

MAINE STATE LEGISLATURE

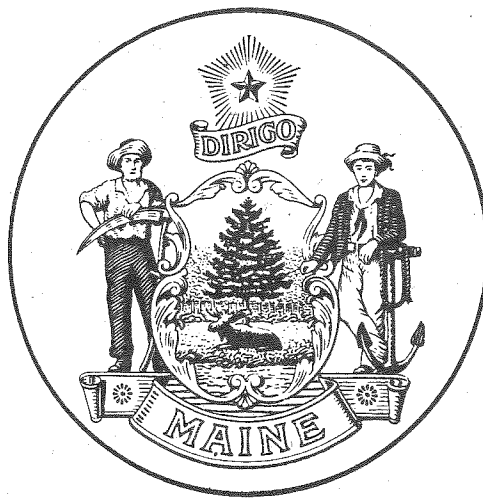
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Summary of the Program and Budget Proposals for the Fiscal Years 1990-1991

Submitted by
Governor John R. McKernan

January, 1989

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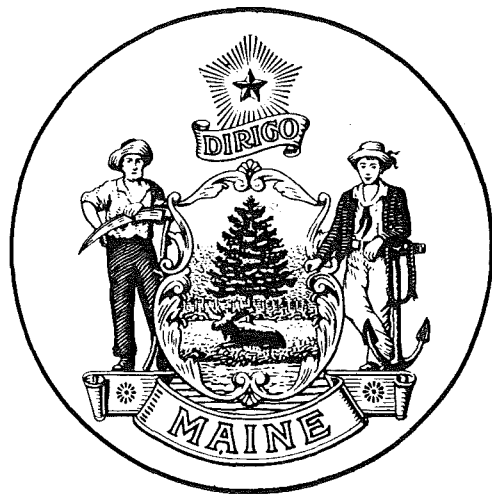


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Message from the Governor

Anyone who has ever picked up Books 1 and 2 of the State's biennial budget knows that they are heavy volumes—both literally and figuratively. For the reader untrained in the intricacies of the budget, the books are very often difficult to read and understand.

This publication is intended as a summary of those volumes and as a guide to the very important material contained within them. What follows is a description — policy area by policy area — of the key recommendations and initiatives I am proposing to the First Session of the 114th Legislature. If this publication serves its intended purpose, it will make the 1990/91 budget more accessible to more Maine people and will lead to better informed discussions about the priorities and recommendations contained within Books 1 and 2.

The total General Fund budget recommended for FY90 and FY91 is \$ 3.2 billion, an increase of \$600 million over the previous biennium and one that includes \$127.4 million to fund new programs and initiatives. This budget provides for the continuation of current state services and seeks to build upon the progress of recent years by directing new funds to those areas critical to the State's future.

Crafting any kind of budget requires setting priorities and making tough choices. A budget the size and scope of the State of Maine's involves hundreds of those difficult decisions. Not all of the State's needs and wants could be met with the resources available to us, but I am confident that the budget summarized in the following pages meets the ongoing needs of the people of our state and provides effective answers to the new challenges we face.

Education continues a top priority of this administration. This budget's recommended \$480.3 in educational general purpose aid for FY90 represents a 53 percent increase over FY87, the fiscal year during which I assumed the office of Governor. Similarly, the budget for our university system has been increased 44 percent over that same time period.

In the face of substantial federal cutbacks, the State has had either to cut important programs or pick up a far greater share of their costs in FY90/FY91. We have accepted a greater share of the funding for those services, many of them related to the needs of our children, our elderly, the handicapped, and the ill. In all, those additional costs account for more than \$20 million of this biennium's budget.

Increases such as these have meant fewer dollars than we might have liked for new programs, but by setting priorities we have been able to propose substantive responses to the challenges of affordable housing, solid waste, property tax relief, health care, and educational excellence.

While this publication includes mention of the \$ 3.1 billion to be spent in FY90 and FY91 on the State's ongoing commitments and programs (Part I of the budget), its focus is the \$127 million earmarked for new and expanded programs (Part II). Not every item contained in Part II is detailed here, but those items involving substantial dollars, addressing priority issues, or deemed to be of general interest are included and discussed.

This budget represents a continuation of our administration's commitment to make Maine the very best place in the nation to live, work, and raise a family. The major new initiatives funded in our budget and highlighted in this publication will allow Maine to continue the tremendous progress in education, economic development, job training, and growth management made during the 113th Legislature, and will also allow us to enhance even further Maine's unique quality of life.



John R. McKernan, Jr.
Governor of Maine

The Maine Economy Today

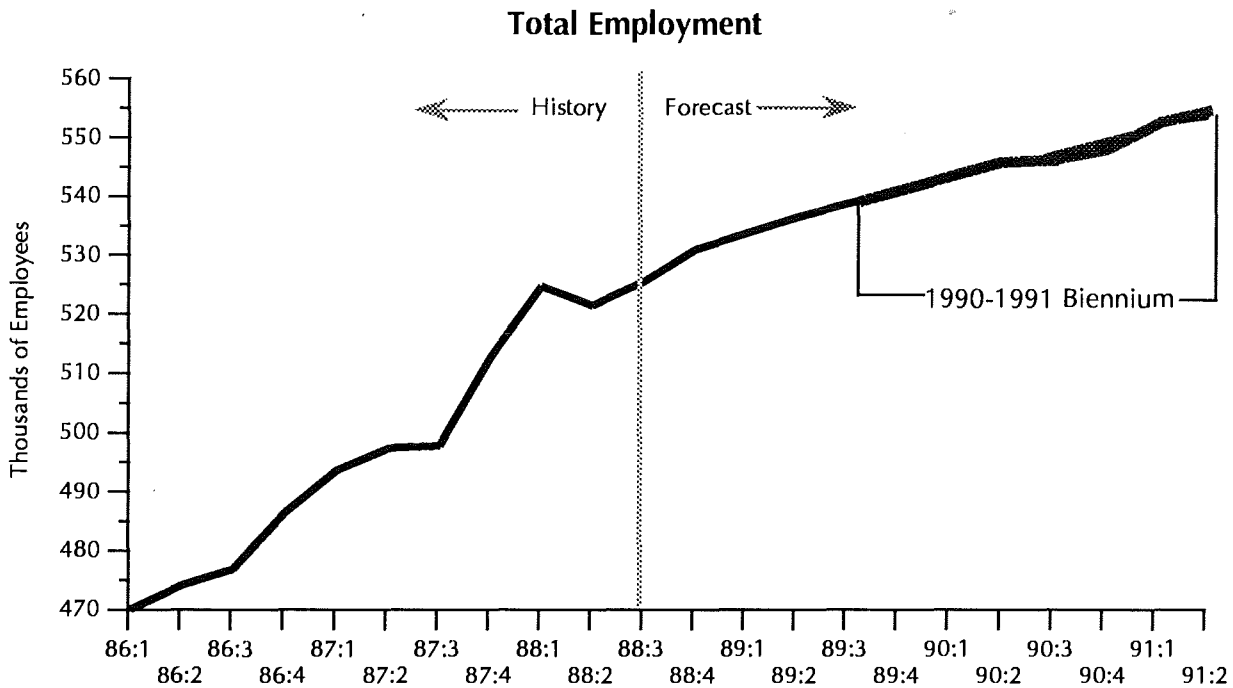
The past year was the ninth consecutive year Maine's economic growth outperformed that of the nation (as measured by the Economic Growth Index*). Maine's overall economic growth from the third quarter of 1987 through the third quarter of 1988 was 3.4% compared with national growth of 3.2%.

While Maine's growth rate in 1988 represents a slip from the extraordinary 1987 rate of 6.3%, it was still very close to the average annual growth rate of 3.5% for the 1980's. National growth over the same period averaged 2% per year.

For the first nine months of 1988, Maine employment averaged 16,800 jobs more than the same period of 1987. This represents a 3% gain, compared to a gain of 2.3% for the nation as a whole; when the final figures are tallied, job growth in 1988 should be about 5% over 1987. Through the first three quarters of 1988 most of Maine's sixteen counties created jobs as fast as, or faster than, the nation as a whole. The fastest job growth through the first nine months of '88 (versus the same period of '87) was in Sagadahoc (up 5.5%) and Lincoln (5.4%) counties; next fastest were Franklin and Washington counties (both 4.3%), illustrating the spreading nature of Maine's economic revival in recent years.

In a remarkable departure from the trend of recent years, manufacturing employment increased by 4,200 jobs in 1988. This is an important development because, prior to 1988, manufacturing employment had been flat or declining for many years as job losses in traditional industries such as apparel and shoes overwhelmed gains in other manufacturing. But in 1988 a strong surge of jobs in such durable goods industries as metal products and electronics offset small losses in nondurables to produce the first manufacturing employment gain this decade.

Other large gains over the first three quarters of 1988 were in traditionally strong sectors, such as services (6,600), retail and wholesale trade (5,200), and construction (3,900). However, last year - third quarter over third quarter - trade and services accounted for three-fourths of all new payroll jobs, but this year they accounted for only half the new growth.



* The State Planning Office Economic Growth Index (EGI) is a composite figure of resident employment, real consumer retail sales, production hours in manufacturing, and services employment. All data are seasonally adjusted.

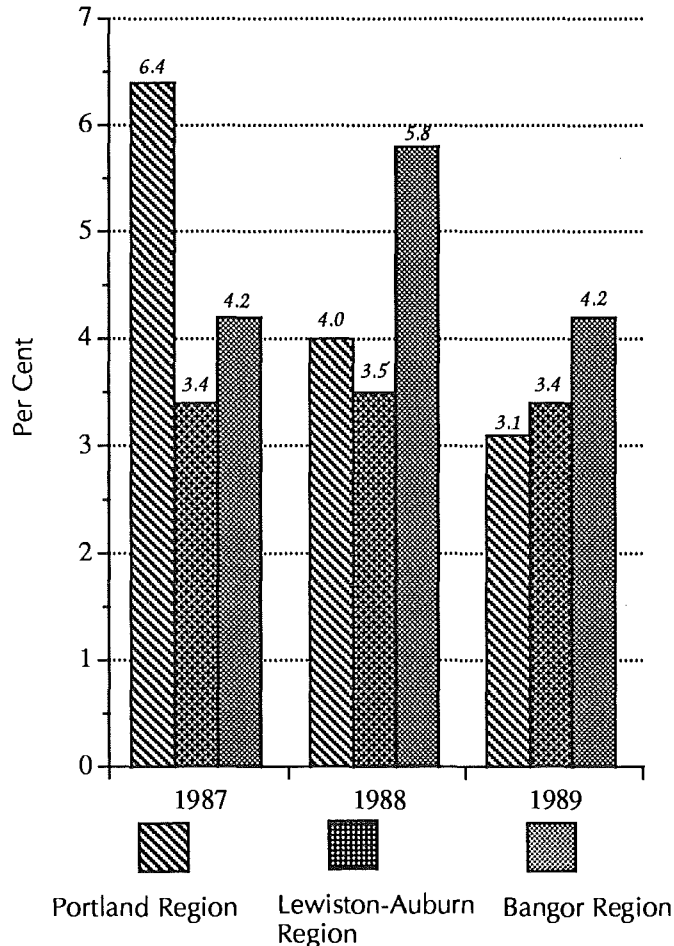
Rapid employment growth in Maine, combined with slow labor force growth, once again pushed unemployment rates to post-World War II lows. Maine's seasonally adjusted rate in September 1988 was 3.5%, down from 4.1% one year ago, and the second lowest unemployment rate in the country. The national rate for September 1988 was 5.4%. Maine's jobless rate has been cut in half over the last four years, and has now been consistently below the national average for eight years.

Personal incomes in Maine have grown rapidly during the past year. Between second quarter 1987 and second quarter 1988, Maine's per capita income rose over 12%, compared to 8% growth nationally. Maine's per capita income ranking among the fifty states rose from 44th in 1979 to 31st in 1987. In fact, figures released last year show that in 1987, Maine's growth rate was the highest in the nation (7.3%). Given the growth during the first half of 1988, Maine will doubtless be near the top of the growth chart in '88 as well, and will likely move up again among the State rankings.

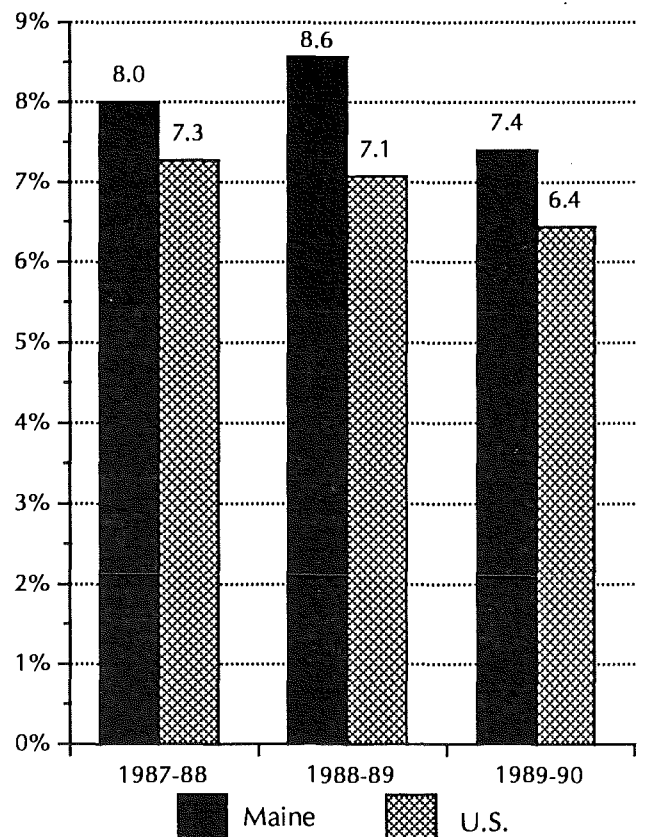
Increasing personal income, combined with continued growth in Maine's tourism industry, pushed retail sales up over 9% during the first nine months of 1988 (compared to the same period in 1987). Nationally, the rate of retail sales growth was only 5.9%.

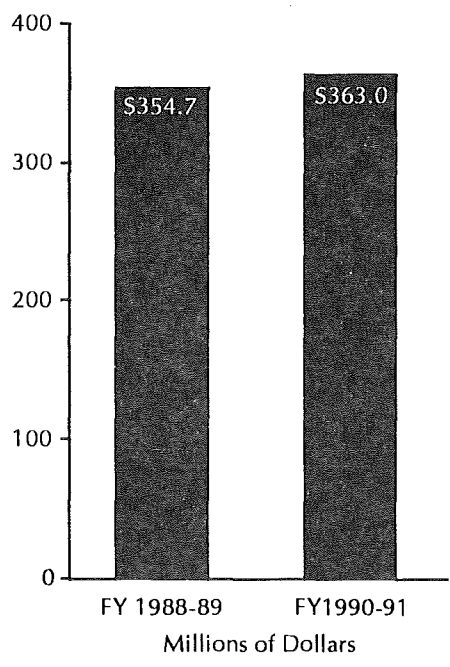
The next two years promise continued strong economic growth in Maine, assuming that national economic growth remains positive and that no recession occurs. As with 1988, the pace of economic growth will slow again in each of the next two years, particularly employment growth. From an estimated 5% in 1988, total job growth will slow to around 2% in 1989 and 1.5% in 1990. Personal income growth should stay relatively strong in 1989 at around 8.6%, but dip in 1990. Important trends observed in 1988 should continue in 1989 and 1990, including employment growth in manufacturing industries and a continued spreading of growth beyond southern Maine.

Employment Growth in Major Metropolitan Areas



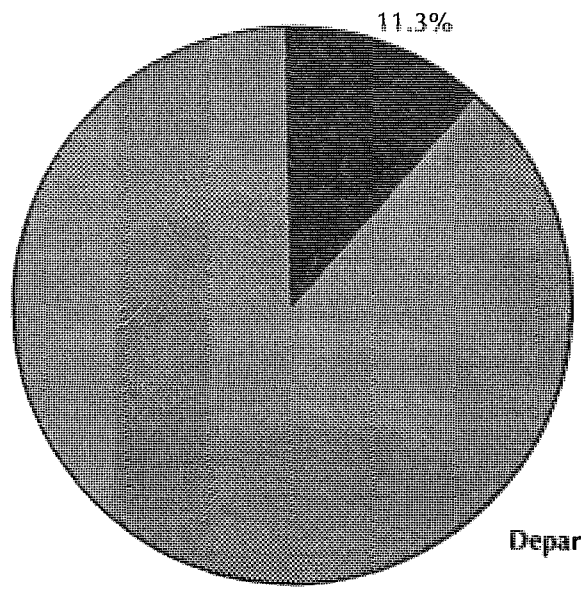
PERSONAL INCOME GROWTH





- Highlights of 1990-91 Program Initiatives**
- Property Tax Relief
 - Family HomeSaver Program
 - State Surplus Sharing
 - Financial and Administrative Systems Replacement
 - Increased Funding of State Retirement System
 - Central Workers' Compensation Fund
 - Salary Increases for Judges

Percent of 1990-91 General Fund Budget



Departments covered in this category

- Executive
- Legislative
- Judicial
- Treasury
- Attorney General
- Secretary of State
- Audit
- Finance
- Administration

The 11.3 percent of the 1990/91 budget allocated to General Government includes, among other things, funding for the State's Executive, Finance, and Administration Departments, as well as for the Departments of the Audit, Attorney General, Judiciary, Legislature, Secretary of State, and Treasurer of State. The 1990/91 recommended budget of \$363.0 million represents a 2.3 percent increase over 1988/89 and includes funding for the following major new or expanded programs aimed at meeting the State's obligations and improving efficiency and delivery of services within government:

Increased Funding of the Maine State Retirement System

Of the \$78.9 million increase in funding to the Maine State Retirement System, \$60 million pays for teachers' retirement costs in municipalities. The State pays 100 percent of the employer's costs in Maine, a figure that will total \$ 240.9 million in 1990/91, a 33.1 percent increase over 1988/89.

Over a year ago, in an effort to ensure that the state was appropriately funding the system and meeting its commitments to state employees and teachers, Governor McKernan appointed a Commission to review the system's funding methods, service to participants and retirees, and organizational structure. Consistent with that independent review was a decision on the part of the Board to spread out over a longer period of time the costs of funding benefits, thus reducing annual costs. However, the upgrading of teachers' salaries as a result of the Education Reforms Act of 1984 has resulted in an increase in cost of \$ 60 million for 1990/91 that must be funded.

Asbestos Abatement Program

Since its creation in 1987, the Division of Safety and Environmental Services within the Department of Administration has worked to identify and remove asbestos in some 4,000 State and public school buildings. The Division has also worked with public building managers to assess and correct problems with radon, indoor air quality, hazardous chemicals, and other environmental hazards. Because the Division was funded only through June 1989, the

Focus on:

Financial and Administrative Systems Project

This budget contains the balance of funding (\$6.5 million) needed to complete the replacement of the State's Central Financial and Administrative Systems, a project begun last year with a \$4.5 million appropriation.

The size and scope of Maine State Government has changed dramatically in the 25 years since the current systems were installed. General Fund Revenues have grown from \$155 million in 1963 to \$1.3 billion in 1988. A number of major programs now managed by the State, such as Medicaid and environmental protection, did not exist 25 years ago. And yet much of the State's technology has not been upgraded to reflect those changes. The result is that current systems are often inefficient, duplicative, cumbersome, and, because of their age, at risk of failure.

This is a sound investment based on the financial resources that will be saved once the systems are operational, one that will allow Maine State Government to be a better manager of its resources and a better customer to vendors.

1990/91 budget includes a recommended \$525,000 to continue the work of the division.

Central Workers' Compensation Fund

A working capital advance is proposed to initiate a centralized Workers' Compensation Fund from which the State of Maine will pay its incurred Workers' Compensation expenses. The account will include monies needed for normal weekly compensation and medical expenses, as well as for lump sum settlements, reserves, second medical opinions, rehabilitation, and any other costs anticipated for the proper management of the State's Workers' Compensation exposure. The

Department of Administration will manage the fund and bill state departments monthly on a "costs incurred" basis. The establishment of the central fund — budgeted at \$500,000— should expedite the processing of Workers' Compensation claims benefiting both State workers and those who provide them services.

Salary Increases for Judges

Over \$800,00 is included in the budget to provide salary increases for Maine's District, Superior, and Supreme Court Judges. The funding includes increases of 5 percent over fiscal 1989 salaries for 1990 and an additional 5 percent for 1991.

Focus on:
**The Family HomeSaver Program for Property Tax Relief
and Income Tax Reform**

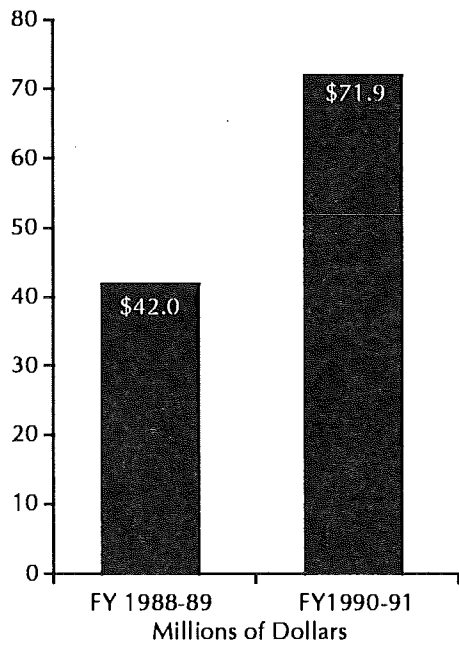
Property tax increases are a source of growing concern to many people in Maine, and property tax relief is one of the most important parts of the budget. Under existing programs, State government will provide more than \$1.5 billion, or nearly one half of all state revenues, in assistance to local governments and school units during the next biennium. Additional spending for new programs in education and other areas benefiting local governments will add over \$17 million during the biennium.

However, there is still a need to address the critical problems that property tax increases are causing for some Maine households and communities. The Circuit Breaker Program implemented in 1988, together with the Elderly Tax and Rent Refund Program, has established the principle of targeting property tax relief to those in greatest need. The budget proposes that these programs now be combined into a single program, the Family HomeSaver Program, and that it be redesigned to provide more relief through an additional \$8 million biennial appropriation.

The HomeSaver Program would continue to provide funds to households based on the extent to which property taxes exceed a certain percentage of their income, as does the current circuit breaker. However, income eligibility would be raised from \$28,000 to \$40,000 and the proportion of the "excess burden of the property tax" paid by the program would be set at 33% for property taxes between 4.5% and 8% of income, 50% for property taxes between 8% to 10% of income, and 100% of any property taxes that exceeded 10% of income.

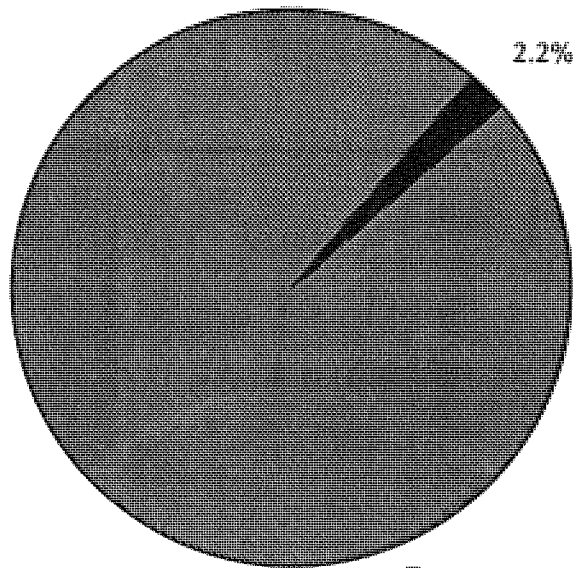
A second program of property tax relief has been proposed through which local governments will share in the unanticipated revenues accruing to the General Fund from economic growth. Beginning in 1989 it is proposed that the State would make available 50% of surplus funds (to a maximum of \$25 million) for distribution to municipalities. The purpose of this money would be to assist municipalities in meeting their infrastructure needs, many of which result from the demands placed on them by a growing population and expanding economic base.

The income tax reform enacted in 1988 will conform the State's income tax rate structure with the new federal income tax code in a way that prevents the collection of \$42 million in income taxes that would otherwise have been paid as a result of the federal tax law changes. This reform will result in tax decreases for 90% of income tax filers, and the budget contains \$3 million to assure that no taxpayer will have to pay any additional income tax solely as a result of the changes in the rate structure.



- ### Highlights of 1990-91 Program Initiatives
- Affordable Housing
 - Job Opportunity Zones
 - Growth Management
 - Agricultural research and support
 - Marine resources assessment and support
 - Enhanced oversight of securities transactions

Percent of 1990/91 General Fund Budget



Departments covered in this category

- Economic and Community Development
- Agriculture, Food, and Rural Resources
- Marine Resources
- Professional and Financial Regulation

The 2.2 percent of the 1990/91 budget allocated to economic development includes funding for the State's Departments of Economic and Community Development, Professional and Financial Regulation, Agriculture, and Marine Resources. The 1990/91 budget is set at \$ 71.9 million , a 71.1 percent increase over the past biennium. Major new or expanded programs in this policy area include the following:

Department of Economic and Community Development:

- To continue funding for the Job Opportunity Zones Program created by the 113th Legislature, \$330,000 is recommended. The request will allow the four present zones (in Central Aroostook, the Quoddy Region, the Katahdin Area, and Waldo County) to continue to receive funding at current levels through 1991.
- To ensure that adequate resources are available to implement the growth management legislation passed in the last session of the Legislature, \$1.0 million has been included to assist communities in the preparation of comprehensive growth plans and land use ordinances.

Department of Agriculture:

- Salmonella enteritidis in poultry has become a serious human health issue, one that also has the potential to economically devastate the Maine egg industry. The budget includes \$82,000 for start-up monies to implement and operate a fee program to test for the bacteria in the state's poultry flock and to fund research at the University of Maine.
- In order to provide a more stable economic base for Maine's farming industry by promoting the diversification of the state's agricultural products, the budget includes \$200,000 for a program to evaluate and encourage the research of new crops and livestock.
- Maine farmers annually apply a variety of pesticides to control plant diseases and insects. Through integrated pest management (IPM), farmers can reduce the amount of pesticides they use, thereby reducing

the amount of pesticides released into the environment and the cost of their application. Presently, few resources exist to fund IPM programs in Maine. The budget therefore recommends \$300,000 to expand IPM to more commodities and to more Maine farmers.

- To increase the State's Soil and Water Conservation Districts' ability to deliver technical and information services to landowners, municipalities, and other government agencies, the budget includes \$400,000 so that the Districts may become more involved in urban conservation problems, the technical review of development plans, developing best management practices for water pollution, and solid waste management.

Department of Marine Resources:

- In order to assess accurately the size and health of Maine's coastal fisheries stock, the Department's request of \$41,000 to fund its share of one Marine Resource Specialist I position under the joint state-federal stock assessment program has been recommended. These funds will allow the State to reestablish and expand its assessment activities which were ended in 1988 because of federal budget cuts.
- In order to continue at current levels important marine research, the processing of aquaculture lease applications, and advisory services to the marine industry, the budget includes \$209,000 to assume the costs of three positions presently funded by the federal government's Sea Grant Program. Federal funds will no longer be available as of 1990.

- The 113th Legislature substantially increased the requirements for environmental assessment and monitoring with respect to aquaculture leasing. In order to implement fully the new statute, the Department's request of \$80,000 to fund a Marine Specialist II position and necessary equipment has been included in this recommendation.

- The Department will also receive \$30,000 in new research funds from the Marine Monitoring Program within the Department of Environmental Protection. (See Natural Resources section for more detail.)

Department of Professional and Financial Regulation:

Since 1982, the number of securities sales representatives licensed in Maine has increased from 2,729 to 15,622. With that growth has come increases in consumer fraud and other investment abuses. However, the Department's capacity to protect Maine investors has not grown at the same rate. The budget therefore includes \$390,000 to expand the Security Division's staff and computerize its records.

By strengthening the Division, the State will be able to expand its investigative work, assist small Maine enterprises in selling securities, and conduct a meaningful consumer education program. In FY 1988, the Division, working with the Attorney General's office, recovered more than \$500,000 in restitution for Maine investors. With additional personnel and resources, the Division should be able to do substantially more for Maine consumers.

Focus On: Affordable Housing

Since 1982, house prices in the Northeast have increased three times faster than the national average. Rents have increased sharply, and the supply of low-cost rental housing continues to shrink. In many parts of Maine, these increases have meant that first-time homes have become too costly for people; native Mainers have found themselves unable to afford housing in their home towns; renters have had to pay more than they can afford for a place to live; and businesses have had trouble recruiting new workers to certain areas because of high housing costs.

A year ago, Governor McKernan appointed a 30-member task force to recommend specific solutions for expanding the supply of decent, affordable housing across the state. In September, the task force submitted its recommendations, and the 1990/91 budget includes \$5 million to fund the following initiatives: The **Affordable Housing Alliance for Maine** will provide technical assistance and resources to communities addressing affordable housing needs. The Alliance, located within the Department of Economic and Community Development, will work with towns to develop local housing alliances and strategies. To that end, the State Alliance will oversee the following programs:

- **The Municipal Land Trust Revolving Loan Fund.** Because land prices are very often a major impediment to building low-cost housing, this program will provide loans of up to \$150,000 to municipalities for the acquisition of land for affordable housing production. The program, funded at \$1 million for the biennium, is also intended to keep new housing affordable in perpetuity. Through the use of municipal land trusts and land leasing techniques, housing built on property acquired with these funds would be conveyed with deed restrictions tying the appreciation of property to the increase in per capita income. In this way, privately owned housing could remain available for low and moderate income families.
- **Assisting Nonprofit Housing Developers.** To ensure that necessary resources are available to support the administrative needs of local, nonprofit housing developers, the budget includes \$400,000 to provide at least eight nonprofit groups a year with grants of up to \$25,000.
- **Encouraging the Use of Model Building and Infrastructure Codes.** To ensure that construction costs — including the cost of meeting building and infrastructure codes — are as reasonable as possible, the Alliance will oversee a \$135,000 program aimed at encouraging developers and State agencies to work together so that State requirements do not unnecessarily add to the cost of quality, affordable housing production.

Funding of the Maine Mortgage Insurance Fund. In the last legislative session, the Maine Mortgage Insurance Fund was created at the Maine State Housing Authority, but no money was appropriated for it. In order to encourage flexible financing tools that would allow more Maine people an opportunity at home ownership, this fund should be fully capitalized at the rate of \$1.0 million per year for three years. The budget therefore includes \$1 million for each year of the biennium. The Fund would allow the Maine State Housing Authority to issue mortgage insurance for creative home ownership options not presently financed by the private market.

Expanding Congregate Services for the Elderly. \$550,000 to increase services to the elderly and to enable them to remain in their communities safely and longer so as to avoid institutionalization in nursing homes for as long as possible.

Highlights of 1990-91 Program Proposals

Elementary and Secondary Education

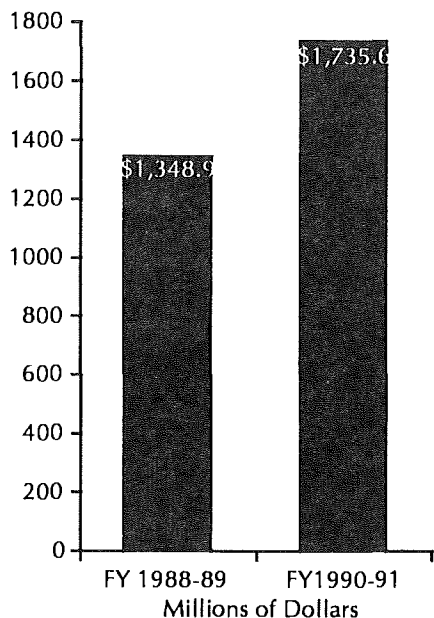
- Enhanced early childhood education services
- Matching grants for innovative middle school programs
- Higher Expectations for Learning Performance (H.E.L.P.) grants
- Governor's Challenge 2000 Schools
- Restructuring Schools Project
- Enhanced GED programs
- Department reorganization

Higher Education

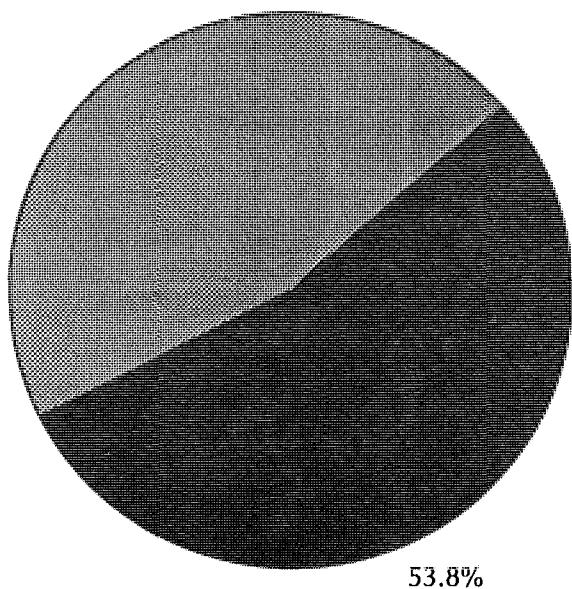
- Maine Higher Education Authority with additional resources for higher education financial assistance.
- Support for the University of Maine System
- Expansion of training programs at VTI's
- Reconstruction of the Maine Maritime Academy Pier

The Arts and Cultural Services

- Community Cultural Services Initiative



Percent of 1990/91 General Fund Budget



Departments covered in this category

Education and Cultural Services
 The University of Maine System
 The Vocational Technical Institute System
 Maine Maritime Academy

Financial support to Maine's public schools, vocational technical institutes, and university system represents the largest portion (53.8 percent) of the state's biennial expenditures. The 1990/91 proposed budget of \$1,735.6 million, an increase of \$386.6 million or 28.7 percent over 1988/89, seeks to continue the momentum in education improvement seen across the state in recent years.

ELEMENTARY AND SECONDARY EDUCATION

Each year, Maine's 283 public school administrative units serve over 211,000 Maine students. Statewide, 43.35 percent of funding for those units comes from communities, 56.65 percent from the State's General Fund. In FY89, Maine increased its percentage of subsidy to local schools by more than any other state in the nation. These recent investments in the children and the future of this state have allowed communities to increase teacher salaries, implement important new educational reforms, and develop innovative classroom programs.

In order to ensure that all of our children receive an education that will allow them to reach their goals and that will prepare them to meet the challenges of the future, the State must continue in 1990/91 to make major investments in our schools.

The comprehensive package of initiatives included in Part II of the 1990/91 budget is aimed at improving student performance and raising aspirations, increasing professional advancement opportunities for Maine teachers and administrators, and providing greater outreach services from the Department of Educational and Cultural Services to schools and communities.

The package begins with two early childhood education programs aimed at giving more of our children a solid foundation upon which to build future academic and personal success. The first, funded at \$162,000 for the biennium, creates an **Office of Early Childhood and Family Education** within the Department to work with schools and communities in placing

a greater emphasis on the critical preschool years. The second would create **model demonstration sites for pre-school children (ages 4-5) and their families**. Funding for this initiative is set at \$425,000.

Also included is \$1.2 million in additional funds for the State's **Interdepartmental Coordinating Committee for Preschool Handicapped Children (ICCPHC)**. A more detailed explanation of this funding is included in the Focus section on Children and Youth on page 19.

At the middle school level, the budget includes \$140,000 to fund a matching grants program for local school districts. Aimed at improving the quality of education at the middle school level, the grants would encourage **innovative programs in middle school education** to strengthen the quality of education offered students in grades 5-8.

The Department also recommends a number of other state funded grants to encourage the development of innovative programs aimed at improving student performance and educational quality. They include:

- **Higher Expectations for Learning Performance (H.E.L.P.)** to provide selected schools with assistance in developing programs to meet the needs of students who are at risk of dropping out. Technical assistance and funding will be available to those schools with the greatest needs (\$370,000).
- The **Governor's Challenge 2000 Schools** to provide grants on a competitive basis to high schools committed to a variety of aspirations issues, including raising the graduation rates, reducing the number of

dropouts, and increasing the percentage of students attending post-secondary institutions. The \$1.0 million included in the budget for this initiative also funds the **Maine Summer Arts and the Maine Summer Humanities Programs** aimed at high school students with high potential and special abilities.

The budget also seeks \$500,000 to continue the Department's **Restructuring Schools Project**. One of only four such state efforts in the nation, the program encourages selected schools to propose profound changes in school governance and methods of instruction. The additional funds will allow the Department to continue funding to the ten schools already involved in the program and will provide resources for involving a second group of schools.

And in an effort to assist the 30 percent of Maine citizens, 18 years and older, who do not hold a high school diploma, the Department proposes strengthening the **General Education Development (GED) Office** by restoring it to full funding and eliminating the GED test fees (\$241,000).

In order to provide greater technical and professional assistance to the state's school districts, the Department proposes creating a **Division of School Assistance** within the Bureau of Instruction to assist communities with long range planning for their schools, staff training, and school/community relations. The Division will also oversee state and local programs concerned with early childhood education and at-risk youth and include a middle school education office (\$449,000).

HIGHER EDUCATION

The University of Maine

The 1990/91 budget for the University of Maine system is set at \$304.1 million, a 24.4 percent increase over 1988/89. During both FY87 and FY88, Maine led the nation in percentage increases in State appropriations to higher education. This biennium's budget, with \$25.4 million in new or expanded programs, coupled with the \$37 million bond issue approved by Maine voters in November, will allow the University to continue the progress it has made in recent years by raising professors' salaries to a more competitive level and increasing funds to the state's telecommunications network, providing more Maine people — in all parts of the state — with greater access to University courses.

Vocational Technical Institutes

Included in the Vocational Technical Institute System's 1990/91 \$52.9 million budget is \$4 million for new or expanded programs to provide training in health care and other rapidly growing industries.

Maine Maritime Academy

The Academy's \$13.2 million budget includes \$1.5 million in new funds for salary and benefit adjustments to narrow the gap that exists between its faculty, staff, and classified employees and comparable institutions of the University of Maine system. The budget also recommends that \$2 million from the State's Rainy Day Fund be used to rebuild the Academy's aging pier.

Focus On: The Quality and Quantity of Classroom Time

The comprehensive initiatives contained in the Department's budget requests for 1990 and 1991 are aimed, first and foremost, at improving our schools and student performance. But at the same time that the state and its municipalities seek ways to improve the quality of our schools, Maine, with one of the shortest school years in the nation, must also address the quantity of classroom time available to our students and our teachers.

To that end, this budget includes a major funding proposal of \$6.2 million to begin a comprehensive planning process in every school district in the state to address how best to use present time in the classroom, and to add one day in 1991 as part of a phased-in lengthening of the school year.

The planning portion of this initiative, budgeted at \$1.8 million for the two year period, will provide local school districts with the resources they need to assess how much time is actually spent in active learning and to develop policies and programs that ensure increased instructional time for both teachers and students. It is the intention of this Administration that, by 1995, five additional days will be added to the State's mandated minimum school year. Those schools that presently offer a longer year will be eligible for the planning grant programs.

THE ARTS AND CULTURAL SERVICES

In an effort to encourage, preserve, and make more accessible the rich cultural offerings of the state, the 1990/91 budget includes \$1 million for a Community Cultural Services Initiative that will allow the State to work more closely with municipalities in supporting and encouraging the arts. The initiative consists of four programs that include:

- \$250,000 to the Maine Arts Commission to provide planning and operating grants to cultural organizations across the state.

- \$250,000 to the Maine Historic Preservation Commission to establish a matching State Restoration Grants Program that will assist municipalities and non-profit organizations in their efforts to maintain historic properties.

- \$250,000 to increase from 20¢ to 32¢ the per capita aid for towns with public libraries.

- \$250,000 to the Maine State Museum to create a new office of outreach services to provide technical assistance to the more than 300 museums and historical societies across Maine.

**FOCUS ON:
GUARANTEED FINANCING FOR HIGHER EDUCATION**

Only 15 percent of Maine's population holds a four-year post secondary degree, and yet, more and more, the jobs being created in Maine and the nation require more than a high school diploma. In order to encourage greater post-secondary attendance and send a clear message to all Maine citizens that a college education is within their reach, this budget includes a \$7 million package of initiatives that will help ensure that no academically eligible student in this state is denied access to higher education due solely to a lack of financial resources.

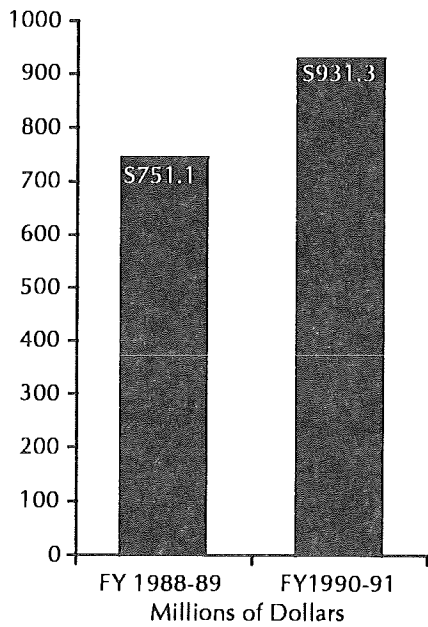
Included in this package are the following proposals:

\$6.2 million to increase dramatically the amount of grant money available through the **Maine Student Incentive Scholarship Program**. Presently, Maine provides the lowest grant awards in New England to its students (\$300 scholarships for public schools, \$600 for private) and is unable to fund nearly one half of all eligible applicants. By providing an additional \$6.2 million over the biennium, the State will increase the award amounts to approximately \$600 and \$1,200 in 1990, and to approximately \$750 and \$1,500 in 1991. The additional funds will enable the State to provide these resources to 90 to 100 percent of all eligible applicants, and will decrease the amount of indebtedness carried by our students.

\$127,000 to create a non-profit **Maine Higher Education Authority**. The Authority will include the Maine Educational Loan Authority created by the 113th Legislature, the Maine Student Incentive Scholarship Program, the Medical Compact Program, and the Blaine House Scholars Program. It will provide privately guaranteed loans to students and permit the consolidation of all financial aid programs administered by the State. By bringing all of these programs together, the State will be able to offer students and parents one central source of information and funding, and will, through a new loan program of "last resort," guarantee that no eligible student is denied access to higher education due to inadequate financial resources.

The higher education package also provides for \$590,000 to provide **financial assistance to Maine public school teachers and administrators pursuing advanced degrees**. At this level of funding, a minimum of 700 teachers and administrators will receive direct grants of approximately \$50 per credit for six credit hours. In an effort to encourage professional development and advancement, the proposal also includes funding for the highly successful Principals' Academy and Superintendents' Symposium.

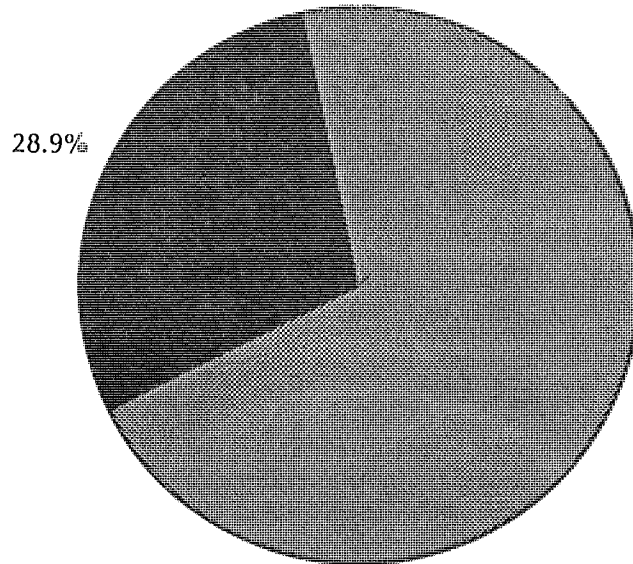
Finally, the package includes \$100,000 to design a **futures savings plan**, based upon the SEED legislation enacted during the 113th Session, that will be both feasible for the State to administer and attractive to parents.



Highlights of the 1990-91 Program Initiatives

- Increased access to health care
- New and expanded programs for children and youth
- New staff and programs for correctional facilities
- Funding of human services programs previously funded by the Federal Government

Percent of 1990/91 General Fund



Departments covered in this category

- Human Services
- Mental Health and Mental Retardation
- Corrections

The 28.9 percent of the 1990/91 budget allocated to human services includes funding for the State's Departments of Corrections, Human Services, and Mental Health and Mental Retardation. In all, tens of thousands of Maine citizens are being served by the \$751.1 million appropriated to these departments in 1988/89. The 1990/91 budget is set at \$931.3 million, a 24 percent increase over the past biennium, and a figure that reflects some \$21.1 million in new State funding for programs whose Federal funding is being reduced or ended.

CORRECTIONS

As of June 30, 1988, Maine's Department of Corrections was responsible for the care of 1,334 adult and 219 juvenile offenders housed in the state's nine correctional facilities and pre-release centers. An additional 6,911 adults and juveniles were under the care of the Department's parole and probation programs.

The single most important issue facing the Department has been, and will continue to be, overcrowding for both adult and juvenile programs. In 1984, and again in 1986, the voters of Maine approved bond issues to provide for needed renovations and additions at three state facilities. While those funds provide the bricks and mortar necessary to alleviate some of the overcrowding in our prison system, additional resources in the form of staffing and services are necessary to make the new and expanded facilities operational.

The Department's 1990/91 budget is set at \$110.4 million, a 17.2 percent increase over 1988/89 and one that includes \$6.7 million in funds for the following new or expanded programs:

- \$4.3 million for 100 new staff positions and operating funds for new buildings under construction or already completed in the Department's adult correction facilities.
- \$781,000 to provide medical services for inmates at a time when medical needs and costs for the prison population have risen dramatically. The recommended funding will allow for ten additional medical personnel and related services.

- \$1.1 million for additional program and support staff as well as training and operating funds within the Department's Central Office; additional Probation and Parole staff to help address increased caseloads; new funds for community-based mental health and special needs services, as well as other community corrections programs and substance abuse treatment services; and reclassifications for existing positions.

- The budget also includes \$550,000 to expand services to juvenile offenders at the Maine Youth Center and within communities. (See Focus on Children and Youth on page 19.)

HUMAN SERVICES

The State's Department of Human Services is charged with protecting and enhancing the health and welfare of Maine citizens. Its \$583.7 million budget allows the State to address the needs of various populations, among them the elderly, the unemployed, the sick and infirmed, the handicapped, and the children of this state.

The 1990/91 budget requests an overall increase of some \$121.6 million (26.3 percent) over 1988/89. 16.4 percent of that increase, or \$19.9 million, is due to the State accepting responsibility for programs that, because of severe federal cutbacks, would otherwise have been reduced.

The new or expanded programs funded in this biennium's budget are concerned, first and foremost, with addressing the special needs of Maine's children and strengthening health care services for our most vulnerable citizens.

MENTAL HEALTH AND MENTAL RETARDATION

The Department of Mental Health and Mental Retardation is responsible for developing, operating, and providing facilities and programs for those Maine citizens (both children and adults) in need of its services. In FY 1988, the Department served some 37,000 people through the State's mental health institutes in Augusta and Bangor, the Pineland Center in Pownal, and a wide variety of community based residential, advocacy, and support programs.

During the September 1988 Special Session of the 113th Legislature, \$6.6 million was appropriated to add critically needed staff at both of the State's mental health institutes and to develop a comprehensive system of care for the mentally ill that integrates hospital and community care with an array of services that touches all aspects of a person's life, including housing, employment, social relationships, and treatment.

The 1990/91 budget seeks an additional \$616,000 in support of new or expanded programs (see Focus on children and youth). The 1990/91 budget represents a 16.9 percent increase over the previous biennium. \$1.2 million is due to the State's accepting responsibility for programs that, because of severe federal cutbacks, would otherwise have been reduced.

Focus On: Children and Youth

This budget includes \$ 5.2 million in new and expanded programs to meet the special needs of our children, particularly those who are at-risk, and to assure that they receive the services they need to grow and thrive.

Included among these new or expanded programs is an additional \$1.2 million to the Department of Educational and Cultural Services for programs aimed at meeting the needs of infants and preschool children, ages 0-5, who are handicapped or at-risk of other serious problems. Through its comprehensive **Interdepartmental Coordinating Committee for Preschool Handicapped Children (ICCPHC)**, the State presently serves some 5,000 young children and their families. This increase, required by law if the State is to retain its present level of federal funding, will allow the State to provide more timely and appropriate care to an even larger number of Maine children.

Other initiatives include:

- **Child Care:** \$550,000 to the Department of Human Services to maintain the State's child care services for low-income children and to provide residential care for children of substance abusers.
- **Head Start:** \$450,000 to the Division of Community Services to increase significantly the State's commitment to meeting the needs of the more than 2,300 economically disadvantaged preschool children presently served by the State's Head Start programs.
- **Foster Care:** \$885,000 to the Department of Human Services to support and strengthen the State's foster care system, including increased funding for room, board, and clothing to foster families and a respite care system to enable those families to deal with especially trying situations.
- **Improved Casework:** \$760,000 to provide additional resources and staff support in order that the Department of Human Services' Division of Child and Family Services is better able to provide assistance to children and families in need of caseworker intervention.
- **Troubled Youth:** \$250,000 within the Department of Mental Health and Mental Retardation to allow the Military and Naval Childrens' Home in Bath to create additional shelter and therapeutic services for seriously troubled preadolescents; and \$367,000, also to DMHMR, to continue the work of the Children and Adolescent Services System Program (CASSP) which provides crisis intervention, counseling, and referral services for children and adolescents in Cumberland, York, and Penobscot Counties. Federal funding for this program will end in FY89.
- **Teen Pregnancy:** \$150,000 to expand the Department of Human Services parent-teen communications programs and provide additional support to local communities who wish to develop school-based adolescent health services.
- **Juvenile Justice:** \$550,000 to the Department of Corrections to increase services for juvenile correctional clients at the Maine Youth Center and in the community. The funding includes: \$187,000 to increase the number of juvenile probation officers within the Division of Probation and Parole; \$185,000 to increase the number of caseworkers at the Maine Youth Center; \$70,000 to add a school psychologist at the Center to meet special education requirements; and \$108,000 for increased contractual psychiatric time to meet the diagnostic needs of the Maine District Court System and the Center.

**Focus on:
Health Care**

The 1990/91 budget includes \$5.3 million in funding to help address growing concerns over the accessibility and affordability of the state's health care system. As noted below, other actions will need to be taken to address rising health care costs and coverage for the uninsured.

To provide greater access to the health care system and ensure quality service for the most vulnerable citizens of our State, the budget includes funds for the following services:

- \$400,000 for AIDS victims and their families to ensure they receive appropriate care, and support, to replace federal funding of AZT treatment, to conduct AIDS training and education, to address the issue of noncompliant carriers, and to expand treatment for intravenous drug-users who are at risk of AIDS.
- \$845,000 is committed to improving quality of nursing homes and other facilities and for supportive services for frail elderly and incapacitated, dependent adults.
- \$488,000 is allocated for strengthening maternal and child health services, such as childhood immunization, the family planning clinic system, a prenatal assessment program funded with federal dollars through FY90, and health care staff in the Division of Maternal and Child Health.

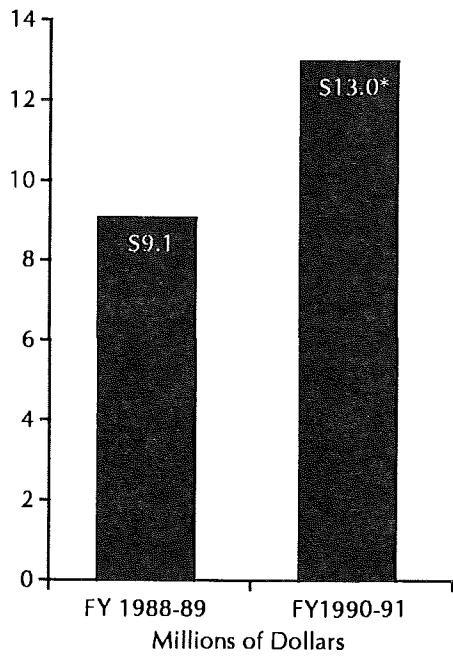
The budget also allows for replacing federal funds in the state-wide Emergency Medical Service system (\$370,000), and investing \$1.2 million to address labor shortages in the health care industry by providing loan paybacks to nurses and rural physicians, and by expanding the capability of vocational institutes to train health professionals (see page 22).

Finally, the budget provides for increased fees for those doctors participating in the Medicaid system (\$950,000).

To ensure that the state's health care system is accessible and affordable for more of our citizens, the budget includes the following:

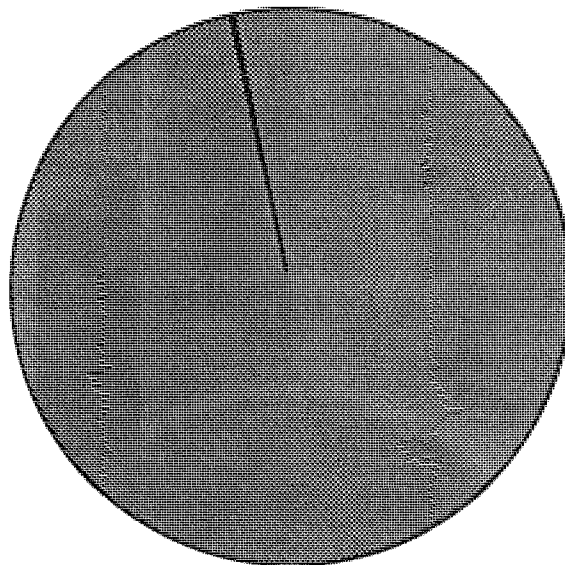
\$950,000 to expand Medicaid for 5- to 8-year-olds whose families live at or below the federal poverty level, and to provide medical coverage to A.S.P.I.R.E. (Additional Support for People in Retraining and Education) participants during their first year on the job.

In order to address rising health care costs and coverage for the uninsured, the Administration will work closely with legislators and interested parties to develop insurance options for the uninsured who currently rely on acute care and emergency services systems to meet their needs. These options should be designed to promote more appropriate and efficient use of the health care system, and to reduce bad debt and charity care. Resulting programs will incorporate strong cost containment measures, such as managed care provisions, and will be accompanied by proposals for reducing costs related to excessive out-patient utilization, defensive medicine, and other costly practices.



- Highlights of the 1990-91 Program Initiatives**
- Health Occupations Training II (HOT II)
 - Workplace Safety Initiative

Percent of 1990/91 General Fund
0.4%



*General Fund appropriations of \$13.0 million for the biennium represent 11% of the \$122 million spent in support of the Labor Department's programs. The additional funding comes from Federal and special revenue sources.

Departments covered in this category

Labor

General fund support for Maine's Department of Labor and its job training, safety, and employment programs is proposed at \$13.0 million, an increase of \$3.9 million or 43 percent over 1988/89.

To ensure that Maine continues to meet the changing needs of its workforce and its businesses, the 1990/91 budget recommends continued funding for FY88 initiatives, including the Maine Training Initiative, the STAR (Strategic Training for Accelerated Reemployment) training program, and the A.S.P.I.R.E. (Additional Support for People in Retraining and Education) welfare-to-work program, as well as additional funding for two important programs:

HOT II. A critical shortage of skilled workers in the health care field is hindering the ability of many of the state's health care facilities to provide the level of care that they have in the past. In fact, some hospitals and nursing homes have been forced to

close beds. Because the demand on this industry is expected to grow significantly in the years ahead, it has become evident that the Health Occupations Training (HOT) Project, the State's 1987 response to help ease the shortage, must now be expanded to help this industry meet its longterm needs. HOT II will increase funding from \$100,000 in FY88 to \$1 million for the biennium. HOT II would build the capacity of the Maine Vocational Technical Institute System and other job training programs to increase their recruitment, training, and placement service activities for potential health care workers; and would provide funds for an aggressive marketing strategy to recruit workers to the health care field.

WORKPLACE SAFETY. Workplace injuries and illnesses exact an unnecessarily high human and economic cost in Maine. In a state in which 80 percent of our businesses employ 20 or fewer employees, State Government can play a strong role in assisting in safety training and education. The Maine Workplace Safety Initiative, funded at \$500,000 for the biennium, is designed to strengthen the safety information and education resources available to Maine businesses and workers. Its goals are threefold: to coordinate the efforts of state agencies concerned with workplace safety; to expand educational and training programs to Maine employers; and to publicly recognize and encourage the replication of model safety programs within the state.

Focus On: Human Resource Development

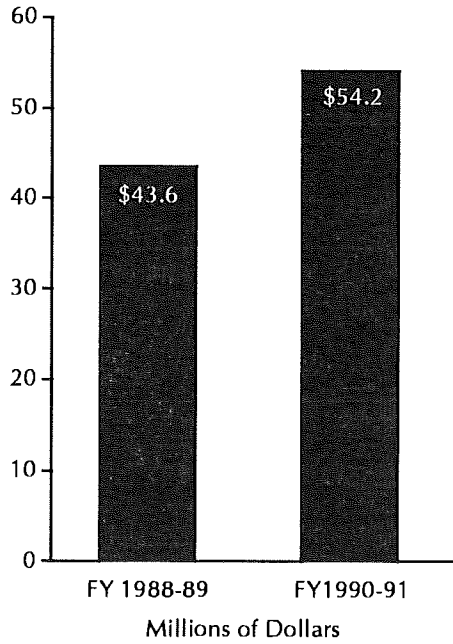
More Maine people are at work today than ever before in Maine's history. In 1987, total employment topped 600,000 for the first time ever, and in 1988 the state saw the lowest unemployment rate in three decades. During 1988, jobs were created at a rate of 45 per day.

Despite a healthy employment picture in Maine, challenges remain that threaten continued growth and prosperity. Labor shortages in many parts of Maine and the changing nature of jobs are two trends that are placing growing demands on the State's education and job training services. As more of the state's traditional jobs are lost, they are replaced with new jobs that require new skills and higher levels of education. The vast majority of those new jobs will be filled not by new entrants into the workforce but by those already working and those non-traditional workers who face barriers to employment, such as the handicapped, older workers, AFDC recipients, and women. The training and retraining of our current workforce and these non-traditional groups has, in the late 1980s, become an economic necessity.

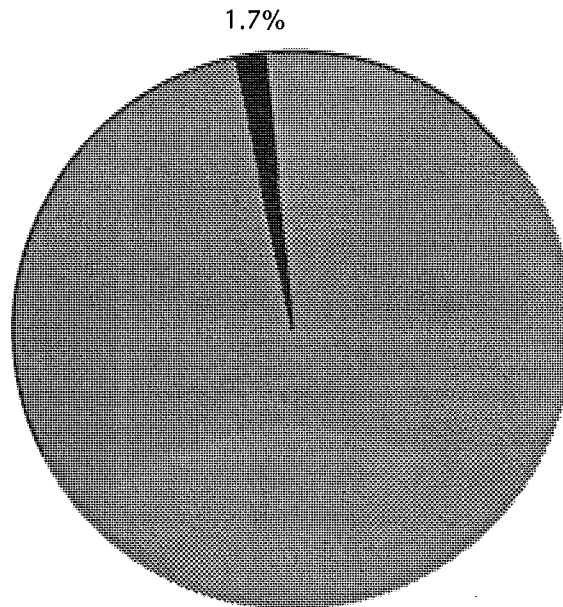
New job training initiatives are playing an important role in helping to meet these challenges. Since 1987, 4,100 Maine people have been trained and placed in jobs through the State's expanded job training programs. Together, the annual salaries of these workers have added over \$47 million to Maine's economy. The 1990/91 budget continues that commitment to the working men and women of Maine by continuing to fund those job training initiatives, expanding the Health Occupations Training Project, and strengthening the State's capacity to assist businesses in their efforts to provide a safe workplace.

Highlights of the Proposed 1990-91 Program

- Solid Waste Management Initiative
- Improved management of forest and recreation lands
- Additional personnel and computer capacity to improve DEP management.
- Marine Environmental Monitoring Program
- General fund support for the Department of Inland Fisheries and Wildlife



Percent of 1990/91 General Fund



Departments covered in this category

- Conservation
- Environmental Protection
- Inland Fisheries and Wildlife

The portion of the 1990/91 budget allocated to Natural Resources includes funding for the Departments of Conservation, Environmental Protection, and Inland Fisheries and Wildlife. The 1990/91 recommended budget of \$54.2 million represents a 24.2 percent increase over 1988/89 and includes funding for the following new or expanded programs aimed at enhancing the State's ability to protect and preserve Maine's unique natural resources:

Department of Conservation:

The budget includes \$510,000 in additional money to the Department to consolidate and improve management within the Bureau of Forestry and the Bureau of Parks and Recreation. The changes will enhance the Department's programs in three key areas:

- Land use regulation, where funds will provide for better enforcement of LURC laws and improved capacity to review major development projects.
- Forestry, where the Maine Forest Service will be provided with resources to improve information gathering on forest harvesting practices and improve forest fire control practices.
- Outdoor recreation, where the Department will add a program in outdoor recreation, public access, and land conservation, as well as increase resources to State parks and municipal recreation programs.

Department of Environmental Protection:

Upon taking office in 1987, Governor McKernan commissioned a study of the Department to determine how to deal with the efficiency and administrative problems that had plagued it for several years. Management consultants conducted the study in the fall of 1987 and delivered their final report in February of 1988. The first half of the recommendations were funded during FY89 and the 1990/91 budget includes funding for many of the recommendations made in that report.

The bulk of the \$1.2 million earmarked for these improvements is for additional personnel and increased computer capacity, resources that will allow the Department to meet its statutory responsibilities and better protect Maine's environment.

Also included in the Department's budget is \$100,000 to continue development of the Marine Environmental Monitoring Program, established by the 113th Legislature. While the present budget for the program is enough to prepare a report on the extent and effect of industrial pollution in Maine, it does not provide for addressing those issues or the already documented problems in the waters of Casco Bay, Boothbay Harbor, and the Piscataqua River Estuary. New dollars will allow the program to conduct additional diagnostic surveys to determine the source of pollutants in these areas and prepare remedial action plans where appropriate.

A portion of this budget request (\$30,000) will be used by the Department of Marine Resources for monitoring work.

Department of Inland Fisheries and Wildlife:

The 1990/91 budget includes \$2 million in General Fund revenues to support the work of the Department. Projections indicate that the Department, presently funded through dedicated revenues from hunting and fishing licenses, will experience a \$3 million shortfall in 1990 and 1991. The balance of the shortfall will be met through an increase in license fees.

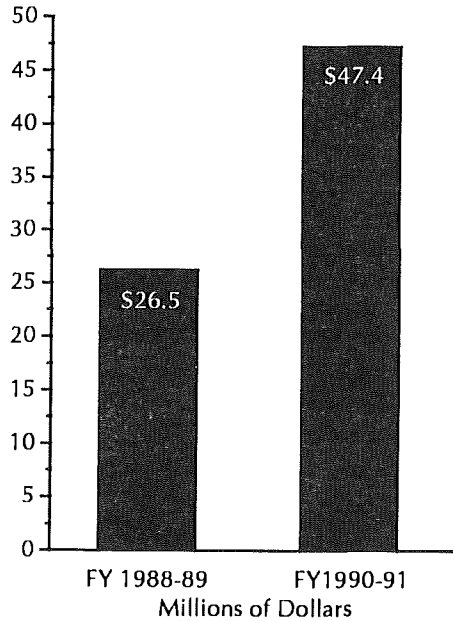
Focus On: Solid Waste Management

Twenty years ago, solid waste disposal was clearly a local issue. Nearly every community had dumps, and there was little concern about their environmental impact. Consequently, there was little state regulation. But during the 1970's, it became increasingly apparent that our existing disposal practices were causing considerable harm to the environment and posed real health risks. In 1980, having identified those disposal sites that posed the greatest environmental, health, and safety threats, the state began to close many local dumps. While those sites were relatively quick to close, the alternatives to dumping were not so quickly developed.

Clearly, the State now has a major role in helping to address solid waste problems and develop new patterns for solid waste management. Therefore, the 1990/91 budget includes \$2.7 million to begin to implement an integrated solid waste management program that includes the creation of a new Solid Waste Management Authority with responsibility for siting and regulating proposed waste facilities.

The Authority will designate six regions as solid waste management districts and will review and approve their solid waste management plans; it will provide the initial funding regions need to hire personnel to develop and implement solid waste plans (\$909,000); and offer financial and technical assistance for regional recycling initiatives (\$754,000).

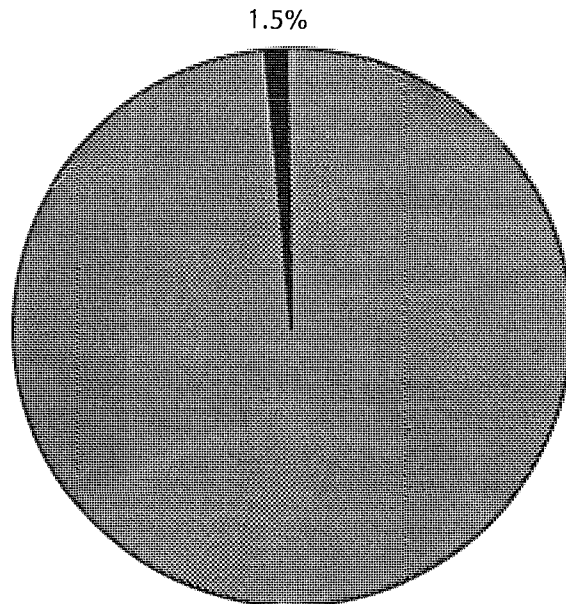
As important as developing new regional facilities for handling our waste is the need to reduce the amount of waste we generate each year. Therefore, the proposed waste management system includes a mandated waste reduction and recycling program aimed at reducing the state's waste stream by 25 percent by 1995; an expansion of the bottle bill to include single serving non-carbonated beverages; an aggressive public education campaign; and the creation of a revolving loan fund (funded initially at \$400,000 and administered by the Finance Authority of Maine) to assist businesses in conforming to a proposed office paper recycling mandate that is part of the solid waste initiative.



Highlights of the Proposed 1990-91 Program

- Additional support for the Bureau of Intergovernmental Drug Enforcement
- Additional State Police Troopers
- Expanded training for law enforcement officers
- Modernization of public safety data bases
- Veterans Cemetery expansion
- Dam Safety Program
- Reconstruction of the Hartland Dam

Percent of the 1990/91 General Fund



Departments covered in this category:

Public Safety
Defense and Veterans Services

Funding for the State Departments of Public Safety and Defense is set at \$47.4 million , an increase of \$20.8 million , or 78.4 percent, over the 1988/89 biennium.

PUBLIC SAFETY

In 1987 Maine ranked 44th among the 50 states in crime rates, and over the past decade, has experienced a moderate decline in its crime rate. Contrary to these trends, however, the state has seen in recent years a marked increase in the number of drug-related crimes. The trafficking and use of cocaine and the resurgence of heroin in southern Maine are cause for serious concern.

To continue to modernize and improve the State's capacity to ensure the safety of its citizens, the 1990/91 General Fund budget includes:

- A \$259,000 request for an additional ten new state troopers to perform rural patrol functions beginning in FY91. (This figure represents 50 percent of the total cost of these positions; the remainder is to be funded through the Highway Fund.)

In addition, twelve new troopers will be added in FY90, funded entirely from the Transportation Safety Fund, to increase commercial vehicle enforcement work.

- \$138,000 to establish a statewide in-service training program to ensure that all law enforcement officers in the state are apprised of changes in the law and have an opportunity to update their critical skills each year.
- \$653,000 to begin modernizing the Department's antiquated and fragmented information handling system so that public safety personnel across the state have the kind of prompt and reliable information they need to conduct their work. (This figure represents 50 percent of the total budget for this project; the remainder will be paid for through the Highway Fund.)

DEFENSE AND VETERANS SERVICES

The Maine Department of Defense and Veterans Services includes the Maine Emergency Management Agency, the Bureau of the Military (the Maine National Guard), and the Bureau of Veterans Services. Much of the funding for this Department (56 percent) comes from the Federal Government. State support of the Department of Defense and its programs was \$9.4 million in 1988/89. The 1990/91 budget includes a 12.5 percent increase, to bring state funding to \$10.6 million.

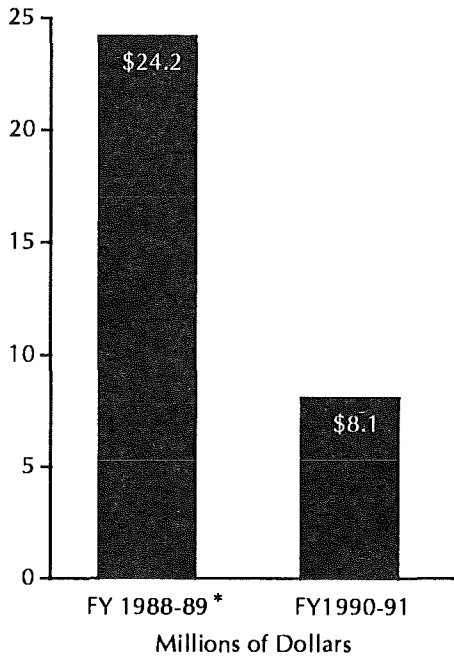
Included in this increase is \$100,000 to expand the Maine Veterans' Memorial Cemetery; these funds will be matched with \$100,000 in federal support. The Department's budget also includes funding for a new \$115,000 program within the Maine Emergency Management Agency (M.E.M.A.) to inspect dams and ensure they meet construction and safety standards. And, as a result of the severe flooding in April 1987, the budget includes \$225,000 in Disaster Assistance Funds for the State's share of reconstructing the Hartland Dam.

Focus On: Illegal Drugs and Substance Abuse

While Maine's crime rate is one of the lowest in the nation, the state is not immune from serious criminal activity, nor is it free from the dangers of drug trafficking and abuse. In Maine the business of distributing illegal drugs is conservatively estimated at \$100 million a year. Here, as in the rest of the country, illegal drugs pose an unacceptable threat to public safety and health.

In an effort to stem the flow of drugs into and across Maine, the Bureau of Intergovernmental Drug Enforcement (B.I.D.E.) was established in 1987. Unique among the fifty states, B.I.D.E. brings agents from the State Police, county sheriffs' offices, and local police departments together into one agency whose sole mission is the interruption of the drug supply into the State and the apprehension of drug dealers. Divided into regional task forces, the Bureau now covers large parts of the State with a professional, highly motivated drug enforcement effort. In order to ensure that B.I.D.E. is able to expand its task forces to provide the entire state with the same kind of drug enforcement protection, the budget includes \$3.6 million to fully fund the Bureau and its work. Also included in the budget is \$105,000 for assuming the costs of two Assistant Attorneys General assigned to B.I.D.E. Federal funding for these positions is expected to expire in 1989.

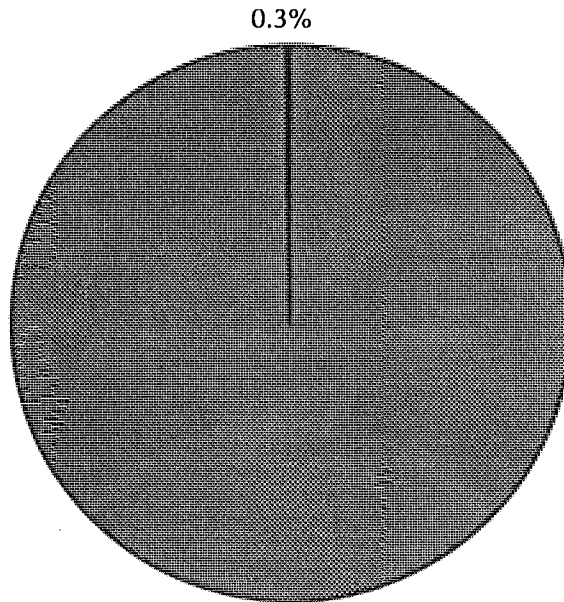
Because education and prevention are critical weapons in the war on drugs, the budget also includes \$408,000 to strengthen the State's existing substance abuse, prevention, and rehabilitation efforts.



Highlights of 1990-91 Program Initiatives

- Highway Modernization Program
- Ferry Service improvements
- Air Search and Rescue
- Maintenance of state-owned rail lines

Per Cent of General Fund Budget



* The FY88/89 General Fund appropriation included one-time funding of \$13.2 million from the State's Rainy Day Fund. It also included \$3.3 million more in capital construction costs than is funded in FY90/91.

Departments covered in this category

Transportation

The Maine Department of Transportation receives its funding from two sources: the State Highway Fund, which is subsidized by the Federal Highway Trust Fund, and, to a far lesser degree, the State's General Fund.

Highway Fund During 1988/89, Maine is expected to receive \$120 million in federal highway funds. Because of federal program reductions, Maine expects to receive only \$100 million in the coming biennium. To continue ongoing projects and undertake a comprehensive, statewide highway and bridge improvement program, the Legislature approved an increase in the state motor fuel tax in 1988. That increase will allow the State to continue to address Maine's

transportation needs. (See below.) In all, the Highway Fund budget for the coming biennium is set at \$425.7 million, including \$1.9 million in new or expanded programs.

General Fund The Department of Transportation receives General Fund appropriations for non-highway programs conducted through its Aeronautics, Public Transportation, Rail, and Ports and Marine Divisions. General Fund appropriations total \$8.1

million for the 1990/91 biennium. The budget includes new funding for ferry service capital improvement projects in Penobscot and Casco Bays, new engines for the Executive aircraft, two new ferry service crews to continue the extra service to North Haven and Vinalhaven, funding for Air Search and Rescue, and funding for maintenance of State-owned rail lines and a staff position to manage those lines.

Focus On: Highway Modernization

At the same time that the federal government has been withholding a significant portion of Maine's federal highway funds, the demands on Maine's roads have continued to increase. In 1987, Governor McKernan's Task Force on Economic Development held a series of public meetings across Maine. The message its members received was clear: in order to compete in regional and world markets, and in order for Maine's economy to continue to grow, Maine must build and maintain a modern, safe highway system capable of handling current and increasing traffic.

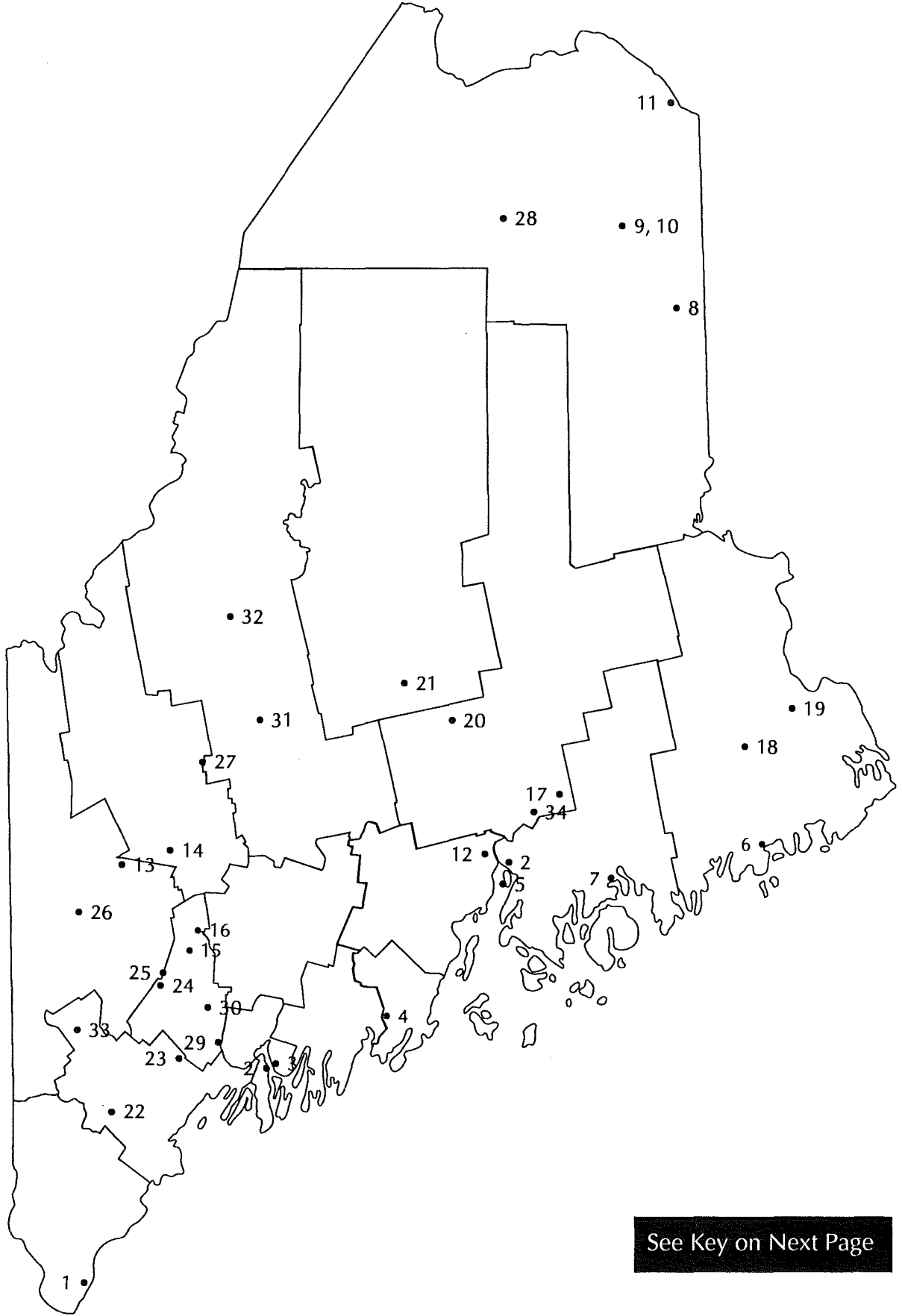
The Task Force recommended that Maine concentrate improvements on those roads carrying — or having the potential to carry — the bulk of the state's goods and services. Of the 1,300 miles identified as being of significant importance, the Department of Transportation determined that about 800 miles did not meet modern standards. The cost to improve these roads was estimated to be approximately \$600 million over twenty years.

To pay for these improvements, the State's gas tax was increased by 2¢ per gallon in 1988 and the tax on diesel fuel was increased by 5¢ per gallon. An additional 1¢ increase on gasoline and diesel will take effect April 1, 1989. In general, the additional funding will allow the State to improve those 800 miles and construct or replace eight extremely large, expensive bridges.

Those gas-tax funded projects will effectively increase Maine's highway construction effort by about 50 percent. (See pages 31 and 32 for those projects that will continue or begin during the 1990/91 biennium.) With adequate funding for these efforts, MDOT will be able to shift approximately \$18 million to other highway systems throughout the state during 1990/91.

In addition to the gas-tax funded projects, further improvements to the total highway network will result from the expansion project undertaken by MDOT and the Maine Turnpike Authority. The expansion project includes widening the Turnpike from two to three lanes in each direction between Mile 12 in York and Exit 6A in South Portland. The Turnpike Authority will also provide additional revenue to MDOT as well as an expansion of the DOT's interchange program.

Gas-Tax Supported Highway Modernization Projects 1989-1991



See Key on Next Page

**Gas Tax Supported Projects
FY 1989-1991**

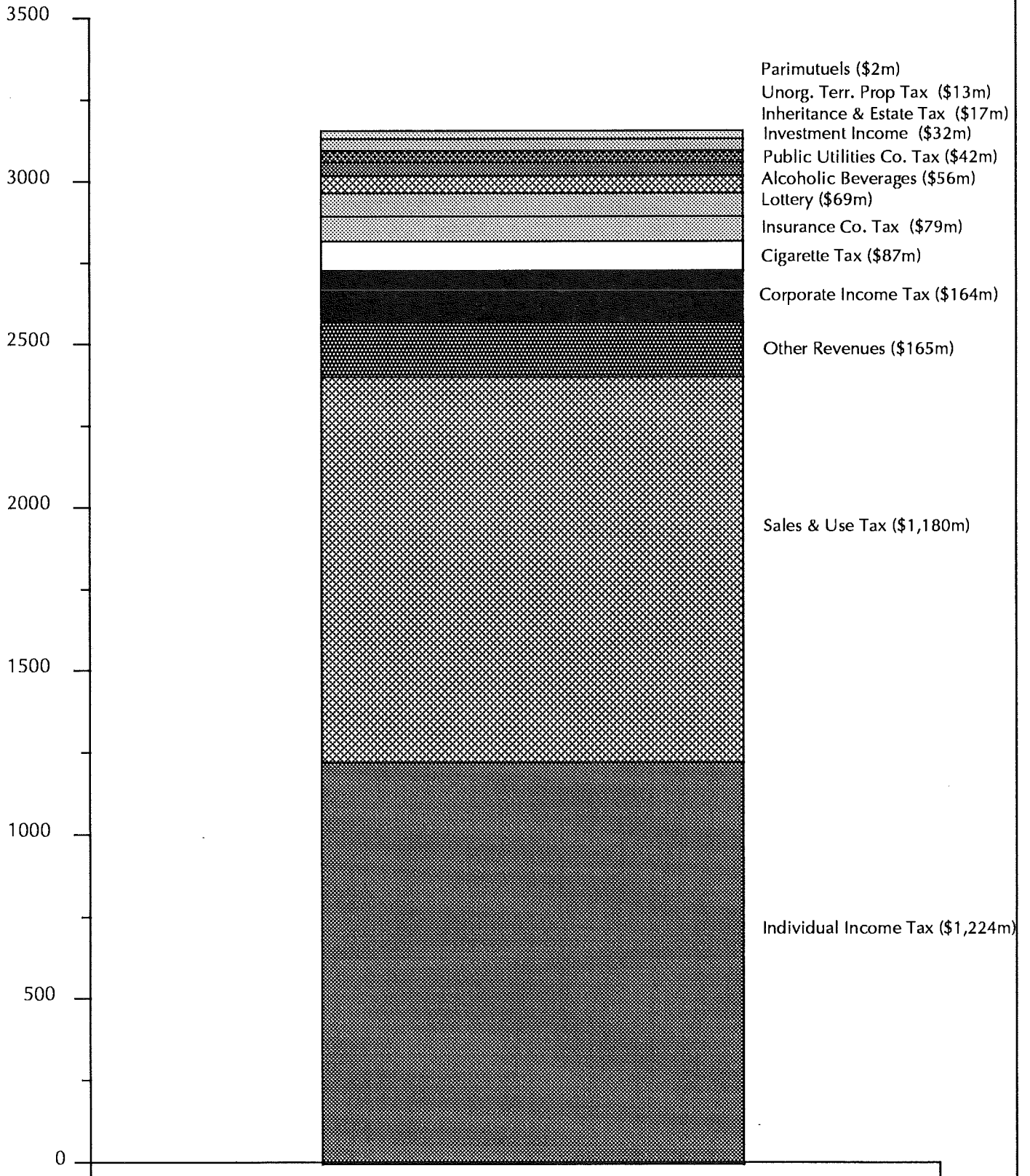
Map Key	Town	Route	Cost (millions)	Length (miles)
1	York	1	\$2.20	1.85
2	Bath-Bucksport*	1	0.50	
3	Woolwich	1	2.75	
4	Warren	1	1.35	1.26
5	Verona	1	1.00	0.89
6	Milbridge	1	1.30	1.00
7	Hancock	1	1.45	1.31
8	Mars Hill Bypass	1	0.10	3.10
9	Presque Isle	1	2.45	1.98
10	Presque Isle Bypass	1	3.54	1.51
11	Cyr-Van Buren	1	1.50	2.10
12	Winterport	1A	1.35	1.11
13	Wilton-Dixfield	2	1.65	1.50
14	Farmington	2	2.40	1.83
15	Turner	4	2.10	2.02
16	Livermore	4	3.20	3.20
17	Clifton	9	3.60	3.68
18	T31-MD	9	1.10	1.00
19	Alexander	9	3.10	2.65
20	Corinth	15	1.25	1.29
21	Sangerville	23	1.40	2.40
22	Standish	25	1.40	1.80
23	New Gloucester	26	2.50	2.16
24	Mechanic Falls	26	1.10	0.88
25	Mechanic Falls-Oxford	26	1.40	1.75
26	Woodstock-Greenwood	26	1.10	1.44
27	New Portland-Kingfield	27	1.30	1.60
28	Ashland	163	1.55	2.00
29	Lisbon Falls Bypass	196	0.20	2.00
30	Lewiston	196	3.45	2.85
31	Moscow	201	4.85	4.69
32	The Forks	201	1.25	1.25
33	Bridgton	302	1.20	1.12
34	Holden-Eddington*	1A - 9	0.10	5.00

* Preliminary Engineering Studies

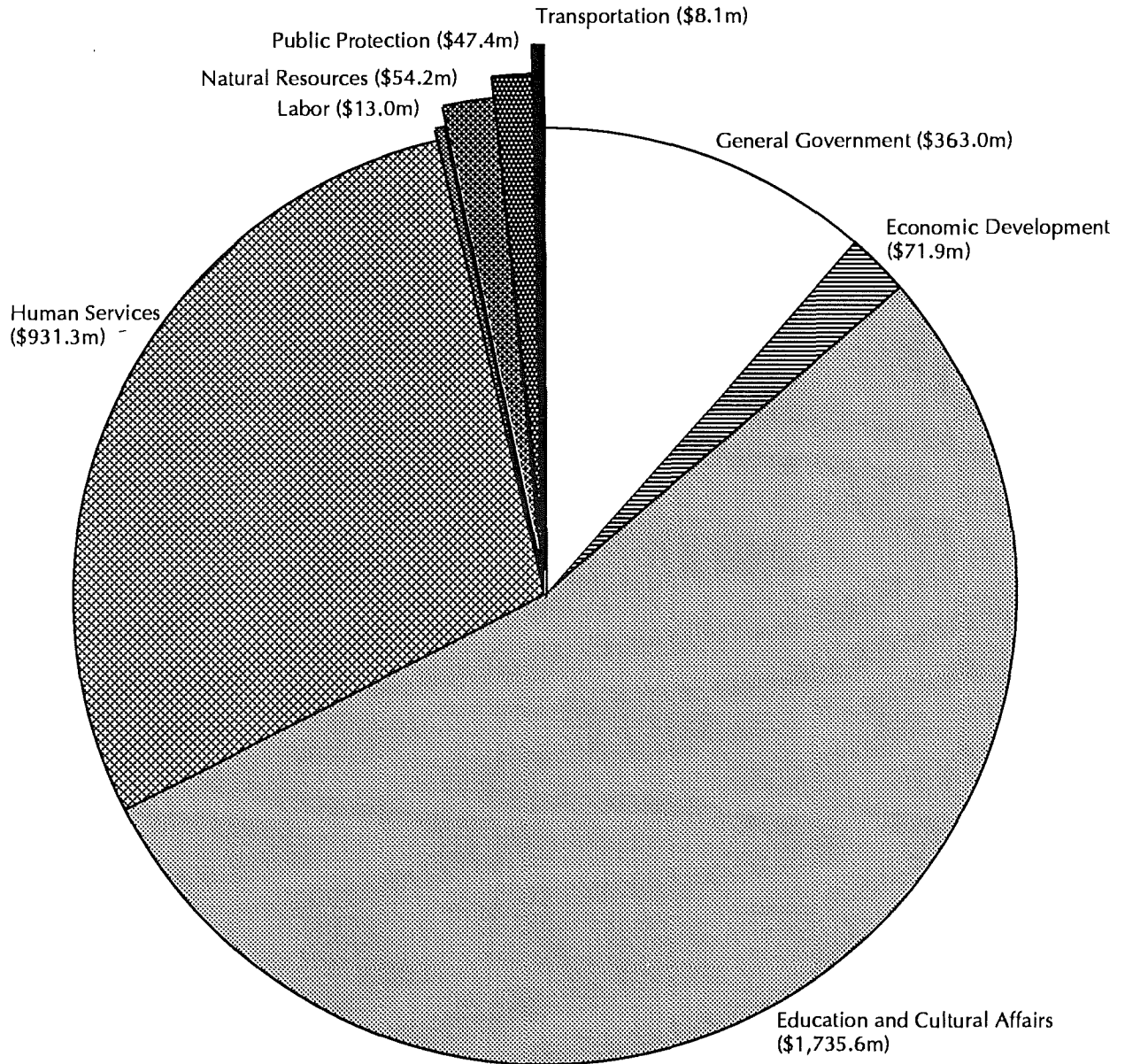
Appendix
Budget Summary

1990/91 GENERAL FUND REVENUES

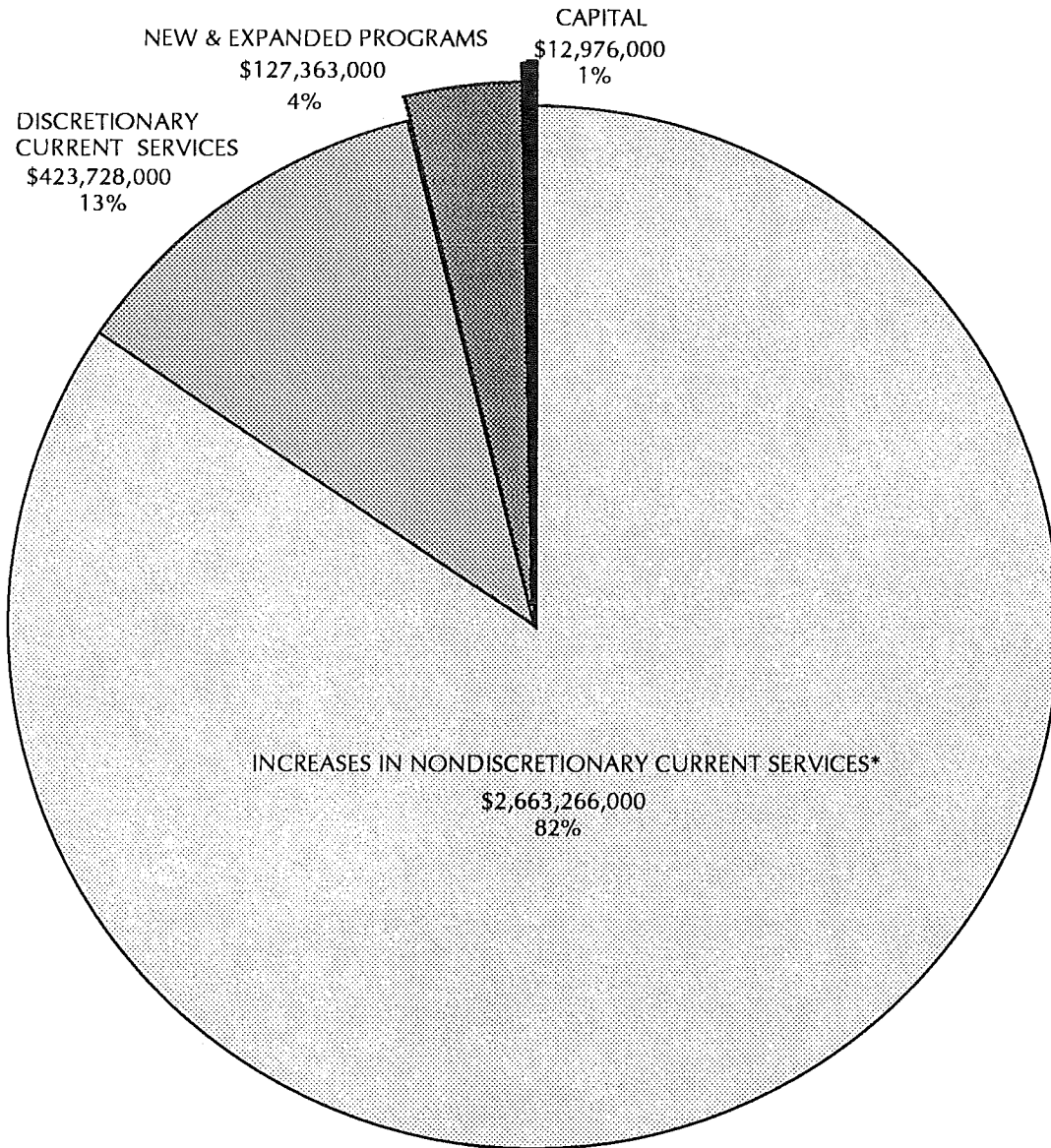
Millions of Dollars



1990-91 GENERAL FUND EXPENDITURES (By Policy Area)



1990-91 General Fund Expenditures By Budget Category



* 82% of ongoing programs allow for little or no discretion as to the level of their funding.