

Governor's Budget Message

January 5, 2007

Honorable Members of the 123rd Legislature and Citizens of Maine:

Earlier this year, the Brookings Institution issued a comprehensive action plan focusing on strategies for promoting and sustaining prosperity in this great state, while nurturing and enhancing the unique characteristics of Maine that contribute to its "quality of place." The budget presented here for your consideration takes many of the recommendations put forward in that action plan to heart. Despite the very difficult choices inherent in crafting such a spending plan, I believe this budget moves us down the path toward sustainable prosperity.

First, this budget fully funds the current operations of State government. True to the recommendations of the Brookings report, this budget continues the administrative streamlining initiatives begun in the current biennium, in the consolidation of financial services, human resources and information technology. I am also proposing the merger of the Department of Economic and Community Development and the Department of Professional and Financial Regulation, creating a new Department of Commerce dedicated to the needs of business in Maine. This plan also merges the Atlantic Salmon Commission into the Department of Marine Resources, to enhance the management and restoration of diadromous species of fish. The budget also includes initiatives that streamline various bureaus and offices within State government to improve efficiency. These efforts will also result in the elimination of two agency heads and several major policy influencing positions, as well as other administrative staff.

Importantly, the budget presented here reflects my continued commitment to property tax relief through an increase in the State's share of education funding to a full 55% by State Fiscal Year 2009. This initiative will result in a \$170 million reduction in the funding burden at the local level, providing immediate, mandatory property tax relief for Maine families and businesses.

Additionally, in the spirit of the recommendations of the Brookings report, and the Select Panel Report adopted by the State Board of Education, I have incorporated a plan to streamline central office administration for school systems. This budget reflects a reduction in the number of school administrative systems from 152 to 26 while providing for a principle in every school, an increase in student class sizes consistent with national norms and a reduction in the annual system administration cost per student from \$346 to \$186. At the same time, we will reinvest some of the savings realized by this restructuring, extending the student laptop program through high school. We will also launch a tuition assistance program that will cover 50% of tuition costs at community college rates for financially eligible high school seniors.

Furthermore, tackling school administrative structures will help address fragmentation of decision-making in Maine. The Brookings Institution noted that our state's abundance of governmental units risks uncoordinated infrastructure development that threatens our quality of place.

This budget restores funding dedicated for affordable housing and for the prevention of homelessness. It also fully funds investment in the Local and Regional Efficiency Fund to support municipal efforts to deliver services in a more collaborative and efficient manner. I will ask those making grants from this

Fund to ensure that special attention is paid to projects that assist service center redevelopment – downtown revitalization matters both to our economy and the character of our state.

This budget plan commits substantial increases in resources to Maine’s institutions of higher education. The University of Maine System will receive an additional \$14.4 million, the Maine Community College System an additional \$11.7 million, and the Maine Maritime Academy \$2.1 million. Recognizing the importance of investing in our economy, I have proposed an appropriation of \$5 million for the Maine Economic Improvement Fund to be used for research and development. Moreover, through the Maine Technology Institute, we will invest \$8 million in new innovation clusters that show promising partnerships for economic growth among businesses, research enterprises and career education, helping to spur Maine’s economy.

If we are to realize sustainable prosperity, we have to be successful at appropriately managing the costs of the MaineCare program. This does not mean sacrificing our compassion for the most vulnerable and needy among us; this document does not reflect any reductions in eligibility or in scope of services.

This budget will expand medical management to all adults receiving MaineCare with the exception of those dually eligible for MaineCare and Medicare, behavioral health care and pharmacy services, helping ensure the provision of the right care and the right time in the right place. It also envisions the implementation of managed care for behavioral health services and standardization of rates paid for those services to make them more consistent with those paid across New England.

At the same time, we will move to improve the efficiency of administration with the Department of Health and Human Services, eliminating a Deputy Commissioner and a Director of Special Projects, and reducing the number of Offices by three. We will further reduce administrative costs by transitioning MaineCare operations to a fiscal agent, while increasing investment in program integrity and child support enforcement.

This budget proposal calls for a \$1 increase in the cigarette tax and increases our support for tobacco cessation funding by \$6 million over the course of the biennium. Finally, this budget provides funding for outstanding hospital settlements, consistent with my commitment to Maine’s hospitals and communities.

The preparation of this budget has involved very difficult choices. Still, it is a budget that reflects compassion and responsibility, holding Maine on a course toward sustainable prosperity.

I look forward to working with the Legislature over the coming months to enact a fiscally sound budget that will carry us forward toward our shared goals.