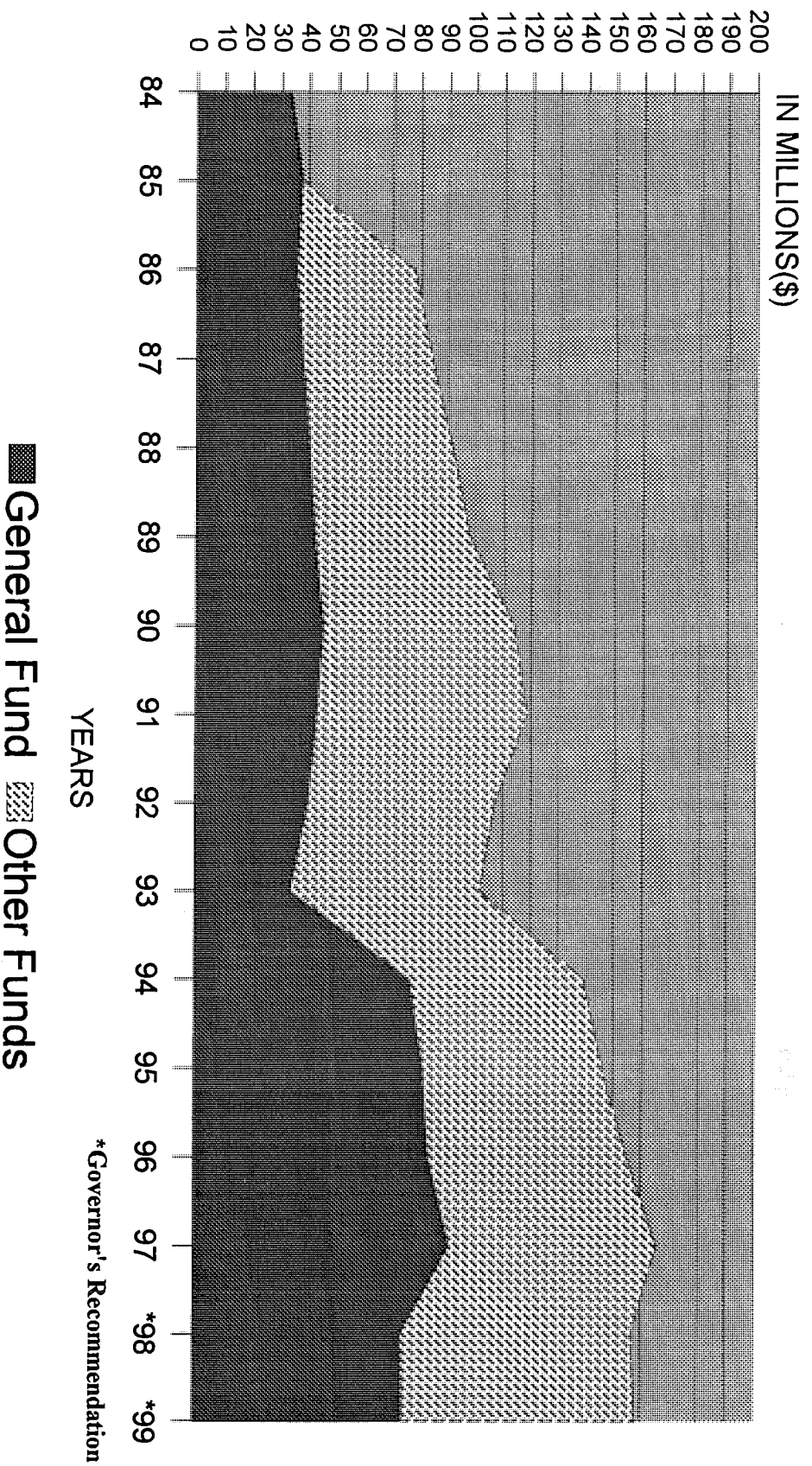
1984 - 1999



Treasurer of State

GENERAL FUND & OTHER FUNDS TREND

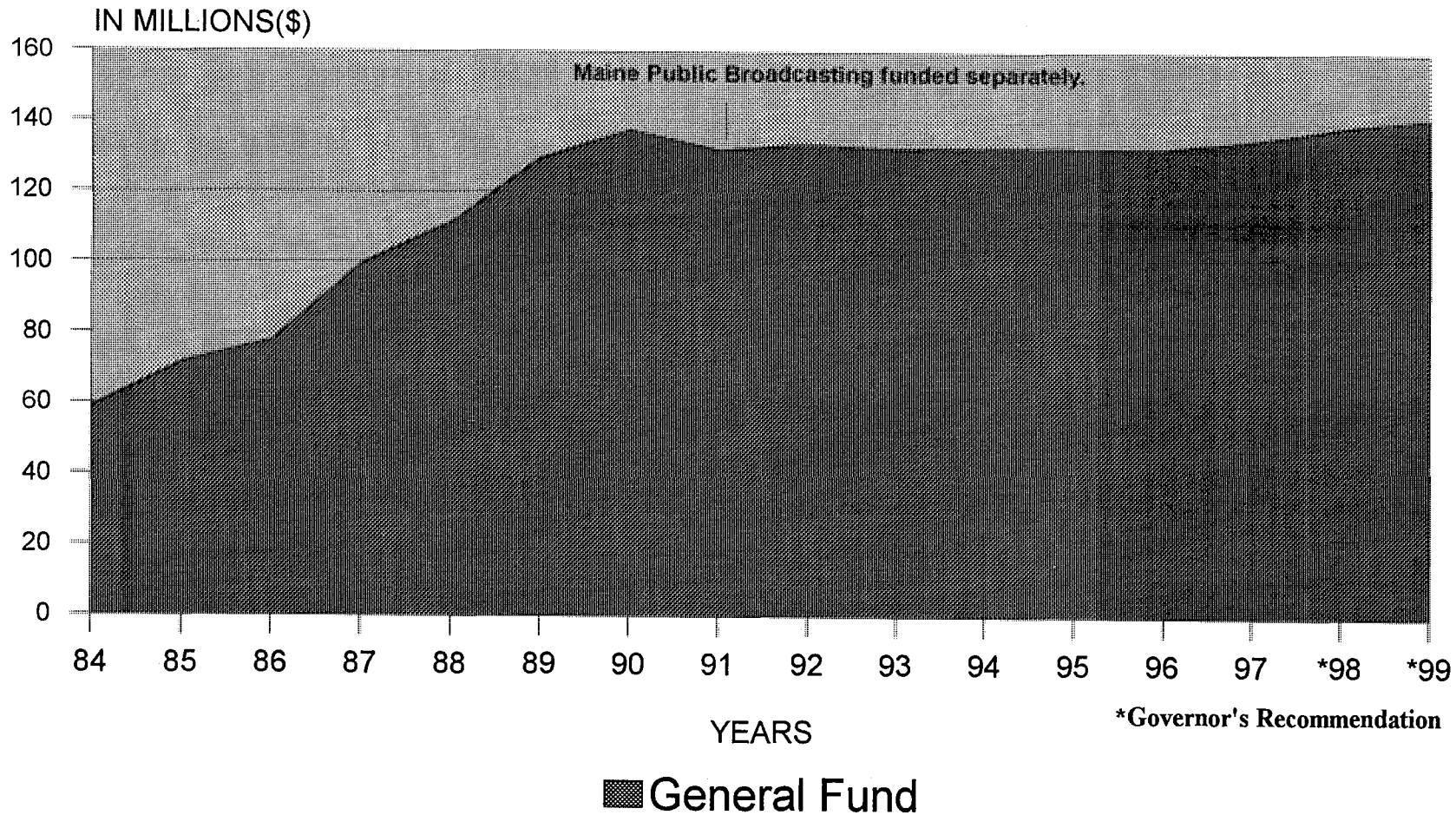
1984 - 1999



University of Maine

GENERAL FUND & OTHER FUNDS TREND

1984 - 1999



HIGHLIGHTS & INITIATIVES

STATEWIDE INITIATIVES

***Funds the collective bargaining agreements to include a 2% increase in fiscal year 1997-98 and an additional 2% increase in fiscal year 1998-99.**

***Continues the Voluntary Employee Incentive Program.**

ADMINISTRATIVE & FINANCIAL SERVICES

*** Institutes productivity initiatives in Information Technology in fiscal year 1998-99.**

*** Funds state employee health insurance at 100% based on a standard plan identified by the State Employee Health Commission.**

***Removes the state from the retail liquor business in order to provide for a competitive free market.**

***Eliminates income indexing in the Elderly Householders Refund program and the Maine Residents Property Tax program and utilizes projected balances in the Maine Residents Property Tax program in fiscal year 1997-98.**

***Funds Capital Construction and Repairs at \$8,587,340 in fiscal year 1997-98 and \$4,800,000 in fiscal year 1998-99, and utilizes the projected fiscal year 1996-97 available balance to fund needs at \$7,950,000 in fiscal year 1996-97.**

***Repeals the Individual Income Tax Cap.**

***Eliminates the Sales/Use Tax exemption for ICC tractor and trailer sales.**

***Amends the Business Equipment Tax Reimbursement program to exclude utilities.**

***Repeals the exclusion of 80-20 corporations for corporate income tax purposes.**

***Eliminates the requirement for the Solid Waste Management Fund to reimburse the General Fund for lost revenue as a result of the tax credit for recycling equipment.**

***Appropriates the General Fund surplus of \$3,606,660 to the the Rainy Day Fund.**

***Funds \$3,515,000 in fiscal year 1997-98 and \$3,795,000 in fiscal year to meet additional requirements in the Tree GrowthTax Reimbursement Program.**

***Funds \$250,000 per year for the Personal Property Tax Reimbursement Program pursuant to Public Law 1995, chapter 476; "An Act to Eliminate the Personal Property Tax on Individuals in the State."**

HIGHLIGHTS & INITIATIVES

AGRICULTURE, FOOD & RURAL RESOURCES

- *Eliminates the Milk Commission subsidy in fiscal year 1997-98.**
- * Funds the Harness Racing Stipend Fund with an equal increase in General Fund revenues.**
- *Funds the Dairy Inspectors' general operating costs.**
- *Raises the Harness Racing Stipend handle cap from \$33.5 million to \$50 million.**
- *Funds the Weights & Measures program 100% from the General Fund.**

ATLANTIC SALMON AUTHORITY

- *Establishes one Biologist I position to aid in the implementation of the new Maine Atlantic Salmon Conservation Plan.**

OFFICE OF THE ATTORNEY GENERAL

- *Increases the Office of the Chief Medical Examiner's fees and funds the establishment of one Clerk Typist and one Administrative Assistant to improve efficiency in the Chief Medical Examiner's office.**
- *Funds District Attorneys Salaries 100% from the General Fund.**
- *Funds one position for civil rights enforcement.**

CONSERVATION

- *Funds the establishment of a Forest Practices Compact Program to improve forest practices in the State of Maine.**
- *Funds the establishment of one Program Coordinator position for the Maine Natural Areas Program.**

CORRECTIONS

- *Funds Community Based Corrections at the fiscal year 1996-97 level.**
- *Opens the Northern Maine Juvenile Detention Center.**
- *Funds an alternative to the current system of housing females at the Charleston Correctional Facility.**
- *Funds a mental health stabilization unit at the Maine State Prison**
- *Funds increased security at the Warren Correctional Facility.**

HIGHLIGHTS & INITIATIVES

- *Funds intensive supervision services for juveniles at high risk for detention or incarceration.
- *Increases funds for crisis intervention.
- *Funds a reception and diagnostic unit at the Maine Youth Center.

ECONOMIC & COMMUNITY DEVELOPMENT

- *Eliminates funding of the Paper Company Environmental Investment Fund.
- *Reduces funding to the Economic Growth Council.
- *Continues funding of the Economic Conversion Division. This program is repealed at the end of fiscal year 1996-97.
- *Funds \$1,116,000 in fiscal year 1997-98 in the Office of Tourism to support the five year marketing and development strategy.

EDUCATION

- *Phases out the Magnet School.
- *Eliminates the Educational Restructuring and Improvement Program except for Reading Recovery.
- *Funds General Purpose Aid at a 1% increase in fiscal year 1997-98 over fiscal year 1996-97, and an additional 2% increase in fiscal year 1998-99.
- *Funds the normal cost of Teacher Retirement in fiscal year 1998-99 at the normal cost rate for state employees covered by the State regular retirement plan.
- *Funds the Maine Education Assessment program at the necessary level for full program operation.
- *Funds professional development for educators.

HIGHER EDUCATION

- *Consolidates the Maine Quality Centers into the Maine Technical College System.
- *Increases the Maine Technical College System funding in fiscal year 1997-98 to 1% over fiscal year 1996-97. In fiscal year 1998-99, an additional 2% will be funded as a challenge grant.

HIGHLIGHTS & INITIATIVES

- *Increases the University of Maine System funding in fiscal year 1997-98 to 1% over fiscal year 1996-97. In fiscal year 1998-99, an additional 2% will be funded as a challenge grant.
- *Increases the Maine Maritime Academy funding in fiscal year 1997-98 to 1% over fiscal year 1996-97. In fiscal year 1998-99, an additional 2% will be funded as a challenge grant.
- *Phases out funding for the Career Advantage program in the Maine Technical College System.

ENVIRONMENTAL PROTECTION

- *Eliminates the Water Pollution Control Training program.
- *Transfers 9 positions from the Maine Environmental Protection Fund Program to the Air Quality Control Program to support clean air programs.

EXECUTIVE

- *Establishes one Policy Development Specialist position within the State Planning Office to provide guidance to agencies in the transition to Performance Based Budgeting.
- *Eliminates the requirement to appropriate funds for the \$350,000 dedicated to the Governor's Office Contingent account.
- *Establishes one Policy Development Specialist position within the State Planning Office to support the new Maine Atlantic Salmon Conservation Plan.

FINANCE AUTHORITY OF MAINE

- *Eliminates the Medical Program seat guarantee for medical school students.
- *Eliminates the continuing education portion of the Teachers for Maine program.

MAINE HOSPICE COUNCIL

- *Eliminates General Fund support to the council.

MAINE STATE HOUSING AUTHORITY

- *Eliminates the Temporary Housing Assistance program.

HIGHLIGHTS & INITIATIVES

HUMAN SERVICES

- *Proposes in Child Welfare/AFDC-Foster Care to appropriate funds due to an anticipated shortfall based on caseload projections. An emergency supplemental request was submitted in FY97 to match projected expenditures with increased caseload. Children have been staying longer in the care or custody of the State to protect them from abuse and neglect. The total population of children in care 19% from FY94 to FY96.**
- *Proposes in Home Based Care & Respite to increase resources available to support individuals remaining in the community, which is consistent with the Governor's Long Term Care Initiative Strategy. Additional funds will be targeted to serve individuals on the waiting list for the Home Based Care program. Funds also will be used to pay for long-term home assessment for non-Medicaid eligible individuals.**
- *Proposes to change Medicare Co-Pay from the current method of having Medicaid pay Medicare co-payments for individuals eligible for both programs. The remainder of the bill is then paid for by Medicare. This request allows the State's Medicaid program to adhere to a court ruling requiring that the state Medicaid program support the full beneficiary co-payment even if the total payment for the service (Medicare and Medicaid) would exceed what Medicaid would have paid.**
- *Proposes to correct an inequity in the State long term care system that allows for support for community spouses of nursing facility residents. This request will make it possible to supplement the income level of at-home spouses of residential care residents up to the poverty level, thereby, enabling Maine people to utilize less restrictive long term care settings when appropriate and "spousal impoverishment."**
- *Eliminates funding for financially distressed hospitals. This program was enacted in FY96 to offset hospital losses from the tax and match program. With the hospital tax set to be phased out in FY98 and eliminated in FY99, there is no justification for continuing these payments in FY98 and FY99.**
- *Allows the General Assistance program to use Welfare Reform Federal Block Grant funds. The Bureau of Family Independence has surveyed municipalities to determine what they spent on Aid to Families with Dependent Children in FY96 and the percentage of reimbursement by the Department of Human Services. Based on this information, BFI has estimated that these funds can replace funds in General Assistance by using funds from the Welfare Reform Block Grant.**
- *Caps "other" spending in the Medical Care Payments to Providers at 4.57% growth. The Department of Human Services has reviewed baseline spending assumptions for all Medicaid programs. After excluding programs addressed by other policy proposals (hospitals and nursing homes) and making exceptions for others (physician services, outpatient drugs and clozarill monitoring), the Department has calculated the effects of capping all "Other programs" at a 4.57% growth rate.**

HIGHLIGHTS & INITIATIVES

- *Achieves savings in the Medical Care - Payments to Providers program through third party liability payments. As part of the annual process of reconciling spending totals between the Medicaid Management Information System (MMIS) and MFASIS (State's accounting system), a discrepancy was identified between third party liability credits in MMIS and MFASIS. This adjustment is assumed to continue through the 1998-99 biennium.**
- *Restructures the State Supplement to Federal Supplemental Security Income by segregating board home costs. The 1996 actual costs used as a baseline to estimate boarding home spending included some residual Supplemental Security Income (SSI) payments. The department has remedied remedied this accounting problem by separating boarding home spending and SSI payments in separate accounts in the future.**
- *Reduces and eliminates disproportionate share hospital payments.**
The Department's request assumes full disproportionate share hospital (DSH) payments will continue in FY98 even though the hospital tax will be reduced from 6% to 3.56%. This proposal would reduce DSH payments to a level consistent with the reduced tax burden and would meet federal hold harmless restrictions (i.e. 75% or more of the hospitals cannot be reimbursed for 75% or more of the taxes they paid). In FY99, this proposal would eliminate DSH payments for all acute hospitals.
- *Reduces nursing home payments. The Medicaid program reimburses nursing nursing facilities for allowable costs. Medicaid limits payments to reflect the costs of an efficiently and economically run facility defined as the median cost plus: 12% for direct care, 10% for indirect care and 8% for routine care. This request would limit payments to the median cost plus: 5% for direct, 4% for indirect care and 6% for routine care.**

INLAND FISHERIES & WILDLIFE

- *Provides General Fund support for search and rescue.**
- *Reduces overall funding to meet the forecasted revenues.**

JUDICIAL DEPARTMENT

- *Reduces funding of controllable expenditures.**
- *Funds the establishment of 17 positions for the creation of a new Family Division within the court system.**

LEGISLATURE

- *Funds \$1,000,000 in fiscal year 1997-98 and \$1,000,000 in fiscal year 1998-99, for State House capital improvements.**

HIGHLIGHTS & INITIATIVES

MARINE RESOURCES

- *Establishes a fellowship program for students and post-graduate students to study marine sciences.
- *Establishes a Maine Resources Scientist III position and a Policy Development Specialist position to meet the increasing demands on the department in Aquaculture.

MENTAL HEALTH, MENTAL RETARDATION & SUBSTANCE ABUSE SERVICES

- *Provides funds to continue downsizing the Augusta Mental Health Institute and the Bangor Mental Health Institutes.
- *Continues the effort to move Mental Health and Mental Retardation customers from institutional settings to the community.
- *Redirects department priorities to target services for the AMHI Consent Decree and the Community Consent Decree members.
- *Creates the Community Development Fund to assist in redirecting resources within the department to community mental health programs.

MAINE MUNICIPAL BOND BANK

- *Phases out funding for the Maine Rural Water Association.

PUBLIC SAFETY

- *Proposes to permanently fund the State Police at 60% Highway Fund and 40% General Fund in order to more accurately reflect program operations.

PROFESSIONAL AND FINANCIAL REGULATION

- *Funds \$150,000 in fiscal year 1997-98 for technology upgrades in hardware and software to improve licensing and registration processing.

MAINE SCIENCE AND TECHNOLOGY FOUNDATION

- *Reduces controllable administrative costs.
- *Funds the state match for Federal Experimental Program to Stimulate Corporate Research(EPSCOR) funds.

HIGHLIGHTS & INITIATIVES

TRANSPORTATION

*Proposal to utilize a combination of General Fund and Highway Fund bonding to upgrade bridges, which are in desperate need of repair.

*Funds \$2,000,000 in fiscal year 1997-98 towards the purchase of Sears Island.