

# MAINE STATE LEGISLATURE

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CITIZENS COMMITTEE ON THE SURVEY OF STATE GOVERNMENT

ANNUAL SESSIONS

Armand Duquette  
Lowell Bailey  
Wallace Parsons  
Paul Plumer  
Maynard Dolloff

APPOINTIVE POWERS OF  
GOVERNOR

Richard J. Dubord  
Kenneth Tipper  
Frank Pierce  
John Donovan  
Llewellyn Colomy

CORRECTIONAL PROGRAM

Mrs. Richard Sampson  
Maynard Dolloff  
John Donovan  
Wallace Parsons  
Richard Dubord

DEPT. OF PUBLIC  
PROTECTION

Paul Thurston  
Carl Moran  
Clement Vose  
Joseph McGonigle  
Mary Worthley

EDUCATION

Lucia Cormier  
Edward Penley  
Harrison Lyseth  
Harold Clifford  
Halsey Smith

EXECUTIVE COUNCIL

Robert N. Haskell  
Benjamin Dorsky  
Malcolm Noyes  
Edward Dow  
Joseph J. Freeman

HEALTH AND WELFARE

Edward Dow  
Mary Worthley  
Margaret Payson  
Lowell Bailey  
Alton Lessard  
Malcolm Stoddard  
Joseph J. Freeman  
Mrs. Richard Sampson  
Harold Clifford

LABOR AND INDUSTRIAL RELATIONS

Rodney Ross  
Joseph Freeman  
Benjamin Dorsky  
Gerald Cole  
Paul Plumer

LIQUOR COMMITTEE - Executive  
Comm.

Alton Lessard  
Robert N. Haskell  
Paul Thurston  
Edward Penley  
Edward Dow  
Edith Hary

NATURAL RESOURCES

Kenneth Hancock  
Robert N. Haskell  
Clinton Barlow  
Llewellyn Colomy  
Malcolm Noyes  
Maynard Dolloff

PERSONNEL BOARD

Denis Blais  
Frederick Downing  
Malcolm Stoddard  
Margaret Payson  
Clinton Barlow

PLANNING AND DEVELOPMENT

Halsey Smith  
Lucia Cormier  
Edward Penley  
Harrison Lyseth  
Harold Clifford

## PUBLIC WORKS

Clement Vose  
Gerald Cole  
Paul Thurston  
Robert Haskell  
Kenneth Tipper

## REGULATION OF BUSINESS

Carl Moran  
Halsey Smith  
Joseph McGonigle  
Denis Blais  
Armand Duquette

## STAFF SERVICES

Frederick Downing  
Denis Blais  
Malcolm Stoddard  
Margaret Payson  
Clinton Barlow

## SPECIAL REVENUE FUNDS

Edward Penley  
Lucia Cormier  
Harrison Lyseth  
Harold Clifford  
Halsey Smith

## TERM OF GOVERNOR

Alton Lessard  
Rodney Ross  
Mrs. Richard Sampson  
Gerald Cole  
Kenneth Hancock

FINAL REPORT

SUBCOMMITTEE ON THE TERM OF GOVERNOR

Recommends that the gubernatorial term be extended from two to four years.

Sen. Alton Lessard, Chairman  
Gerald Cole  
Kenneth Hancock  
Rep. Rodney Ross  
Mrs. Richard Sampson

ACTION ON REPORT BY FULL P A S COMMITTEE

It was unanimously voted that the Committee recommend to the next legislature that it submit to the voters of Maine a proposed amendment to the State Constitution providing a four-year term for governor.

## REPORT OF SUBCOMMITTEE ON APPOINTIVE POWERS OF GOVERNOR

The committee on the Appointive Powers of the Governor was asked to consider the matter of appointment of four positions, namely: Secretary of State, Treasurer, Attorney General and Commissioner of Agriculture.

Recommendations are as follows:

1. The Committee recommends that the Secretary of State be appointed by the Governor with the advice and consent of the Governor's Council for the same term as the Governor. The committee's reason is that the Secretary of State is primarily responsible to the Governor in the performance of his Constitutional and Statutory duties.

2. It is recommended that the State Treasurer continue to be elected by the Legislature.

3. It is recommended that the Attorney General not be appointed by the Governor and that he continue to be elected by the Legislature with further study being given to the question as to whether or not he should be elected in a general election. The committee finds that the Attorney General renders opinions submitted to him by the Governor and Council, Department Heads or by either branch of the Legislature. Further "It is for him to protect and defend the interests of the public." He is not primarily responsible to the Administrative Branch of the Government.

4. It is recommended that the Commissioner of Agriculture be appointed by the Governor with the advice and consent of the Governor's Council for the same term as the Governor. The thinking in this recommendation is that the Commissioner of Agriculture is a department head responsible to the Administrative Branch of the Government.

Respectfully submitted,

Kenneth Tipper  
Frank Pierce  
Lewellyn Colomy

## P R E L I M I N A R Y   D R A F T

Augusta, Maine  
November 13, 1956

Citizens Committee on the Survey of State Government. Report of the subcommittee on the Executive Council: Dorsky, Dow (secretary), Freeman, Haskell (chairman), Noyes.

Gentlemen:

Your committee herewith submits recommendations dealing with the selection and duties of the Executive Council. Implementation of these recommendations would require constitutional and statutory changes.

Method of selection. We believe that a more representative method of choice would be through direct election by the voters in the seven council districts. It should be provided by statute that the rural section of Cumberland County and likewise the smaller counties in districts containing more than one county, be allotted their proportionate share of councillor terms, substantially as at present.

Council Duties. We find ourselves in substantial agreement with the Public Administration Service report (p. 15) which suggests that the council serve primarily as an advisory body on subjects which the governor may chose to submit to its collective wisdom and judgment. Statutory and consitutional powers now existing would be eliminated except for the following items: --

1. Appointments. Except for the judiciary and possibly certain major administrative appointments, the long list of positions now filled by the governor and council should be placed under the governor alone or the appropriate department heads, with the lesser of these positions subject to the provisions of the personnel law. The council function in the positions left under governor-council appointment should be limited to approval or disapproval of the governor's nominees.
2. Pardons, reprieves and commutations. While final authority should rest with the governor, the council might be given power to advise on pardons and related matters. Council hearings on such matters would be eliminated, and specific recommendations on all requests would come from the parole board.
3. Financial powers. The council's financial powers should be purely advisory, except that its consent might be required on working capital advances, transfers from the contingent fund, and such appropriation adjustments as are permitted

by statute. Financial matters under governor-council authority should be routed through the commissioner of finance and administration and accompanied with his definite recommendations.

Your committee does not recommend that the council share with the governor the power to approve salary schedules, since this task inevitably carries political implications. It is properly an administrative function, and when not entrusted to the director of personnel, should rest in the hands of the governor with the advice of the personnel director. Control is still exercised sufficiently through the legislature's power over appropriations.

Respectfully submitted,

Benjamin Dorsky  
Edward Dow  
Joseph Freeman  
Robert Haskell  
Malcolm Noyes

Subcommittee on Executive Council

## M A J O R I T Y   R E P O R T

Augusta, Maine  
November 28, 1956

Citizens Committee on the Survey on State Government. Report of the subcommittee on the Executive Council: Dorsky, Dow (Secretary), Haskell (chairman), Noyes.

Gentlemen:

Your committee herewith submits recommendations dealing with the selection and duties of the Executive Council. Implementation of these recommendations would require constitutional and statutory changes.

Method of selection. We believe that a more representative method of choice would be through direct election by the voters in the seven council districts. It should be provided by statute that council apportionment, inter-county and intra-county follow the same procedures as exist in the current apportionment.

Council Duties. We find ourselves in substantial agreement with the Public Administration Service report (p. 15) which suggests that the council serve primarily as an advisory body on subjects which the governor may choose to submit to its collective wisdom and judgment. Statutory and constitutional powers now existing would be eliminated except for the following items:--

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adjustments as are permitted by statute. Financial matters under governor-council authority should be routed through the commissioner of finance and administration and accompanied with his definite recommendations.

Your committee does not recommend that the council share with the governor the power to approve salary schedules, since this task inevitably carries political implications. It is properly an administrative function, and when not entrusted to the director of personnel, should rest in the hands of the governor with the advice of the personnel director. Control is still exercised sufficiently through the legislature's power over appropriations.

Respectfully submitted,

Benjamin Dorsky  
Edward Dow  
Robert Haskell  
Malcolm Noyes

Subcommittee on  
Executive Council

## SUBCOMMITTEE ON EXECUTIVE COUNCIL

## MINORITY REPORT

Re: Report on Recommendations for the Executive Council

It would be for the best interests of the people of Maine and also for the efficiency and economy of responsible executive and administrative officials in Maine state government that the executive council be abolished. In support of this conclusion, I offer the following reasons:

1. The Governor of the State is the chief executive of the State and who, being elected by the people, is responsible to them not only for his acts and decisions but also for the conduct and decisions of officials in State government during his administration. In order to place the direct responsibility for the administration in power, it is absolutely necessary that the Governor have greater power in the selection of his advisors. It should be pointed out that the President of the United States selects his own Cabinet subject to confirmation of the United States Cabinet. If one particular cabinet member or someone within that particular department makes a decision contrary to the general belief held by the majority of the people, the President is still responsible for that decision, he having selected the Cabinet member, who was confirmed by members of both political parties. In turn, the particular Cabinet chief who selected the particular individual who actually made the unfavorable decision is also responsible secondarily but merely as a reflection of the President's choice. There would be no question as to the area of responsibility. However, under the present executive council setup, the Governor cannot be held responsible unless the Council agrees with the original decision by the Governor.
2. It should be further pointed out that the President's Cabinet is on a full-time basis. Each member, regardless of political differences, is familiar with the particular Department over which he is head, and consequently his advice has greater likelihood of being sound.
3. Though the general makeup of the Executive Council is one of former legislators, the difficulty arises that each member has, in most cases, private interests, which the Cabinet members of the President do not. For example, Mr. Charles Wilson, Secretary of the Department of Defense, had to dispose of his stock in General Motors, because of his former company competitive position in relation to Government contracts.

4. Sound business practice dictates that the advisors to the Governor on primary matters of state policy should be answerable to the Governor. To illustrate this point, let us take a private concern engaged in business for profit. In the case of a corporation, the responsible officials for the direction of the corporation are the Board of Directors. The officials who carry out the policy of the corporation are the corporate officers who are in charge of various departments. The Board of Directors are men who are thoroughly familiar with the operations of that particular type of business though they may also have other interests. Yet the Board is paid a salary worthy of their value to the corporation. They meet at least once a week, if not more often, in any well run corporation. No sound business man would want or seek the advice of an individual who was working for them on a part-time basis and particularly where that individual's capability did not encompass the range of that particular corporate activity. In short, the advice, if given, would only be worth a small fraction of what a qualified one would be.
5. Under the present legislative setup, within both the Maine House and Senate, there exists committees and subcommittees whose scope of activity would embrace many, if not all, of the executive council's functions. Allied to this fact is that no additional expense would be incurred by the State if it would utilize the existing legislative groups that they now have. In addition, the various Department heads could easily assume, without detracting from their respective duties, the advisory function now performed by the Executive Council.
6. Executive councilors are not qualified to pass on the judicial appointments unless they are either attorneys or former judges themselves. Political expediency is the guide of the present system of the appointment to the judiciary. It is recommended that the Governor, although he may not be an attorney, select the justice whom he feels is most qualified. In reality, his decision would be dictated by many considerations but since he is elected by the people he should have that prerogative. Confirmation of judicial appointments should be had by the House of Representatives in Maine rather than by the Senate, since it is more representative of the State and as a more practical reason, our Maine House is not so large as to be unwieldy.
7. Relative to pardons, reprieve, etc., the Governor, with the advice of an existing legislative committee, or one that could be appointed to advise the Governor, could pass on these questions as submitted to them by the Parole Board with specific recommendations.

8. Finally, the executive council creates unnecessary power and influence in the Councilor's own district because of the commitments he usually must make to get the approval of the respective county delegation in his district in addition to any other commitments he may have to make to the other legislators. Further, the executive council is not answerable to the people.

I might add parenthetically that what is most urgently needed is a Department of Information, composed of career officials within the existing departments and agencies who would devote their time exclusively to talking to the people of the State of Maine and explaining to them the services of their various departments and agencies. Individuals within the existing departments and agencies could very well do this without great expense to the State of Maine. The object of all this would be to create and stimulate public interest in our State government. It would also further the chances of getting through the legislative program of the existing administration. In brief, taxation and possibly better regulation of existing enterprises could be had if the people were truly informed. Public information year should not be relegated to the election year. Periodic statewide lectures and radio talks would be recommended and well received by existing media of communication because it would be a great public service to the State of Maine as a whole.

I full realize that the above suggestion is not contemplated either by the full committee or my particular subcommittee but merely pass it on for group discussion.

Respectfully submitted,

J. J. Freeman

Augusta, Maine  
December 5, 1956

Report of the subcommittee on Annual Sessions:  
Duquette, Plumer, Dolloff, Bailey, Parsons.

To: The Citizens' Committee on the Survey of  
State Government.

The subcommittee on annual sessions has given the subject considerable study and found many arguments for and against such a change.

Most of these arguments have a bearing on subjects being studied by other subcommittees. For that reason this subcommittee would like to defer its finding to give other committees an opportunity to advance any material they may have found that would help in its final decision.

Respectfully submitted,

Armand Duquette  
Paul Plumer  
Maynard C. Dolloff  
Lowell E. Bailey

Augusta, Maine  
December 28, 1956

Report of the subcommittee on Annual Sessions;  
Duquette, Plumer, Dolloff, Bailey, Parsons

To: The Citizens' Committee on the Survey of State  
Government.

The subcommittee on annual sessions agrees with the Public Administration Service report on the desirability of adopting a budget annually, but feels that an "off year" session should be limited to not more than 30 days and to the consideration of financial matters and emergency measures. The subcommittee believes the change to annual sessions should be considered only in case of adoption of a four-year term for governor.

Respectfully submitted,

Armand Duquette, Chairman  
Maynard C. Dolloff  
Paul S. Plumer

(Bailey and Parsons not present)

Augusta, Maine  
November 28, 1956

Report of the subcommittee on the correctional program:  
Dolloff, Donovan, Dubord, Parsons, Sampson.

To: The Citizens' Committee on the Survey of State Government.

The subcommittee on the correctional program has begun an evaluation of the P.A.S. recommendations in the correctional field that will take several weeks to complete. The only recommendation that we are ready to make at the present time is one that we believe requires the immediate attention of the legislature: we recommend the establishment of a statewide probation and parole system, in order to provide urgently needed probation and parole services in the State of Maine.

We believe that such a system should be set up in the manner recommended by the P.A.S. survey; that is, that the Commissioner of the Department of Institutional Service (or the Director of the Department of Corrections if such a department is established) should appoint a Director of Probation and Parole and that this director should be responsible for administering a state probation and parole system. The director and all other employees of the probation and parole bureau should be appointed under the provisions of the Personnel Law.

An adequately staffed and adequately financed probation and parole system will pay for itself many times over, not only in dollars and cents but also in what is more important, valuable human lives. We believe that the institution of a state probation and parole system is absolutely essential to the continued development of a sound correctional program in Maine.

Respectfully submitted,

Maynard Dolloff  
John Donovan  
Richard Dubord  
Wallace Parsons  
Mrs. Richard Sampson

## Report of the Corrections Subcommittee

The corrections subcommittee agrees with the P. A. S. Survey that Maine needs an integrated correctional program that will make the most effective use of our correctional institutions, our probation and parole system and the available knowledge of the cause and prevention of antisocial acts. We also agree that it is impossible for the existing staff of the Department of Institutional Service to develop such a program, due to a woeful lack of personnel and funds.

However, whereas the P. A. S. survey recommends as a remedy to this situation the establishment of a separate Department of Corrections, we would like to recommend a less drastic change which we believe is better suited to Maine's present needs. We would like to recommend that the present central staff of the Department of Institutional Service be expanded to include a Deputy Commissioner, a Director of Engineering and Maintenance, a Director of Mental Health, who would be responsible for the mental health program for the three mental institutions and an outpatient program, and a Director of Corrections, who would be responsible for the program of the five correctional institutions and the probation and parole system. The Director of Corrections should be experienced and trained in the correctional administration field.

We would like to emphasize the fact that it is unreasonable to expect that the present central staff of six persons of the Department of Institutional Service can adequately supervise the operation of ten state institutions which have an annual budget of close to six million dollars, in spite of their conscientious and commendable efforts. Unless Maine is willing to spend the money necessary at this time to expand our programs in the fields of correction and mental health, we will find ourselves spending many times this amount at a later date reaping the problems that we have failed to cure.

The corrections subcommittee would also like to point out that our efforts to improve our correctional program will meet with little success unless we are able to raise the salaries for many of the positions in the correctional institutions and so attract competent personnel. Many of these positions require highly trained personnel; all of them require persons with understanding, sensitivity and courage. This kind of person cannot often be obtained at present wage levels, and we would like to recommend to the Personnel Board a re-evaluation of the wage scales for state employees, in order to attract to state employment persons qualified to develop our correctional program.



We would also like to recommend another administrative change. At the present time, the Parole Board is composed of the Commissioner of the Department of Institutional Service and two persons appointed by the Governor. It is unreasonable to require of the Commissioner the time-consuming and demanding responsibility of membership on the Parole Board. The P. A. S. survey recommends that the Parole Board be composed of three persons appointed by the Governor and that none of them should be a state official. We disagree with this recommendation, because we believe it is absolutely essential for at least one member of the Parole Board to have a direct and continuous knowledge of the correctional program. For this reason, we recommend that the Parole Board be composed of the Director of Corrections and two persons appointed by the Governor.

Maynard Dolloff  
John Donovan  
Richard Dubord  
Wallace Parsons  
Mrs. Richard Sampson

MAJORITY REPORT OF PAS SUBCOMMITTEE  
ON EDUCATION

This subcommittee of the Maine Citizens Committee to study the report on State government by the Public Administration Service of Chicago has been assigned the subject of those phases of public education covered by the p a s inquiry.

Upon accepting its assignment, your subcommittee was forced to decide that because of the shortness of time, no precise, detailed analysis of all the various findings and recommendations by PAS would be possible.

Let us review briefly here what they are.

Regarding the State Board of Education, the PAS flatly declares it "just has not worked," and recommends its abolition, and establishment of a successor which would have advisory powers only.

It states that selection of the chief State school officer-- the commissioner -- by the board is unsatisfactory and urges that the Governor be given this authority, with the nominee confirmed by the Council and enjoying a four-year tenure concurrent with that of the Governor's. This assumes, of course, a constitutional revision to give the Governor a four-year term of office.

The PAS recommends an internal reorganization of the State Department of Education; strengthening of vocational rehabilitation; improved teacher training, with the heads of the teachers colleges appointed by the chief State school officer in lieu of the present system of appointment by the State Board; the introduction of incentive factors into application of the subsidy formula; transfer of the State library and State historian, plus the State museum, to the Department of Education; and incorporation of the newly-housed State School for the Deaf within the department, together with a number of minor changes in the system of public education administration at the State level.

We decided to confine our efforts to the broad question of the value of State Boards of Education, the methods of naming chief State school officers, the history and accomplishments of the Maine State Board as revealed in public hearing before this group November 13th, and such other general aspects of the subject we felt competent to approach.

On the basis of research made available to your subcommittee, we find that every one of the 48 States now have State Boards of Education, although four of them have no jurisdiction over the common school system. In contrast, there were only 38 State boards as recently as 1945, so by national practice they are a firmly fixed feature. In 20 of the States, all board members are appointed by the Governor, in five States they are elected by popular vote, and 16 States use a combination of ex officio and governor appointees.

Eleven years ago only eight State boards were empowered to appoint the chief State school officer. In 1954 there were 18 States in this group. Of the ten States involved, seven had previously elected their chief State school officer by popular vote, and about half the 48 States still do. Plainly enough, the trend is toward nomination of the chief State school officer by the State board. Thus, in both respects, the procedure in Maine conforms to prevailing national practice. This information is compiled in the periodical THE STATE AND EDUCATION (U. S. Dept. of Health, Education, and Welfare).

During the two hours of testimony before your subcommittee in the House chamber Nov. 13th, the method of naming the State board and the chief State school officer was warmly defended by past and present members of the State board, by leading officers in the Department of Education, by school superintendents and by representatives of the Parent-Teachers Association, the Maine Teachers Association, the State colleges, the Maine Superintendents Association, and the State Principals Association. The organization of the board was described, the principle of appointing representatives of five special-interest groups was strongly supported, and current and future educational problems were discussed. Later, at another hearing, both oral and written opposition to the present setup was heard.

On the basis of the evidence, we are prepared to support the preservation of the State Board of Education, and the method of selection of the State Commissioner of Education.

Our espousal of the board, and the manner used in Maine to name its members and appoint a chief State school officer, does not place us in conflict with the fundamental philosophy of State government enunciated by the Public Administration Service in its comprehensive report. We differ with the PAS in this instance purely from our conviction that education is a sensitive, special function, and thus is entitled to privileges and safe-guards in its organization and administration not required in some other areas of State government.

On the other hand, we are not willing to approve the appointment to the State board of representatives of special interests in the field of education--namely, the liberal arts and teachers colleges, the Maine Superintendents Association, the Maine Congress of Parent-Teachers Associations, the Maine Teachers Association, and the Maine Municipal Association.

We deeply believe that education, more than any other function of government, is the business of the people, and that the administration of education should be as close to the people as possible, whether on the local or the State level.

We are impressed by the fact that no other State selects half its State board on the basis of representation of special interests, however devoted they may be to the cause of education. We believe the work of the board can be improved if all its members are selected from the population at large, not going so far as to exclude educators or authorities in that field, but especially bringing within the board the abilities and enthusiasm of younger men and women who are, in this day of changing population trends, among the most eager and articulate champions of better schools. It is our belief that the board should include, at all times, at least two young parents equipped by intellectual training and outlook to help give Maine improved administration of public education.

Now we enter the twilight zone of definition of powers as between the State board and the State Commissioner of Education. We feel this is a pertinent part of the entire subject, since the PAS recommendations, if followed, would have turned over to the Commissioner of Education the functions now reposed in the State board. On the other hand, when the State board was created in 1949, many of the duties then performed by the chief State school officer were given to the board, and the commissioner became the board's executive officer.

There were very good reasons for creating the State board. The late Commissioner Harland Ladd encouraged it as a means of sharing his responsibilities, giving him guidance in meeting educational problems, and providing a strong basis of support in the Department's relations with the Legislature.

In the words of the PAS, the board is the policy-making and rule-making body for the department, and beyond that it acts on administrative matters of major concern. The Department of Education declares, in a statement released to your subcommittee, that:

"From the time of its organization the board has been concerned with such problems as the State subsidy program, the needs of the teachers' colleges and normal schools, teacher certification, vocational education, vocational rehabilitation, the school lunch program, surplus property and surplus commodities, the Maine Vocational-Technical Institute, approval of schools for veteran education (including on-the-farm training programs) regrouping of towns in school unions, evaluation of secondary school programs, employment of personnel, schooling of children in unorganized territories, tuition problems, the minimum salaries of teachers, evening school policies and scholarships."

How much authority is left to the State Commissioner of Education, in spite of the language of the law, we are not competent to judge because obviously a factual determination would be a task of some magnitude. But we suspect the board might not have been required to hold 73 meetings between the time of its organization and June of 1956 if it had delegated to the State Commissioner of Education more of its administrative and appointive authority. The board ought never to be so zealous in the performance of its functions that it can be accused of excessive interference in the department, through the performance of duties capable of being carried out by an able Commissioner.

Therefore, we recommend that the Legislature inquire into this subject of division of powers between the board and the Commissioner, and seek a sharper definition of authority.

We recommend that upon thorough examination of the problem here presented by the Legislature, that it rewrite the powers of the Commissioner of Education so that he will henceforth enjoy the full administrative and appointive authority required for the efficient functioning of the State Department of Education.

Furthermore, we recommend that the Legislature define such policymaking authority of the State Board of Education as will assist the commissioner in carrying out the duties of his office. It is also recommended that the board serve the department in a wide advisory capacity, that it assist the department in the formulation of both short and long-range policies and development of appropriate rules and regulations, and that it explore for the department the need for new and revised educational programs.

As to recommendations made by the PAS for reorganization of the Department of Education, testimony produced by the board and the department indicates these changes have mostly been carried out. We see no major conflict between the changes already in effect and planned for the future, such as creation of a division of research and planning, and transfer of the State School for the Deaf to the department, and the recommendation of PAS.

We agree with the PAS that the subsidy formula carries with it a lack of incentive to induce the poorer towns to improve school standards, since improvement would find their subsidies reduced. This is a problem requiring study by the board and the department for a solution.

We have an open mind upon the value of transferring the State Library, the State historian and the State museum, upon reactivation, to the Department of Education. Your subcommittee encourages the Legislature to study this subject. We do make this observation -- that an adequate State museum, so much needed by Maine, would be a most valuable educational aid in view of the large numbers of school children visiting the Capitol annually.

It was brought out during the defense of the State Board and its makeup that its members not only devoted more time to their duties than the law requires, without any remuneration, but that some met expenses involved in the work of the board out of their own pockets. This unselfishness does credit to the board, but it left us wondering if ability to serve without compensation might not unconsciously be a qualification for service on the State board.

Therefore, we suggest that members be paid a per diem allowance of \$10.00, aware of the warnings often raised against such a practice. In theory, the persons most fitted to serve on the State board should be willing to accept appointment without pay, and no doubt this will usually prove to be true. But there may be others, and especially the younger people whom we would like to see there in greater numbers, who are unable to give so freely of their time, now that the board is meeting on the average over 13 times a year. And even taking all the membership possibilities as a whole, the fact of a modest allowance for each board meeting or day spent in carrying out its duties might make the difference between acceptance and refusal.

This concludes the study made by this subcommittee into the education section of the PAS report. It represents our honest conclusion, on the basis of all the evidence available, and the experience and background of the subcommittee members.

s/ Halsey Smith

s/ Harold Clifford

s/ Edward Penley

s/ Harrison Lyseth

MINORITY REPORT OF PAS SUBCOMMITTEE  
ON EDUCATION

The majority report of the PAS Subcommittee on Education is acceptable to me in every respect except for the method of appointment of the Commissioner of Education.

When the electorate has chosen a governor, he should have the authority to bring to State government, through department heads, the philosophy, the ideas, and the program for which he was elected. He does not have this authority when a State department is controlled and operated by an administrative board that appoints the commissioner, or head of a department. For such a board to have this power is an example of a government within a government. Not only is this unsound but it is unsuccessful.

Such was the situation with the Development Commission until the last session of the Legislature created the Department of Development of Industry and Commerce headed by a commissioner appointed by, and responsible to, the governor. The board acts only in an advisory capacity to the commissioner. It has been a tremendous success.

This same line of authority should exist unbroken from the governor to the head of the Department of Education if we are to be logical.

New Jersey is often cited for its progress in education. It has a State Board of Education but the head of the department of education is appointed by the Governor of New Jersey.

I sincerely believe that for the best interest of education in Maine the Commissioner of Education should be appointed by the Governor and I hope that you will concur with me.

s/ Lucia M. Cormier

## REPORT OF THE SUBCOMMITTEE

## OF THE GOVERNOR'S CITIZENS' COMMITTEE ON HEALTH AND WELFARE

In the Hearings of citizens which this Committee has held and in many discussions concerning the needs of the different phases of the work of this department, four areas have seemed to be of great public interest: salaries and personnel problems; public assistance grants and eligibility requirements; general relief and the settlement law; mental health. Perhaps we should add a fifth area, tuberculosis control.

### I. Salaries and Personnel Problems

The P A S states that the work of the Department is adversely affected by personnel shortages, 65 authorized positions being unfilled (Jan. 1, 1956) and many of these, key professional and administrative jobs. The vacancy rate in the Department of Health and Welfare, a supplementary report says, is second highest in the nation.

The greatest lack which the P A S finds in the department's dealing with human needs, Health and Welfare Institutions, is lack of program. By program is meant coordinated, long-range provision for prevention and cure, as well as strengthened present programs, and this applies in many areas of the work of these departments, - tuberculosis, mental illness, broken homes, delinquency. Program in specialized fields can only be built up by specially trained personnel. Even though specialists in the fields of social work, psychology, and psychiatry are scarce, a primary reason for lack of adequate personnel is lack of adequate salaries. Maine has not approached the salaries and fringe benefits available elsewhere. This means that many of those who work here are transients and stay only until they can get better jobs in other places. Until these conditions are rectified it will not be possible to recruit the kind and quality of people we need to fill key positions, or to make much improvement in services and treatment. Upgrading salaries and filling key positions is basic.

The P A S Report on Recommended Revised Pay Plan for State Services (July 1956) proposes a revision in salary for all state services. This revision will bring present salaries to the average level in New England (as of July 1956). This will cost \$2,000,000. A bill to provide these raises will be presented to the Legislature this session.

We recommend that the bill to provide salary raises for state employees be given support by the Citizens' Committee.

### II. Public Assistance Grants and Eligibility Requirements

Maine administers the following federal-state public assistance programs; Old Age Assistance; Aid to Dependent Children; Aid to the Blind; Aid to the Disabled. PAS points out that state requirements



for eligibility for aid are as stringent as they can be and still permit the state to receive federal financial assistance. PAS further points out that the grants do not meet the needs, O.A.A. being 8% below standard and A.D.C. 24%.

Statutory Maximums. Old Age grants are limited by law to maximums of \$55. per month, the federal ceiling for purposes of financial aid. Similar maximums apply to Aid to the Blind and Aid to the Disabled. The Committee believes that these maximums are unrealistic and can cause great hardship. It believes that grants should be based on individual budgetary needs, (and these include medical aid), in accordance with living standards as defined by Health and Welfare.

A.D.C. Maine's A.D.C. grant is the lowest in New England. Many citizens pointed out to us that this low grant goes far in defeating the purpose of A.D.C. which is to enable the parent or relative to care for the child in its own home.

We believe that the 18% payment from towns of settlement (A.D.C.) should be abolished, and the State assume the deficit (estimated at \$600,000. a year). Towns should not be required to share the cost of the grant while having no voice in its determination or administration, and staff workers in H. & W., who have to decide the matter of settlement, should be freed for their real function, social work.

We recommend that:

1. The 18% of A.D.C. paid by towns of settlement be abolished.
2. The law requiring that a recipient of O.A.A. be a citizen be repealed.

Child Welfare. In the Division of Child Welfare Maine is now caring for approximately 1800 children in foster homes who have been placed in the custody of the State, primarily for reasons of neglect. The size of the state appropriations for this service allows for a basic board rate of \$30. a month for board, care, and supervision. The rate has not been increased since 1950. PAS recommends that this rate be adjusted upwards, and the Department of Health and Welfare has requested an appropriation which will allow a weekly board rate of \$10.

We recommend that:

1. We support the request of Health and Welfare for appropriation enabling the Department to increase the rate in foster homes to \$10. weekly.
2. Since the services for the care of children are now centered in the Department of Health and Welfare,

We recommend that:

The Bath Childrens' Military and Naval Home be transferred to the Department of Health and Welfare.

General Relief and the Settlement Law. In Maine the laws for general relief - that part of welfare assistance which takes care of the needy not falling in any of the categories - hang on settlement as a pivot. A person who can claim "settlement" - five years' residence by himself or his father in one town without relief - is entitled to relief from that town. If he has no "settlement", the State pays the costs and supervises the relief. Further, those who receive general relief from the town are designated as paupers and are disenfranchised. The results of these laws are often long controversies between town and town and between town and state, which drain away money and staff time.

PAS states that settlement is an "archaic application of something most states have discarded as wasteful, useless, and punitive," and recommends that the settlement laws should be abolished (at the very least, improved) and that the state eventually assume the financing of general relief.

We would like to recommend that the pauper laws be removed from our statutes now, as does PAS, for we believe they reflect a social philosophy no longer tenable. We are informed by specialists in the field of municipal law, however, that the pauper laws and the settlement laws are inextricably intertwined; further, that a body of case law has grown up about them, piling confusion on confusion. We believe that a thorough and searching scrutiny of these laws should be made by experts in the field, and therefore, we recommend that

The governor appoint a committee to make a thorough study of the settlement laws and bring recommendations to the next Legislature, and that funds be provided for technical and consultant services, as needed.

### III. Mental Health

Mental diseases are the diseases of today and are on the increase. Every teacher, every pastor and priest, every counsellor has someone who he knows needs the advice of a person trained in dealing with mental disorders. Where can he send them in Maine? The answer is, - nowhere!

In the field of mental health, as in no other medical field, the state plays a major role; by this we mean that the mentally ill who are institutionalized are largely in state institutions. Private institutions are beyond the financial capacity of all but a few.

Although the men who manage our institutions do fine work with what they have to work with, institutional services in Maine are, with but few exceptions and by the most conservative standards, inadequate, and community services (traveling and out-patient clinics) are slight indeed.

After many conferences with heads of departments, medical men, the mental health groups, public spirited citizens, three facts emerge:

1. The work of our institutions must be given greater moral and material support, and now by all of us.
2. Community services in mental health must be greatly expanded, and now.
3. All the services relating to mental health should be placed together.

There are three different views as to where to place this unit or division on mental health: put the whole thing under institutions; put it under Health and separate Health and Welfare; make a separate department.

The Committee feels that the best place for mental health is a separate department. The only question is the matter of timing. All evidence brought in to the Committee made us feel that the picture is not yet clear enough to make that department change now.

We therefore recommend that:

1. The Division of Mental Health be greatly expanded where it is, for now, in the Bureau of Health; that a full-time director be hired at once, at whatever cost, to establish a program.
2. That the Governor appoint a committee with a set-up like that of the Committee on Aging, to study all aspects of the problem of mental health and bring in recommendations to the 1959 Legislature.

IV. Tuberculosis Control

Our recommendations in tuberculosis control are those of the PAS and the Maine Tuberculosis Association, with one exception (sanitoria).

We recommend that:

1. A specially trained director of tuberculosis be appointed and the salary upgraded to secure him.
2. Diagnostic laboratory facilities be transferred to Central Maine Sanitorium.
3. Both the means test and the \$2.00 charge to towns of settlement be eliminated.

Under the law a T.B. patient or relative is required to pay for treatment in the sanatorium as he is able, to the limit of the per diem cost. This is called the "means" test. If no one can pay for a patient then the place of settlement pays. That this test is undesirable is the universal opinion of people engaged in T.B. work. It not only costs more than it is worth to collect, but, more important, it keeps some people who need it from seeking hospitalization.

4. Consideration be given to the commitment laws, permitting local health officers to initiate commitment proceedings.

5. Definite plans be made during the next biennium for closing the Northern Maine Sanatorium, and as soon as it is definitely established that one Sanatorium can take care of all the patients, the Sanatorium at Hebron be closed, leaving the Sanatorium at Central Maine.

The PAS recommendation is that one sanatorium be closed now and the second as soon as the patient load allows.

6. All future construction and outlay for improvements be made at Central Maine.

#### V. Other Recommendations:

1. We believe that the preferential treatment of Special Resolve pensions is unsound practice, and recommend that the Legislature give serious consideration to its discontinuance. (PAS)

2. PAS recommends that the Department of Veterans' Affairs be transferred to Health and Welfare. Since nearly every state has a separate department of Veterans' Affairs, we think it wise to leave it where it is.

Harold Clifford  
Margaret Payson  
Jean Sampson  
Malcolm Stoddard  
Dr. Daniel Hanley, Consultant  
Mary Worthley, Chairman

## Committee Report

This is a report of the Sub-Committee which was appointed to study the section of the survey of State Government dealing with Labor and Industrial Relations.

In the opinion of your Committee, it is neither practical nor necessary to create a new department at this time which would combine the Department of Labor and Industry, the Employment Security Commission and the Industrial Accident Commission. There is no duplication of effort at the present time within these Departments. In certain phases of their operations they work closely together now, and seem most willing to cooperate with each other. Clerical help is being kept to a minimum and would not be noticeably reduced if the Departments were consolidated. Although some of their problems are contiguous, they are complicated and very technical and it would be most difficult to find a person with the proper qualifications to assume the responsibility of all operations. The present method of appeals in dispute cases appears to be working to the satisfaction of employer and employees alike. The Employment Security Commission is currently planning to erect a \$400,000.00 building with Federal funds. This will become the property of the State after twenty years, but until that time additional space therein for any other operation would have to be leased annually by the State.

Although there are many other reasons and considerations, it would appear that the above facts substantiate the Committee's opinion for the following reasons:

1. No financial saving would be accomplished.
2. The overall efficiency would not be increased.
3. Services presently rendered would not be improved.

Nevertheless, there are certain specific recommendations which we feel should be given consideration at this time.

- a. An equitable minimum wage law should be enacted.
- b. The Division of Research and Statistics within the Department of Labor should be augmented and adequately financed.
- c. The administration of labor laws should be consolidated.

Respectfully submitted,

Rodney E. Ross, Jr.  
Joseph Freeman  
Benjamin Dorsky  
Gerald Cole  
Paul Plummer

January 2, 1957

Report of the Sub-Committee on Natural Resources.

Kenneth Hancock (Chairman), Malcolm Noyes (Secretary), Robert N. Haskell, Clinton Barlow, Lewellyn Colomy, Maynard Dolloff.

Your Sub-Committee on Natural Resources has carefully studied that section of the PAS report which covers our assignment. This study together with discussions with interested people, department heads and so forth, as well as the evaluation of a Natural Resources Public Hearing leads us to the following conclusions:

We agree with the PAS report that the activities of the major agencies described in this chapter are inter-related in many ways. With this in mind, we suggest the following:

The Citizen's Committee recommends that Governor Muskie give serious consideration to the establishment by executive order of a Natural Resource Council. This committee recommends that the Council be composed of

The Governor  
The Commissioner of Agriculture  
The Forestry Commissioner  
The Commissioner of Inland Fisheries and Game  
The Commissioner of Sea and Shore Fisheries  
A Representative of State Park Commission  
A Representative of the Water Improvement  
Commission

The council should elect annually a chairman and a secretary from its membership and should hold regular meetings and special meetings at the call of the chairman or as directed by the Governor.

The purpose of the council should be to discuss policies and activities of the various departments concerned with natural resources. The council should serve as a liaison body with the Governor on all natural resource matters and provide an excellent forum for integrating the work of these departments.

This concludes the study made by this Sub-Committee on that section of the PAS report concerned with natural resources.

## REPORT OF THE SUBCOMMITTEE ON PLANNING AND DEVELOPMENT

This subcommittee is in agreement with the recommendations of the Public Administration Service Report as it pertains to the Department of Development of Industry and Commerce. As a result of our study, we make the following recommendations:

1. The name of the Department of Development of Industry and Commerce should be changed to the Department of Economic Development. We believe that the suggested name more closely describes the over-all purpose of the Department in view of the fact that this department is charged with broad responsibilities covering all aspects of the Maine economy.
2. The research and planning function of the department should be expanded both in personnel and scope. Under the law the department has been assigned broad objectives with respect to the development of a master plan for the state, coordination of the planning efforts of the various components of the state government organization, and assistance to local planning agencies. It is our opinion that in the past this aspect of the department's work has been inadequate primarily because of inadequate staff. We note with satisfaction that Commissioner Clough recognizes this and has taken steps to rectify this situation to some degree by developing through cooperation with the Economics Departments of the various Maine Colleges basic statistical information regarding natural resources, sites, transportation, power, labor supply, and financing that prospective industries will require in making their decisions to settle in Maine. However, we also note that while the law provides that the Department "prepare and from time to time revise and perfect a master plan for the physical development of the state," it does not compel cooperation or consultation of other governmental agencies with the department to insure singleness of purpose with regard to the master plan. We recommend that the Legislature give consideration to the development of statutory means of insuring that there will be coordination between the various agencies of state government and this department in the development of a master plan. We further recommend the department be permitted sufficient personnel to insure a more effective research and planning function.
3. That the responsibilities of the Maine Mining Bureau be taken over by the division of geology of this department as recommended in the PAS report.
4. That both the division of public relations and the division of geology be given statutory authority by the Legislature.
5. That the funds now obtained through this department's

budget and subsequently expended by the Departments of Sea and Shore Fisheries and Agriculture for the promotion of sea food and agricultural products respectively be budgeted by these other departments directly and not be included in the budget of the Department of Development of Industry and Commerce. Our recommendation stems from the fact that while the Department of Development of Industry and Commerce budgets for these funds, it has no actual control over the expenditure of them. In our opinion, budgeting of the funds by the Departments which commit for their expenditure would be far better administration of the funds.

6. That the Legislature remove from the provisions of the law governing this department the responsibility for the encouragement of settlement in Maine of persons of Baltic origin. We are not prepared to recommend which department should assume this responsibility, but we do not feel that it properly belongs to this department.

Lucia M. Cormier  
Harold Clifford  
Halsey Smith  
Harrison C. Lyseth  
Edward L. Penley



The Citizens' Committee on the Survey of State Government  
Report of the Subcommittee on Public Protection

\* \* \* \* \*

I. P.A.S. SURVEY REPORT ON PUBLIC PROTECTION

The Public Administration Service proposed that a new Department of Public Protection be set up, embracing the State Police, the Department of Civil Defense and Public Safety, the Motor Vehicle Division now under the Secretary of State, the Maine Aeronautics Commission and the Division of Fire Prevention now under the insurance commissioner.

According to the P.A.S. recommendation (outlined at pages 195-97) the new department should be headed by a director appointed by the Governor and confirmed by the Council to serve for a four-year term. Each of the five present state agencies listed above would become bureaus in the new department. Each bureau should be headed by a Chief appointed by the Director of the Department of Public Protection with the approval of the Governor, or appointed under the provisions of the personnel law. A sixth bureau in the proposed department would have responsibility for the business management and administration functions of the entire department.

A series of detailed recommendations for the various components of the proposed Department of Public Protection are included in the body of the P.A.S. survey (pages 177-95). These deal mainly with detailed changes in administration which are already favored by the officials in charge but which require time, money or legislation to bring about.

On an over-all basis the P.A.S. report argued that integration of these units of (1) Aeronautics, (2) Civil Defense, (3) Fire Prevention, (4) Motor Vehicles, (5) Police, and (6) Administration in a Department of Public Protection "will be a distinctly advantageous step." The report states that this move "will promote coordination in the administrative areas in which the state has public safety responsibility and will permit significantly more effective law enforcement, at no greater, and probably lesser costs."

II. SUBCOMMITTEE ON PUBLIC PROTECTION REPORT

In its study of public protection this subcommittee has concluded that a number of questions must be passed on by the Citizens' Committee and made as recommendations to the Legislature. The subcommittee has worked within the framework of the P.A.S. report but has gone somewhat beyond this in some instances. For the convenience of the full committee, the subcommittee report has been organized on the basis of the questions believed to be most pertinent to a sound disposition of the issues. The subcommittee asks that its answers be accepted as recommendations to the full committee.

1. Whether a Department of Public Protection should be created?

CITIZENS' COMMITTEE: yes or no

Subcommittee: yes. The Subcommittee suggests the term "Safety" be substituted for "Protection" in the title of the new department.

This recommendation follows from a study of a number of factors. The area of the state is large, the safety of individuals and property in the state is essential. At the present time a sizable number of state government employees are engaged in safety work. But under the present decentralized organization the efforts of the state government in the field of safety are blunted. This is true in spite of excellent personnel at all levels because of unsatisfactory organization and lack of appropriate power. A Department of Public Safety could improve conditions if the work trained men in the field of safety were unified and coordinated.

2. Whether a Bureau of State Police should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: yes or no

Subcommittee: yes. The State Police would be an essential part of a new Department of Public Protection.

3. Whether a Bureau of Civil Defense should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: Yes or no

Subcommittee: no. The arguments against subordinating Civil Defense are that it is not concerned with normal day to day operations in the field of public protection and safety and that in an emergency its powers are expanded to such a degree that it would be in virtual control of state government. If Civil Defense could have a regular peace-time function it might well be grouped with other agencies in the field of protection. However, its dependence on federal funds, and in an emergency on federal orders, make Civil Defense so unique that it would best remain an independent agency.

4. Whether a Bureau of Aeronautics should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: yes or no

Subcommittee: no. The present Aeronautics Commission is rarely involved in the enforcement of state law. Licenses are issued and may be revoked but the Commission is primarily concerned with the promotion of aviation in the State.

5. Whether a Bureau of Fire Prevention should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: yes or no

Subcommittee: yes. The Division of Fire Prevention is now a part of the Insurance Department although its functions are largely investigatory and enforcement. Just as cities are increasingly combining police and fire departments so these two jobs might be joined advantageously in the State of Maine. Of course, they are not the same jobs and separate bureaus would be appropriate but when brought together in the same department, the state police and state fire inspectors could effectively share their work in various ways.

6. Whether a Bureau of Motor Vehicles should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: yes or no

Subcommittee: yes. This is the most difficult question faced by the subcommittee. The group agrees with the basic P.A.S. view that the Motor Vehicle Division should be detached from the office of the Secretary of State and placed in the new Department of Public Protection because one of its major objectives is highway safety through control of vehicles and drivers that use the highways.

7. Whether a Bureau of Administration should be included in a Department of Public Protection?

CITIZENS' COMMITTEE: yes or no

Subcommittee: yes. The subcommittee has not drawn up a master plan for the organization of the new department and in fact feels that a number of questions of organization cannot now be answered. However, this may be the place to offer some further general comments on the prospective Department of Public Protection.

- a. A System of Central Records. At the present time various important records on drivers' suspensions, criminal history, civil convictions are separate. While cooperation between local courts, superior court, motor vehicles and state police is good, there is much room for improved handling of these vital records. The creation of a Department of Public Protection would be an occasion to plan for a system of central records.
- b. State-wide police authority for officers in a particular field. State police, fire inspectors and the wardens of fish and game might well share each others powers. With limited training, each could

be given a somewhat broadened power of arrest to the general benefit of the safety and protection of the State.

- c. Evaluation of hearings procedure on motor license suspension. There are a number of questions in this area that were considered by the subcommittee. It has been felt that the legislature must study this question to decide again whether lawyers or laymen should hold the power to revoke licenses; whether this procedure can be conducted properly under the Secretary of State; whether the judgment exercised in suspension cases should be held by subordinate officers in a new department of public protection. Time has been too short to give these questions adequate study.

In conclusion, this subcommittee urges that the Legislature be asked to work closely with the officials in charge of state agencies in the field of public safety to bring about many of the detailed administrative reforms recommended by the P.A.S. Survey Report, pages 177--97. For example, the officials of the Motor Vehicles Division have long sought to provide automobile drivers licenses on an anniversary date basis. This innovation, and many others in the P.A.S. Survey Report deserve the close attention of the Legislature.

In summary, our recommendation is that a new Department of Public Safety be created and that this Department be headed by a Director to be appointed by the Governor for a four-year term. We believe that four Bureaus should be included in this Department. (1) A Bureau of Administration would act to carry out uniform accounting, personnel and office procedures and also function to coordinate the over-all safety programs of the State. This Bureau might well provide the leadership to coordinate and systematize the various records that would be used by the other Bureaus in the Department. It might also work to control the police authority which might be given to law officers outside the new department. (2) A Bureau of Fire Prevention would be established in the Department. (3) A Bureau of Motor Vehicles would be included. (4) A Bureau of Police would also be included in the department.

Respectfully submitted,

E. C. Moran  
Joseph McGonigle  
Paul Thurston  
Miss Mary Worthley  
C. E. Vose, Chairman

## Report of the Subcommittee on Public Works

## I. P.A.S. SURVEY REPORT ON PUBLIC WORKS

The Public Administration Service regarded the State Highway Department as the primary public works agency in the State of Maine. No new departments were recommended in this section of the P.A.S. Report (Chapter IX, pages 239-268). The main recommendations were limited to rearranging the Table of Organization of the present State Highway Department. (pages 239-246)

The P.A.S. Report concludes that "the present state highway organizational plan should be changed with respect to top level control, and it should be modified internally to combine related functions and establish clear lines of authority." (p. 244) A chart of the present organization is shown at page 241, and the new organization proposed by the P.A.S. Report appears at page 245. The specific changes are discussed below.

## II. QUESTIONS RAISED BY THE P.A.S. REPORT

1. Whether the State Highway Commission should be replaced by a Director of Highways appointed by the Governor for a four-year term (to coincide with a new four-year term for the Governor).

|                     |             |
|---------------------|-------------|
| P.A.S. REPORT       | <u>yes</u>  |
| Subcommittee        | <u>no</u>   |
| CITIZENS' COMMITTEE | <u>    </u> |

Comment--Previous to January, 1954, the State Highway Commission was made up of three members appointed by the Governor and confirmed by the Executive Council for terms of three years. The salary for the three members was established in the law at \$3,500 per year. The Chairman was elected by the members from their own membership. The Commissioners usually devoted two and possibly three days per week to the work of the Commission.

In 1953 the Legislature after considerable discussion and debate amended the law relating to the organization of the Commission to provide for a full-time Chairman to be appointed by the Governor and confirmed by the Executive Council, his salary to be set by the Governor and also confirmed by the Council, whose term of office would be seven years. The law specifically states that he would be responsible for the administration of the Department and that the full Commission would be responsible for policy matters. The provisions of the law in regard to appointment, salary and tenure of office of the two members other than the Chairman remained the same. The present Chairman of the Commission was the first appointee under the new statute. He took office in January, 1954.

The basic premise of the P.A.S. recommendation is that a single Director of Highways would make the department "more amenable to the program desires of the Governor," and that this would be closer to the "wishes of the majority of Maine citizens." (p. 244) Certainly at the present time the Governor has little direct control over state highway programs, and if the position of the Governor is to be strengthened, this new arrangement would contribute to that end.

There are a number of considerations which the subcommittee believes are of greater importance. One is that the present seven year term assures sufficient tenure to attract an experienced career-type official to the number one position in the department. This length term permits the full development of a coordinated highway program; four years is hardly enough under modern conditions to plan and carry through a program. (For example, the new Federal Interstate program covers a thirteen-year period.) A second point is that the state highway program is determined in large part by actions of the Federal Government and by the State Legislature. Because of these factors it is unlikely that closer coordination with the Governor would be achieved even if the four year coordinate term for a single head were adopted. Thirdly, it is felt that under the present commission arrangement the two part-time members play a useful and important function in sharing responsibility with the Chairman. In the handling of questions like land damage claims, for example, a three man commission appears to be more appropriate than a single official.

From information which has been made available to the Committee it would appear that the present organization as authorized by the amendment to the statute in 1953 has proved to be satisfactory. During the past three years there have been several changes in organization of the State Highway Department, and there have also been placed in effect procedures to bring about better control of highway finances. This has resulted in increased efficiency and actually many of the suggestions of the Public Administration Service in regard to the Highway Department have been placed in effect. The Committee believes that the present organization within the Highway Department is meeting with general public acceptance, and the programs which have resulted from this organization are in line with the wishes of the people of the State of Maine. In view of the fact that the Legislature carefully reviewed the provisions of the law regarding organization of the Commission in 1953, and the resulting change in organization appears to work in a satisfactory manner, it is not believed necessary to recommend any further changes at this time.

2. Whether an advisory board should be created to advise a director of the State Highway Department?

|                     |               |
|---------------------|---------------|
| P.A.S. REPORT       | <u>yes</u>    |
| Subcommittee        | <u>No</u>     |
| CITIZENS' COMMITTEE | <u>      </u> |

Comment--The P.A.S. Report suggests that an Advisory Board be created to advise and guide the Director of the Department. While the Committee has no strong feeling in regard to such an Advisory Board, it would appear that the two part-time members of the Commission do serve in this capacity in the making of policy for this Department. Under the circumstances, it would not appear necessary to create another board in connection with the Highway Department activities.

3. Whether the position of Chief Engineer should be redefined and a new position of chief administrative officer established?

|                     |               |
|---------------------|---------------|
| P.A.S. REPORT       | <u>yes</u>    |
| Subcommittee        | <u>no</u>     |
| CITIZENS' COMMITTEE | <u>      </u> |

Comment--The P.A.S. Report reviews the duties and responsibilities of the Chief Engineer of the Highway Department and also suggests the creation of a position to be known as Chief Administrative Officer. Actually the present organization of the Highway Department is set up along these lines with some slight variations. The Committee found that the Chief Engineer is responsible for those functions relating to engineering, planning, right of way, construction and maintenance as suggested in the P.A.S. Report. The Chief Administrative Officer at the present time is known as the Director of the Division of Accounts and Administration and the only variation from the P.A.S. report would be the fact that the Assistant Attorney General assigned to the Department does not report to the Chief Administrative Officer but to the Commission. The Committee believes this to be desirable. The Committee also found that since the P.A.S. Report was compiled that certain permit activities relating to outdoor advertising, overloads and opening of streets have been transferred from the Division of Special Services to the Right of Way and Maintenance Divisions. The Committee believes that this is also desirable.

The Committee discussed the matter of the creation of a Construction Division as a separate unit within the Department with the present Chairman, former Chief Engineer and others. While the present Chairman agreed that there was merit in retaining a Design unit, he also pointed out that because of the seasonal nature of the construction work in this State, the employees in the Construction Division would have to be brought into the office during the winter months and engaged in design work, otherwise there would be no way of keeping these employees on the payroll. The Department has followed this procedure over the years, and it seems to work in a rather satisfactory manner. This point is somewhat academic at the

present time due to the fact that in the summer construction season, practically all engineers now on the payroll of the Commission are required to be in the field to supervise construction activities. The Committee believes that consideration could be given to increasing the number of engineers devoting full time to design work if and when the Commission is able to attract additional engineers to its staff. This, of course, depends upon an upward adjustment of engineers' salaries which the Commission is currently endeavoring to accomplish.

In conclusion, this subcommittee notes that the P.A.S. Report deals with a number of other questions in the broad area of highways and public works. There are few specific recommendations. However, this section of the Report is well worth reading as a summary of the problems the State of Maine will continue to face in the field of highways and public works. For example, the P.A.S. report describes the situation as it relates to highway reclassification, highway financing and state aid to local jurisdictions (towns). The Committee believes that the history of these subjects over the past years as these matters have been considered by the Legislature is self-explanatory. Highway reclassification has certainly received its share of the spotlight in the two previous legislative sessions, and to date there has been very little accomplished. Highway financing has always been a problem and no doubt will be a subject for much discussion during the coming Legislative Session. The matter of monies from the General Highway Fund being made available to municipalities for construction and maintenance on rural roads is tied in very closely with Highway financing and also undoubtedly will be considered again by this coming session of the Legislature.

The Committee is of the opinion that top-level organizational control as it now exists in the Highway Department following the changes made by the 1953 Legislature is responsive to the wishes of the people of the State and also provides ample opportunity for information and a close working relationship with the other departments of the State. The changes in organization and procedure which have been accomplished in the Highway Department in the past three years have tended to increase efficiency and bring about better financial control. The Committee believes that further consideration should be given by the Department to the matter of separate design and construction sections, but this must be predicated on increasing engineering personnel within the Department.

Respectfully submitted,

Gerald Cole  
Robert N. Haskell  
Paul Thurston  
Kenneth C. Tipper  
Clement E. Vose, Chairman



REPORT OF SUBCOMMITTEE ON  
PROPOSED DEPARTMENT OF BUSINESS REGULATION

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The Public Administration Service recommended in Chapter X of its Survey that a new Department of Business Regulation be created, to consist of the following four Bureaus:

1. Bureau of Banking, to replace the present separate Banking Department.
2. Bureau of Insurance, to replace the present separate Insurance Department.
3. Bureau of Professional and Occupational Licensing, to perform the administrative work of 21 special boards which would continue in existence to set policies, establish rules and regulations, and advise as to content and scheduling of required examinations.
4. Bureau to Regulate Sporting Events, to perform the administrative work of the State Boxing and two Racing Commissions.

Your subcommittee is convinced that Maine simply MUST have efficient State government, as the functions which it performs are all-important to Maine citizens. Maine needs so many services, and so many improvements in existing services, that the only way in which they may be attained efficiently and without waste of taxpayers' money is to improve the efficiency of our State government.

Your Committee does not believe that the test, "will it reduce cost of government," is a compelling argument, pro or con, for form of administration; the Committee realizes that economic and other exterior conditions, public demands for service, and the Legislature by its control of the purse strings, determine the cost of government. Instead, your Committee searches for a form of government which will administer with maximum efficiency (which of course includes elimination of waste) the functions which are laid upon it, and within whatever financial limitation may be imposed, by the Legislature. Efficient performance of the same functions should save money by elimination of waste, as well as provide better service.

In its present organization, our State government cannot possibly be as efficient as it could, should, and must be. The effective executive span-of-control margin has been considerably exceeded; there is simply no possibility of effective executive control over so many separate and distinct independent state agencies. The Governor himself recently so stated publicly. The number of separate, independent bodies now comprising the Executive Department simply must be reduced if Maine is to have efficient State government. At present in effect we don't have one State government; we have several State governments!

Your Subcommittee expected and understands the natural opposition to change by some office holders; many of them, however, will -- privately at least -- concede that the present number of separate and independent agencies should be reduced, but point their finger to that indefinite "someone else" rather than to themselves.

We would expect some opposition to this proposal from some persons included in the special interest groups involved. It seems to be the pattern of special interests in general to convince themselves that the governmental agency regulating them is about the most important agency of the State government; that its importance must be emphasized by its organizational and financial independence of the rest of the government; and that they should have much to say relative to the composition and policies of the regulating agency.

Our belief is that each of these functions can be performed effectively without their contributing to poor State government organization; that instead of deferring to those directly involved, the influence of regulated groups should be so slight that there is no possibility of their "regulating the regulators"; that regulation should be for the protection of the public, and not to serve those being regulated.

We agree with the Public Administration Service that the agencies concerned in this proposed new Department of Business Regulation -- all with the related function of regulation of business -- should be combined in this proposed new Department, with the exception of: (1) the Board of Bar Examiners, on account of function of Supreme Judicial Court; and (2) eliminate the proposed Bureau to Regulate Sporting Events.

## INSURANCE DEPARTMENT

The Public Administration Service makes five specific recommendations concerning the Insurance Department:

### Examiners

The first recommendation is to strengthen the Department by additional examiners to make unnecessary the hiring of commercial examiners except under sharp peak-load conditions. We agree, and so does the Insurance Department.

The most important function -- and it is a statutory function -- of insurance regulation is the examination of insurance companies, to be as sure as possible of their financial soundness before they are permitted to operate in Maine. Other states expect Maine to examine thoroughly the financial soundness of Maine companies, even though they also examine to a lesser extent. Maine must examine to some extent the hundreds of out-of-state companies which want to do business in Maine, as a protection to Maine people. The comparatively recent failure of two apparently sound out-of-state companies, with losses to policyholders in unearned premiums and failure to pay losses, should be a warning not to be disregarded.

At the present time, Maine regulation of insurance companies is not performed adequately, as the Maine Insurance Department will be the first to say. Funds available are insufficient to hire needed technically-qualified examiners. Even if funds were available, such examiners could not be obtained under the present pay scale, which is a matter outside the jurisdiction of the Insurance Department. Actual efforts to obtain examiners have been futile.

We therefore make two recommendations: (1) that the income available for insurance company examination be increased for the definite purpose of obtaining qualified examiners; and (2) that a realistic pay scale be developed to make it possible to obtain qualified examining personnel, following a salary scale study by competent insurance personnel. If these recommendations are followed, it is the belief of both the Insurance Department and your Committee that the cost of examining the larger Maine insurance companies, presently conducted by commercial examiners, could be reduced sharply; also it would seem more suitable for the State's own personnel to perform this most important State function.

#### Dedicated Revenues

The second recommendation is that fees now collected and accumulated as special revenue and dedicated for use of the Department should instead accrue to the State General Fund, from which all necessary departmental appropriations should be made. We agree with this as a sound principle of public administration, to improve budgeting, budgetary control and uniform management procedures.

#### Alleged Excessive Automobile Insurance Charges

The third recommendation is that extra funds may be needed, and if so, they should be granted, to investigate the premium charges of automobile dealers and finance companies for automobile physical damage insurance. Similar recent investigations in other states, notably Massachusetts, Connecticut, and Texas, have disclosed huge overcharges and Insurance Departments in those states have required refunds of overcharges which have saved their citizens literally hundreds of thousands of dollars. We agree strongly with this recommendation and so does the Insurance Department; Maine citizens should be similarly protected by such investigation, with such action to follow as the facts may warrant.

#### Insurance Laws

The fourth recommendation is that the insurance laws be reviewed with the objective of improving their organization. We agree with this recommendation; so does the Insurance Department. We go further; existing laws should be changed in many respects to meet 20th century needs, as well as codified.

### Insurance on State-Owned Property

The fifth recommendation concerns insurance on State property, and divides in two parts:

- (a) that the Department of Finance and Administration, rather than the Executive Council, should handle it; and
- (b) that consideration should be given to self-insurance.

We agree with the first portion of this recommendation, which we will call "5(a)". Like any other important purchase, insurance should be purchased by the Bureau of Purchases of the Department of Finance and Administration. That Bureau should follow the example of hundreds of large insurance purchasers by having a capable insurance expert buy this insurance and supervise its servicing. There appears no GOOD reason why the Executive Council, if continued in existence at all, should have anything whatever to do with the purchase of state insurance. State insurance is too important to take any chance of partisan politics being connected with it.

As in the case of other important purchases, bids should be required. We understand that bids have not been previously required because of the fallacious argument that insurance rates are "fixed". Every insurance man worthy of the name knows better than that. Insurance costs are NOT the same for all insurance companies. It is our carefully considered opinion that if bids are asked, as they should be, the State can save approximately 20% of the premiums now being paid, or approximately \$40,000. annually on present coverage. Federal government instrumentalities require bids for insurance; as this report is written, the Housing Authority at Presque Isle has just issued invitations for bids on the required insurance, and even inserted a provision for bidding an estimated dividend.

### State Self-Insurance (State Insurance Fund)

Regarding recommendation 5(b) -- that consideration should be given to self-insurance -- we answer in the negative.

#### 1. State Fund is Socialism

A State Fund to insure State-owned property is more than "creeping Socialism"; it is Socialism full grown, and a serious blow to private enterprise. There is no more reason for the State going into the insurance business than into the business of any other needed product or service.

#### 2. Loss of Services by Companies and Agents

In many fields such as advice, loss handling and fire prevention, both insurance companies and agents perform services which would be lost to the State. The cost to the State of obtaining competent personnel to perform those essential services would be considerable; on the other hand, failure to perform some of those services could be disastrous to both life and property.

### 3. Maine State-owned Property not suitable for State Fund

Insurance is a highly technical function. The strict observance of its basic principles has enabled many insurance companies to fulfill that function for over a hundred years, and the failure to observe those basic principles has caused some insurance companies to fail. These basic principles may be summarized all too briefly as follows:

- a. The number of units of property covered must be sufficiently large to make applicable the law of averages.
- b. The amount of coverage per unit should be reasonably small and uniform.
- c. Extra-hazardous units must be segregated and re-insured with other companies.
- d. Risks should be independent hazards; not grouped to make conflagration loss possible.
- e. The insurance fund should be kept inviolate, and not diverted to other purposes.
- f. A Fire Prevention program, consisting of inspections to note and eliminate fire hazards, should operate continuously.

Based on these principles, no single American insurance company would even consider for one moment assuming the entire risk on all of the Maine State property -- a risk proposed to be assumed by a Maine State Fund.

### 4. There is a better alternative

There is a better alternative -- better than the present system and better than self-insurance for Maine State Property; BUY DEDUCTIBLE INSURANCE, which is specifically permitted by State Law. Ask for bids on the basis of, say, \$5,000. and \$10,000. deductible insurance, and select the most advantageous deductible amount shown by the bids. This will be course eliminate insurance entirely on items worth less than the deductible amount. As a result of eliminating claim payments on amounts below the deductible, insurance cost will be reduced considerably, and the State will be taking no chance whatever of a serious loss.

### 5. State Fund Experience in Other States Unsatisfactory.

Persons inexperienced in insurance have made recommendations for State Fund in other States. Nineteen States have tried it in actual practice, and 9 of those 19 abolished it. The experience of those 19 states is now presented, and it is interesting to note failure to observe the above-listed principles as causes of the wrecking of State Insurance Funds.

1. Alabama now has a State Insurance Fund, administered by the Alabama Department of Finance, created in 1923. By 1934, all gubernatorial candidates pledged themselves to its abolition. It still exists, but with a surplus of less than 2% of the value at risk it could hardly stand a catastrophe loss.
2. Colorado set up an Insurance Fund in 1925. Serious losses on State property occurred which the Fund couldn't handle, so this ill-fated venture came to an end in 1933 when the State Legislature abolished the Fund.
3. Florida has a State Insurance fund, established in 1917. It has operated conservatively and in line with recognized insurance principles. It does not usually carry any single risk over \$50,000, and it charges exactly the same rates as charged by private companies, so extravagant hopes of premium "savings" were not realized. The Florida Fund is the only State Fund that meets even the minimum requirements of a real insurance fund, and demonstrates that when those requirements are met there is no "saving" in premiums.
4. Georgia began an insurance fund in 1935 and abandoned it very promptly in 1936. A move to repeat the experiment was rejected by the 1949 Legislature.
5. Iowa started a State Fund as early as 1897, and discarded it after a large loss that the Fund couldn't pay.
6. Kentucky established a State Fund in 1936 under the Division of Insurance of the State Department of Finance. The fund charges rates comparable to private companies and re-insures about 50% of its risks in private companies. Even with such conservative practices, it is doubtful if the Fund could stand a catastrophe loss, and since it charges commercial rates there seems no advantage to Kentucky in assuming its own risks rather than transferring them to professional insurers.
7. Michigan has a State Fund, created in 1913, in 1951 the State Office Building burned with a loss of over \$5,500,000. followed by the Michigan Prison riot fire loss of \$1,500,000. in 1952. The State Fund paid only \$575,000. of this \$7,000,000. loss.
8. Minnesota set up such a Fund in 1913. Large losses wrecked the Fund and it no longer exists.
9. Montana set up a Fund in 1935. After a sad experience it was repealed by referendum vote of the people in 1936.
10. New Jersey enacted such a Fund in 1913; it was repealed at the 1935 Legislative session.
11. North Carolina, insures public SCHOOL property only, plus an emergency appropriation reserve for other losses.
12. North Dakota created such a Fund in 1919. It still exists, but the administrators thereof publicly acknowledged the unsoundness

of its operation in a public report. With a reserve of only 2½% of total risk, it covers the State Capitol without any re-insurance; it couldn't stand a catastrophe loss; its funds have been diverted to other purposes. Recently the inadequacy of the Fund was pointed out by a fire at the State Prison; the Fund couldn't pay the loss, and the State Legislature had to appropriate the funds.

13. Oregon has an Emergency Reserve appropriation Fund, not real insurance.

14. Pennsylvania, like Oregon, merely has an Emergency appropriation Fund, not real insurance.

15. Rhode Island provided for a State Fund in 1931, and abolished it in 1948.

16. South Carolina created such a Fund in 1900. The fire experience has been so bad that private company re-insurance proved unavailable, so the State set up another Fund to insure the first Fund. Funds were diverted to construct State buildings; insurance to value is the exception rather than the rule; serious deficiency in inspection practices exists.

17. Tennessee created such a fund in 1905; unable to pay the losses which occurred, it was abolished in 1930.

18. Vermont set up such a Fund in 1919; it was allowed to lapse; another plan took its place in the 1930's. When the Fund got down to less than \$150,000 it was abolished.

19. Wisconsin set up such a Fund in 1903. Destruction of the Capitol building within 2 years was too much for the Fund, so it was necessary to borrow a large amount. Money has been diverted to construction of buildings and those buildings are hardly liquid assets for meeting losses. In numerous cases insurance carried is less than a third of value. This Fund violates its own State law which limits private companies to assuming on any single risk no more than 10% of its assets. The Fund could not begin to pay the \$19,000,000 insurance it carries on the Capitol.

#### SUMMARY OF EXPERIENCE OF OTHER STATES

Nine States tried a State Insurance Fund, and abolished it after sad experience.

Only ten States now have an Insurance Fund, and only one of them (Florida) is considered operating on a sound insurance basis. That one State charges full commercial rates, so the dream of "saving" premiums has evaporated there. Several of the others have been "lucky"; the inexorable law of averages will probably demonstrate in these other States, sooner or later, as in other States, the fallacy of State Fund insurance.

/s/ Edward C. Moran, Jr.  
Chairman

MINORITY REPORT OF THE SUB-COMMITTEE ON THE  
PROPOSED DEPARTMENT OF BUSINESS REGULATION

I agree wholeheartedly with the majority report of the sub-committee on the proposed Department of Business Regulation that Maine must have efficient state government. I further agree that the test "Will It Reduce Cost Of Government" is not a compelling argument for a form of administration. I agree that we should search for a form of government which will administer with maximum efficiency the functions which are laid upon it, and within whatever financial limitation may be imposed by the Legislature. I further agree that the effective executive span-of-control margin has been considerably exceeded in many areas of our state government and that the number of separate, individual bodies now comprising the executive department must be reduced if Maine is to have efficient state government.

I believe as do the other members of the committee that the licensing functions of the various licensing boards could be handled more efficiently by a central licensing bureau than is presently the case with 21 separate clerical staffs.

My failure to sign the majority report of the sub-committee on the proposed Department of Business Regulation was the result of several factors.

In my opinion the sub-committee did not adequately study the recommendations of the PAS report and there was no opportunity for a full committee discussion of its many ramifications. The committee met for the first time on December 12th. At that time the committee heard the testimony of the Bank Commissioner for the first hour and during the second hour heard the testimony of the Insurance Commissioner. Within a week of this first meeting, I received a report, which, with the exceptions subsequently made in regard to the elimination of the Board of Bar Examiners and the regulation of sporting events from the proposed department, is the majority report that was submitted to the full citizen committee on January 2nd, and which now lies on the table.

At the committee's second meeting the Real Estate Licensing Board, the State Running Horse Racing Commission, the State Harness Racing Commission, and State Boxing Commission were heard. At no time were the other 20 licensing boards given an opportunity to appear.

As a result of this procedure I did not feel qualified to pass on the many recommendations of the PAS report for the organization of the proposed Department of Business Regulation. Subsequent study has convinced me that there are many aspects of the banking department set-up which should have been more fully aired than they could be in a one hour meeting with the Commissioner. The majority report dismisses without comment the banking department and the various licensing boards by merely saying, "We agree with the Public Administration Service" that the agencies concerned in this proposed new Department of Business Regulation -- all with the related function of regulation of business - should be combined in this proposed new department with the exception of; (1) Board of Bar Examiners on account of the functions of the Supreme Judicial Court; (2) Eliminate the proposed bureau to regulate sporting events".



I disagree with the sub-committee recommendation to incorporate the banking department as a bureau in the new Department of Business Regulation. My reasons are as follows.

1. At the present time the Banking Commissioner is appointed by the Governor with the advice and consent of the council to serve a term of four years. The Governor has direct access to the Bank Commissioner and for that reason I question the administrative improvement in superimposing another individual between the Governor and the Commissioner as would be the case in the proposed department.
2. There is ample precedent for the maintenance of the Banking Department as a separate unit of state government. At present there are 35 states in which the banking department is a separate unit. New York State has consistently refused to take the banking department's separate status away from it.

These states are:

|             |           |             |                |                |
|-------------|-----------|-------------|----------------|----------------|
| Arizona     | Indiana   | Michigan    | New Hampshire  | South Carolina |
| Arkansas    | Iowa      | Minnesota   | New Mexico     | South Dakota   |
| California  | Kansas    | Mississippi | New York       | Texas          |
| Colorado    | Kentucky  | Missouri    | North Carolina | Utah           |
| Connecticut | Louisiana | Montana     | Oklahoma       | Washington     |
| Delaware    | Maine     | Nebraska    | Oregon         | West Virginia  |
| Georgia     | Maryland  | Nevada      | Pennsylvania   | Wisconsin      |

Three of these states - Georgia, Oklahoma, and Washington - changed from being units of other departments to becoming separate units.

Three states - Illinois, Ohio, and Wyoming - changed from separate status to becoming units of other departments, but it is now anticipated that in view of its recent scandal, Illinois will revert to a separate banking department. Other states in which the banking departments are units of other departments are:

|         |               |              |              |         |
|---------|---------------|--------------|--------------|---------|
| Alabama | Illinois      | North Dakota | Tennessee*** |         |
| Florida | Massachusetts | Ohio**       | Vermont      | Wyoming |
| Idaho   | New Jersey*   | Rhode Island | Virginia     |         |

\*The Department of Banking and Insurance is composed of three bureaus, Banking, Insurance and Building and Loan

\*\*A Division of the Commerce Department

\*\*\*Banking is a part of the Department of Insurance and Banking in name only, as the function of the banking division is separate and apart from the insurance division or any other division.

Thus it can be seen that the wisdom of maintaining the Banking Department in a separate status is recognized in the vast majority of states. In Maine the Banking and Insurance Departments were

merged in 1868 when there were few state chartered banks in existence other than savings banks. However, the departments reverted to separate status in 1870. During the two years of merger it was found that there were but few areas of common interest and that the principal one was merely the list of investments legal for savings banks which were also legal for insurance companies.

The Banking Department is charged with the primary responsibility of examining state chartered financial institutions to determine if solvency is secured and that sound management practices are being followed. Licensing of small loan agencies, registration and licensing of security dealers and salesmen are a lesser function of the Department.

There is, in my opinion, little if any connection between licensing of business enterprises and the determination of the solvency and sound management of financial institutions. Examination of banks is a highly specialized field and requires the best in available talent. It must be entirely free from political influence as witnessed in Illinois and because of the extreme importance to the state of the maintenance of a sound banking structure it should not be permitted to run the risk of becoming of secondary importance to any other governmental function. This is an age of specialization and it is questionable in my mind that an individual could be found to head the proposed department who would be equally well versed in all aspects of such a department.

The PAS Report questions the statutory provisions whereby the Banking Department may perform audits of savings banks in addition to its examining function because of the unpredictable work load that is created. I concur with this recommendation and strongly urge that the statute be changed.

The PAS Report urges that the Banking Department expenditures now paid from dedicated revenues accumulated in special revenue funds be financed with State General Fund Appropriations and that all income derived as a result of Banking Department activities should accrue to the State General Fund. I do not agree with this for several reasons.

For many years the Banking Department operated from General Fund appropriations and never was granted enough funds to do an adequate job. In the years 1947-1948 and 1948-1949 the Bank Department was unable to complete its examinations of the state chartered banks because of inadequate financing from the State General Fund. Recognizing the problem of the Department and anxious to insure strong regulation of state chartered financial institutions, the bankers of the state sponsored legislation which put the department under self-support with a revolving fund which did not lapse periodically. This now appears as Section 2, Chapter 59, R.S. 1954, second and third paragraphs. This change resulted in a flexible financing plan which can be carefully administered. The work of the department is heaviest in periods of economic distress. Under the former plan the department was hard pressed for funds when it needed them most. Under this plan, the banks pay 7¢ per thousand dollars of deposits to cover the

Department's administrative costs and pay a per diem examination fee sufficient to cover the costs of examining the bank. Thus, the income of the department expands or contracts in accordance with the work required and economic conditions.

There is no question that the Department must operate efficiently since the banks will quite naturally be loathe to pay unnecessary charges. However, there is, in my opinion, no evidence that the banks have ever tried or wanted to regulate the Department. On the contrary, the banks are most anxious that the supervision by the Department be strict and careful, since bankers realize how extremely important a sound banking structure is to the people of the State.

This flexibility in financing the Department's activities has still another important argument in its favor. When trouble strikes a bank, it strikes fast. The Department must act quickly and efficiently. If it were necessary to apply for added funds from the General Fund, it would take time and there would have to be a public disclosure of the reasons for the request. In the case of a bank failure, such a public disclosure could well shake the confidence of depositors all over the state. Under the present system, as recently demonstrated, the banking department was able to move quickly and efficiently without any fanfare and prevent a serious emergency.

Great strides have been made by the Banking Department in recent years and Maine can be justly proud of the quality of supervision exercised by the Banking Department. In my opinion, combining this Department into a larger Department financed by appropriations from the General Fund would undo much of the good that has been done.

I feel that a separate insurance department would also be preferable. My main reason is that administratively it is in the same position as the Banking Department with its Commissioner appointed by the Governor, who has direct access to the Commissioner. Here again I do not believe the superimposition of a Department Head between the Governor and the Insurance Commissioner would be any administrative improvement. I agree, however, with all other recommendations of the majority report as applied to the Insurance Department.

In conclusion, my dissent from the majority report stems only from my belief that recommendations of the Citizens Committee to the Legislature carry with them a grave responsibility of insuring that we have carefully and adequately studied the PAS report, since our recommendations if adopted by the Legislature will have long lasting and far reaching effects to the state. I thus honestly believe that my study of the problems conclusively indicates the wisdom of maintaining the Banking and Insurance Departments as separate units of the government.

Respectfully submitted,

Halsey Smith

## REBUTTAL TO MINORITY REPORT

OF

## SUB-COMMITTEE ON PROPOSED DEPARTMENT OF BUSINESS REGULATION

The first paragraph of the Minority Report contains nothing but agreements with certain statements in the Majority Report. It does, however, contain the following sentence:

"I further agree that the effective executive span-of-control margin has been considerably exceeded in many areas of our state government and that the number of separate, individual bodies now comprising the executive department must be reduced if Maine is to have efficient state government."

Despite this auspicious start, the Minority Report then disappointingly proceeds to object to these 2 particular Departments of government being combined in one, which is a reminder of the Majority position as expressed in 1st paragraph of page 2 of its report:

"Many.....will concede that the present number of separate and independent agencies should be reduced, but point their finger to that indefinite 'someone else' rather than to themselves."

To paraphrase the late President Grover Cleveland "the way to commence is to commence."

The Minority Report correctly detailed the limited time the Sub-Committee had to act as a Sub-Committee, giving that as reason for failure to agree with the Majority. As the members of the full committee know, this was one of the later appointed sub-committees, and it had just time enough to meet the schedule required by the full committee by presenting its report to be laid on the table one meeting and to be acted upon at this the final meeting of the full Committee. It is regrettable that more time was not available to the Sub-Committee for consideration of these problems as a Committee. However, the 2 sub-committee meetings held were not the only information opportunities available to sub-committee members individually. The PAS report (first edition) was available for study months ago; during the intervening months time for research was available. Also, the Sub-Committee included members with considerable business and public service experience, whose information on this subject was not confined to that developed at Sub-Committee hearings or in the PAS Survey.

The point is made that the Sub-Committee did not give an opportunity to 20 licensing boards to be heard. The reason is obvious; it would have been a physical impossibility to do so, within the limited time made available to the Sub-Committee by the schedule of the Full Committee. The Sub-Committee did hear the 2 Departments involved, and gave them opportunity to present briefs and other data in writing; it also heard the 2 Racing Commissions, the Boxing Commission and one licensing board (the Real Estate Commission).

Following the second hearing the Chairman suggested a noon lunch session so that the Committee as a Committee could discuss these matters, but this opportunity was lost due to other engagements of members.

The Minority Report questions "the administrative improvement in superimposing another individual between the Governor and the (Banking) Commission." The Minority Report itself, in its first paragraph, answers that when it states that "the number of separate, individual bodies now comprising the executive department must be reduced if Maine is to have efficient state government."

It is of course true that most of the States have a separate Banking Department, but that is no valid argument against the Majority proposal to combine it with other agencies in Maine. Even if no other State did so, Maine might live up to its motto "I lead" and give it a try, if it seemed otherwise advisable. However, if the Minority Report is correct in stating that 13 other States, to a greater or lesser degree, do combine their Banking functions with others, instead of having a separate Department, then Maine could proceed to do the same and not be disturbed about following its motto.

The Minority report states "It is questionable in my mind that an individual could be found to head the proposed department who would be equally well versed in all aspects of such a department." The answer to that is that no such superman need be found, as each "aspect" of his department will be headed by a Bureau Chief who is an expert in his field. In the City of Portland municipal government, for example, the City Manager isn't, and doesn't need to be, "equally well versed in all aspects" of functions under his administrative control. At the State level, the head of the Department of Finance and Administration does not have to be "equally well versed" in the functions of each bureau under his jurisdiction. Certainly at the Federal Government level, each Department head isn't, and in fact couldn't possibly be, "equally well versed" in all of the functions under his direction.

Our answer to the Minority Report comments on dedicated revenues is given in the third paragraph on page 3 of the Majority report.

Finally in answer to the Minority Report, the Majority offers the second, third and fourth paragraphs on page 2 of the Majority Report.

Because the issue is joined by the two reports, and in order to place determination of the issue before the full Committee by one motion, it is moved that the Majority report be approved by the full committee.

/s/ Edward C. Moran, Jr.  
Chairman, Business Regulations  
Sub-Committee

Augusta, Maine  
December 7, 1956

PRELIMINARY DRAFT

Citizens Committee on the Survey of State Government.

Report of the Sub-Committee on Personnel Board.

Frederick W. Downing, Chairman, Denis Blais, Clinton Barlow, Margaret Payson, Malcolm Stoddard.

Gentlemen:

Your Sub-Committee submits its recommendations dealing with the relationship of the State Personnel Board to the Director of Personnel and to the Chief Executive. If accepted, statutory changes will be required pertaining to the duties of the Board, the method of appointment of the Director, and the relationship between the Personnel Department and the Department of Finance and Administration.

Present Powers of the Personnel Board. Enacted in 1937 the State Personnel Law grants to the Board the following powers:

1. Appointing the removing the State Personnel Director.
2. Prescribing and amending rules and regulations implementing the Merit System Statute.
3. Enforcing through the Director the observance of the provisions of the law and the rules made thereunder.
4. Adopting and amending the official classification and compensation plans for the State of Maine.
5. Receiving, investigating, and adjudicating appeals concerning the enforcement and effect of the Personnel Law.

PAS Recommendations. The efficient operation of the various state departments and the administration of the laws of the State of Maine are dependent upon an effective, responsive, and responsible system of personnel administration. The PAS consultants had a good word for Maine's personnel operation, but in common with some of their other recommendations on phases of State government, suggest further services are possible and needed. PAS further believes that these services can best be achieved through a change in the administrative organization of the Personnel Board. Specifically, they advocate:

1. Abolishing the State Personnel Board and re-establishing it as an advisory board.
2. Creating a Department of Personnel headed by a director appointed by the Governor with consent of the Council.

Sub-Committee Methods. In approaching this problem your sub-committee proceeded as follows:

1. To hear proponents and opponents of the present organizational plan including professional personnel administrators in other governmental jurisdictions.
2. To review the organizational forms for personnel administration in other states.
3. To crystalize the committee's own philosophy and to make recommendations thereon.

Proponents and Opponents of Present System. The consensus of opinion of the proponents of the present system is that the director needs to have a buffer, i.e., a non-partisan board possessing the power of appointment and removal, in order that the chief personnel administrator may effectively carry out his duties without fear of political repercussions. The point was also made that few professionally qualified personnel administrators would apply for the position as recommended by the PAS consultants which might result in a succession of less qualified persons and possible severe fluctuations in personnel policy.

Opponents to the present set-up argue that Maine's personnel administration is too far removed from the attention of the Governor, and that positive personnel programs of proven worth such as in-service training, executive development, incentive awards, etc. have received only lip service from the Personnel Board. Opponents also question whether a part-time Board is qualified to assist the Chief Executive as a staff agency in planning, co-ordinating, and administering flexible pay plans to more effectively recruit highly skilled professional personnel in scarce supply establishing appropriate standards of job performance, conducting research and planning, and developing a successful public relations program.

Organizational Patterns in Other States. Unlike the subcommittee on Education we must report that there seems to be no unanimity of thought on the relationship of the chief personnel officer to the Governor or even in the method of his appointment. However, a definite trend nationwide has developed during the past ten years to improve the operation of civil service itself, to increase its usefulness and benefit to government in general, and to overcome weaknesses which have become apparent. Coincident with this trend towards critical appraisal of existing functions has been an increase in powers and responsibility of the chief personnel administrator, and a corresponding decrease in the function of the Civil Service or Personnel Board. The States of Kansas, Minnesota, New York, Pennsylvania and Vermont have recently, or are now in the process of, taking affirmative action in this direction.

Twenty-five states currently have central personnel agencies. Three organizational patterns predominate:

- a. Single personnel officer  
Appointed by the Governor -- two states, Maryland and Virginia.  
Appointed by the Commissioner of Administration --- three states, Connecticut, Rhode Island, and Kansas.
- b. Single administrator with advisory board.  
 The administrator is responsible for technical operation of the Merit System. The Board's actions vary, but generally include rule-making, determination of appeals, certain investigatory powers, plus advisory functions.  
Director appointed by the Governor. Six states, Tennessee, Illinois, Wisconsin, Missouri, Vermont, and New Hampshire...in most of these states, the Personnel Board submits a list of qualified candidates to the Governor for his choice.  
Director appointed by the Personnel Board. Eleven states, Michigan, Massachusetts, Minnesota, Maine, Oregon, California, Indiana, Pennsylvania, Georgia, New Jersey, and Alabama. Re-organization studies in six of these states including Maine during the past five years are critical of the existing structure --- urging closer relationships to the Chief Executive.
- c. Administrative Personnel Boards. -- To round out the picture, three states have multiple administrative boards on full-time basis.

We quote from a 1953 "Staff Report on the Department of Civil Service" made by the New York Temporary State Commission on the Co-ordination of State Activities as follows, "The present trend (is) toward close integration of the Personnel function with overall management responsible to the Chief Executive.....the various states are developing their own organizations, but the movement is in the direction of a single state administrator responsible to the Chief Executive for the successful administration of the Merit System."

Philosophy of Your Sub-Committee. In general your sub-committee subscribes to the central PAS recommendation for a single department head directly responsible to the Governor in lieu of administrative boards. We believe, however, that personnel administration in public jurisdictions is uniquely open to pressures, political or otherwise, implied or real. We believe, further, that the Chief Executive requires a measure of protection against the insistent demands of his partisans that they be rewarded by appointments for services rendered to the party. The merit system supplies this protection.

The major question facing your sub-committee was as follows:



Does the PAS recommendation (of a Director of Personnel appointed by the Governor with an advisory board) involve weakening the merit system, and constitute a possible means whereby the Spoils System might be re-introduced? Your sub-committee believes such a danger would exist under the PAS plan, and therefore cannot support the consultants in this specific recommendation.

The sub-committee just as strongly believes, however, that a change in the status quo is desirable. We agree that the present structure serves to isolate personnel administration from the constant attention and support of the Governor. Your sub-committee subscribes to the principle that the responsibility for assignment of duties, standards of performance, sound supervision, and administrative organization should be fixed. We further believe that the executive department must be made responsible for administration, enforcement, and proper co-ordination of all functions as to the use of personnel.

Conclusion. To accomplish the above goals your sub-committee recommends that:

1. The Personnel Department be made a Bureau of the Department of Administration and Finance.
2. The Personnel Division would still be responsible for enforcing the Personnel Law.
3. The present Board would be reconstituted as a quasi-legislative and quasi-judicial body in an advisory capacity to the Director of Personnel.
4. The Board would retain its rule-making, investigatory, and appellate functions, and would assist the Personnel Director in development of policies on compensation and classification and act as "Guardian of the Merit System".
5. The Personnel Division would be headed by a single administrator appointed by the Commissioner of Finance and Administration with the consent of the Governor. Present statutory provisions pertaining to the qualifications of the Personnel Director should not be changed.
6. The PAS recommendation that the Board retain its present composition is concurred in by your sub-committee.

Recommendation #2. In the event that the Citizens Committee believes that the Department of Finance and Administration already is divided into more than enough Bureaus, or desires to retain Personnel as a separate department, your sub-committee is prepared to support the following modification:

That the Board retain its present powers, including appointment and removal of the Director, but that the term of the chairman of the Personnel Board coincide with that of the Governor, and that the remainder of the Board be appointed in the manner now provided.

The advantage of this arrangement over the present statutory provision is that the Governor would have a direct line of communication with the Board instead of dealing during most of his term with a chairman who was appointed by this predecessor.

Recommendation #3. Your sub-committee concurs with the PAS consultants' recommendation to extend the classified service to include the following:

- State Police Personnel
- Inland Fish & Game and Coastal Wardens
- Additional employees of the Maine Forest Service
- Non-professional personnel at the State Teachers Colleges
- Parole Officers
- Assistants to the Attorney General

Signed,

- Frederick W. Downing, Chairman
- Denis Blais
- Clinton Barlow
- Margaret Payson
- Malcolm Stoddard

## FINAL REPORT

## SUBCOMMITTEE ON SPECIAL REVENUE FUND

This subcommittee on dedicated revenues disagrees with the recommendation of P.A.S. in this particular area of government.

We feel that the so-called dedicated revenues for promotional plural bodies have served the state economy effectively and should be continued.

Moreover, the subcommittee feels that the creation of new promotional plural bodies, though opposed by P.A.S., can be as useful in aiding the State economy as has been done in the case of potatoes, milk, sardines and other products.

Edward Penley, Chairman  
Harold B. Clifford  
Harrison C. Lyseth  
Halsey Smith  
Lucia M. Cormier

GOVERNOR'S STAFF

We recognize the inadequacies of prior legislative appropriations for the staff of the executive department, and suggest to the current Legislature that 1957-58 and 1958-59 executive department appropriations provide for an increase of at least \$50,000 per year for the employment of more adequate staff consistent with the ever expanding responsibilities of the Chief Executive.

We also recognize the gross inadequacies of the office facilities as at present existent and strongly recommend that space at least double that now available be assigned to the executive department.

## PROGRESS REPORT

Augusta, Maine  
January 2, 1957

Citizens Committee on the Survey of State Government.Progress Report of the Subcommittee on Staff Services.

Frederick W. Downing, Chairman, Denis Blais, Clinton Barlow,  
Margaret Payson, Malcolm Stoddard.

Gentlemen:

Your Subcommittee has reviewed many of the consultant's recommendations in the general area of Staff Services, particularly the present organization and functions of the Department of Finance and Administration. It is our understanding that other Subcommittees are studying the questions of annual sessions, dedicated revenues, the method of appointment of the State Treasurer, the Secretary of State, and the Attorney General. All these are included by PAS in the "Staff Services" portion of its report. In addition, major functions of the present Secretary of State Department, i.e. Motor Vehicles Division, are being reviewed currently by the Subcommittee on the Department of Public Protection.

Organization of the Department of Finance and Administration.

Your Subcommittee finds itself in substantial agreement with the PAS report which states, "The advantages of centralized control over financial processes and services auxiliary to operating functions have been recognized in Maine as is evident by the existence of the present Department of Finance and Administration. Possible improvements relate, in fact, to the extension of systems which are in use rather than to organizational innovations."

Relative to the ensuing recommendations, your Subcommittee calls attention to the broad and comprehensive intent of Chapter 16 of the Revised Statutes relative to the duties of the Commissioner of Finance and Administration. We quote from the Statute as follows:

I. To serve as the principal administrative and fiscal aide to the governor.

II. To serve as budget officer and supervise development and execution of the biennial budget.

\*III. To coordinate financial planning and programming activities of departments for review and action by governor and council.

\*IV. To constantly review the administrative activities of other departments and agencies of the state, study organization and administration, investigate duplication of work and to formulate plans for better and more efficient management and to report periodically to the governor and on request to the legislature.

V. To prepare and report to the governor or to the legislature such financial data or statistics which may be required or requested by them.

VI. To supervise and direct the activities of the departments or the bureaus which may by statute be designated as being under the department of finance and administration.

\*In order for the Commissioner to more fully carry out the expressed intent of sub-sections III, IV above (those pertaining primarily to program planning and administrative review), your Subcommittee believes additional qualified staff personnel are required in his office. We urge increased appropriations to support this function.

#### Statutory Changes.

We believe that the certain statutory changes would be required to carry out the suggestions of the PAS consultants and those of the Subcommittee.

1) Bureau of the Budget. The present statutory requirement that the Commissioner shall also serve as Budget officers should be deleted. Your Subcommittee concurs with PAS that a full-time Budget Officer should be appointed by the Commissioner with approval of the Governor to head the Bureau of the Budget.

2) Budgetary Process. Your Subcommittee is in unanimous agreement with the PAS suggestions for strengthening the Budget Bureau in order to more adequately analyze departmental requests for funds, need for added positions, and for continuing assessment of changing needs in relation to original estimates.

We concur with the ultimate goal of budgeting on a program and performance basis instead of the present Character and Object.

3) Budget Advisory Committee. Your Subcommittee is divided on the PAS recommendation to abolish the Budget Advisory Committee. Some feel that it provides an educational advantage for future members of the Appropriations Committee. We firmly agree with PAS, however, that the Governor has sole responsibility for the creation of his budget.

Apropos the subject of assisting an incoming governor in the preparation of his budget and other duties, a number of your Subcommittee believe that the addition of a small permanent staff of career employees in the Governor's office might be of material benefit and provide a degree of continuity in purely administrative functions now lacking.

4) Personal Services Budget and Annual Sessions. Until annual sessions of the Legislature become a reality, your Subcommittee believes that sound personnel administration and budgeting would be served by the creation of a Personal Services Reserve Account. Funds appropriated for payment of wages and salaries during the first year of the biennium, not utilized for that purpose, would be transferred to the above reserve account in lieu of lapsing to surplus. At the present minute the Personnel Board is effectively hamstrung in its efforts to effectuate urgently needed wage adjustments for classes common to several departments. If all departments involved are not able to certify that each has sufficient funds available, no change in rate is possible....thus creating or perpetuating severe recruitment and retention problems.

5. Payroll Process. A majority of the Subcommittee agrees with the PAS recommendation that the Statutes should be changed so that the employee payment schedule is fixed at the discretion of the Commissioner of Finance and Administration and he should shift to a semi-monthly payroll basis for salaried employees.

6) Financial Reporting. Minor statutory changes will be necessary to carry out the PAS recommendations on financial reporting. Your Subcommittee concurs that the Commissioner should be officially responsible, instead of the State Controller. We further question whether any substantial public interest is served by requiring that the annual financial report be published in condensed form in all weekly and daily papers of the state; unless it is possible to do away with such reports entirely, selection of three or four daily newspapers would reach almost as many persons in all parts of the state.

7) Bureau of Public Improvement. Your Committee is in accord with the recommendations of Raymond Mudge, Commissioner of Finance and Administration, that the maintenance and operation of state buildings and properties should be more closely linked with the planning and development of a long-range capital improvement program now vested in the recently created Bureau of Public Improvement. We therefore recommend the creation of a Division of Public Buildings within this Bureau.

## FINAL REPORT

Augusta, Maine  
January 15, 1957

Citizens Committee on the Survey of State Government.Progress Report on the Subcommittee on Staff Services.

Frederick W. Downing, Chairman, Denis Blais, Clinton Barlow,  
Margaret Payson, Malcolm Stoddard.

Gentlemen:

Your Subcommittee has previously reported on several PAS recommendations designed to materially improve the administration of staff services for state government. Most of these will require, you will recall, relatively minor reorganizational changes within the Department of Finance and Administration. As a follow-up to previous reports, your Subcommittee is today reporting on PAS suggestions for the creation of a Bureau of Central Services; on a question pertaining to the office of Treasurer referred to us by the Executive Committee; and on the abolition or continuance of several plural bodies within the area of staff services.

Bureau of Central Services. Your Subcommittee has reviewed the PAS recommendations for the reorganization of the Department of Finance and Administration, and concurs with the consultants that a need exists for the creation of a Bureau of Central Services.

This Bureau would be responsible for the institution of a modern records management program, including microfilming, centralized storage where possible, and retirement of records of all operating departments.

In addition this Bureau would assume certain functions now delegated to the Bureau of Purchases, i.e., operation of the departmental garage, post office, and centralized duplicating services excluding printing. Telephone facilities now controlled by the Superintendent of Public Buildings should be transferred to this activity.

The Subcommittee further recommends that the centralized dark room in the new office building, and the blueprint facilities in the old Highway building be available for the use of all departments as needed, and that control be vested in the Bureau of Central Services.

Your Subcommittee believes the above recommendations are in line with more efficient and economical operation of the above functions and in harmony with modern business practices in industry and other governmental jurisdictions.



Office of the Treasurer. Twice within 25 years experts in public administration have seriously questioned the advisability of continuing the Office of State Treasurer. In 1930 the National Institute of Public Opinion advised that the Treasurer should be established as a Bureau within the new Department of Finance. Practically everyone of the Gardiner Commission recommendations on Finance and Budget were adopted with the exception of the above.

In 1956 the Public Administration Service characterized many of the routine functions of the Treasurer as "pertaining essentially to that of a cashier, and such being the case the Office of the Treasurer might well be ultimately a component of the Department of Finance and Administration."

Your Subcommittee believes that many of the Treasurer's duties could advantageously be transferred to either the Bureau of Accounts and Controls or to the Bureau of Budget without impairing essential services now provided. However, due to lack of time to call a public hearing on this topic, we suggest that the question of the continuance of the Treasurer as an independent office be referred to the Citizens Committee for further study prior to the 99th Legislative session, or in the absence of such committee, that the question be referred to the Legislative Research Committee.

Plural Bodies. Your Subcommittee finds itself in substantial agreement with many of the consultants' recommendations on the abolition or continuance of these Boards and Commissions.

Specifically, we recommend that those bodies be abolished which have ceased to function or whose activities are recommended for inclusion within the suggested reorganization plan for the Dept. of Finance and Administration. These are: State House Offices Advisory Committee, the Committee on Destruction of Records, and the Advisory Council on the State Personnel Board.

We hesitate to make specific recommendations on other bodies due to lack of time to hold hearings or to consult with interested parties.