OFFICE OF
THE GOVERNOR

NO. 05 FY 01/02
DATE May 9, 2002

SPECIAL BUDGET AND
EXPENDITURE ORDER OF MAY 2002

WHEREAS, undedicated revenues to the General Fund are below budget in fiscal year 2001-02 on a year-to-date basis;

WHEREAS, individual income tax receipts are significantly below budget on a year-to-date basis as a result of higher refunds and lower final and estimated payments;

WHEREAS, it is prudent to implement immediate measures to reduce state government expenditures pending completion of the review and analysis of state revenue projections and receipts in order to ensure a balanced General Fund budget through June 30, 2002 and June 30, 2003;

WHEREAS, it is fiscally responsible to undertake contingency planning in anticipation of the possibility of a revenue shortfall;

WHEREAS, the expertise and cooperation of State agencies and their employees are vital to the success of these fiscal control and planning initiatives;

NOW, THEREFORE, I, Angus S. King, Jr., Governor of the State of Maine, do hereby rescind Executive Order 02 FY 01/02 and in its place order that, effective immediately, each State agency and department must review all programs and operations, and implement the following procedures:

1. All allotment reserves in FY 02 will be immediately frozen. All allotments that lapse to allotment reserve in FY 03 shall be immediately frozen. The State Budget Officer may authorize any future use of frozen allotment reserves in FY 02 and FY 03 that is necessary to protect the health or safety of the public or satisfy existing legal obligations. Federal Expenditures Fund accounts and Federal Block Grant Fund accounts are exempted.

2. All unencumbered balances forward from FY 01 in accounts that have not been allotted by financial order shall be immediately frozen. All unencumbered balances forward from FY 02 in accounts shall be immediately frozen. The State Budget Officer shall review financial orders requesting the use in FY 02 and FY 03 of unencumbered balances forward and advise the Governor of situations where such use may be necessary to protect the health or safety of the public, meet payroll obligations, fund legislatively approved salary increases and adjustments, maintain effective operations within existing legislative appropriations and allocations, or satisfy existing legal obligations. Federal Expenditures Fund accounts and Federal Block Grant Fund accounts are exempted.

3. Financial orders that request the transfer of balances of appropriations and allocations between line categories and accounts, that request the use of savings for project or limited period positions, or that request allotment in excess of allocation in FY 02 and FY 03, except Government/Student Intern positions, will not be approved unless the State Budget Officer determines such uses are necessary to protect the health or safety of the public, meet payroll obligations, fund legislatively approved salary increases and adjustments, or satisfy existing legal obligations.

4. A hiring freeze is immediately in effect for all positions that are vacant or that become vacant in FY 02 and FY 03. Emergency exceptions to this provision may be approved by each department or agency head with advice and recommendations from the Bureau of the Budget and the Commissioner of the Department of Administrative and Financial Services, or the Commissioner's designee. Such exceptions shall be made in accordance with a Human Resources Memorandum that will be issued subsequent to this order. Department and agency heads should make every effort to streamline operations in order to avoid the filling of vacancies. Personal Services expenditures by department and agency heads will be limited by available Personal Services in General Fund accounts during FY 02 and FY 03. Except in extraordinary circumstances, department and agency heads should not expect to receive from the General Fund Salary Plan in FY 03 more funds than in FY 02.

5. Unscheduled overtime shall not be permitted except in emergency or other unavoidable circumstances and only with the prior approval of the department or agency head, or his or her designee.

6. Departments and agencies are directed to maintain the reductions in All Other in General Fund accounts in FY 02 made pursuant to Executive Order 2 FY 01/02, paragraph 5, and to take steps to achieve further reductions in All Other in General Fund accounts in FY 03 in addition to those identified in laws from the Second Regular Session of the 120th Legislature equal to 2% in the aggregate for the department or agency for all character and objects of expenditure for which allotment is available, except for the following expenditure categories:

   - Food
   - Fuel

- Grants (see item 7 below)
- Rents
- Utilities, and Internal Information Services

7. Departments and agencies are directed to maintain the reductions in All Other in General Fund accounts in FY 02 made pursuant to 02 FY 01/02, paragraph 6, and to take steps to achieve further reductions in All Other in General Fund accounts in FY 03 equal to 2% in the aggregate for the department or agency for which allotment is available, in character and object 6400, Grants to Public and Private Organizations, in addition to those identified in laws from the Second Regular Session of the 120th Legislature, except for the following programs:

    - General Purpose Aid to Local Schools
    - Debt Service –University of Maine
    - Retirement Allowance Fund

8. All out-of-state travel paid for by state accounts must be terminated for all future and pending requests in FY 02 and FY 03 with the following exceptions:

    - Travel directly related to the care of residents, wards, foster children and other individuals under state care or protection.
    - Travel required in the execution of law enforcement investigations, interstate contracts directly related to the extradition of an individual, or the transfer of an individual to or from a correctional facility.
    - Travel directly involved in the securing of revenue, or that directly impacts revenue.
    - Travel required in emergencies or other circumstances necessary to maintain effective operations.

9. All in-state travel in FY 02 and FY 03 must be reduced to the absolute minimum necessary to maintain effective operations. Alternatives to in-state travel should be explored, especially the use of appropriate telecommunications technology.

10. All new or renewal contracts, grants or purchases in FY 02 and FY 03 must be reviewed by each department and agency head and reduced to the absolute minimum necessary to maintain effective operations or to meet emergency situations. Each department or agency head will be responsible for making the determination that a contract, grant or purchase satisfies the emergency or cost effective operation standard in accordance with guidelines developed by the Division of Purchases. The Director of Purchases is authorized to return to a department or agency head any such contracts, grants or purchases that are determined to be non-essential or that can be delayed or postponed. Federal Expenditures Fund accounts and Federal Block Grant Fund accounts are exempted.

11. All capital equipment purchases in FY 02 and FY 03 are immediately frozen, subject to existing legal obligations, except in cases of extreme emergency or to maintain effective and less costly operations. Each department or agency head will be responsible for making the determination that a capital equipment purchase satisfies the emergency or cost effective operations standard in accordance with guidelines developed by the Division of Purchases. The Director of Purchases is authorized to return to a department or agency head any capital equipment purchase determined to be non-essential or that can be delayed or postponed. Federal Expenditures Fund accounts and Federal Block Grant Fund accounts are exempted.

12. The Bureau of the Budget, in cooperation with each affected department or agency, shall review General Fund encumbrances brought forward from FY 01 and FY 02 in order to lapse encumbrances remaining in FY 02 and FY 03 for which the contract terms have been fulfilled.

In the event an agency or department demonstrates that it is unable to comply with the paragraphs above, it must submit an alternative plan that seeks to achieve the same amount of General Fund savings from sections 6 and 7, to be developed in cooperation with the Bureau of the Budget no later than May 31, 2002.

Nothing in this Executive Order may be interpreted to authorize departments and agencies to postpone the processing of invoices payable in fiscal years 2001-2002 and 2002-03. This Executive Order also is not intended to prevent state agencies and departments from addressing emergencies or imminent threats to health and safety, or from fulfilling legal obligations entered into prior to its effective date.

The Executive Order is effective immediately and shall remain in effect through June 30, 2003, unless modified or rescinded by Executive Order.

Angus S. King, Jr., Governor