



**2013 SUPPLEMENTAL BUDGET BRIEFING**  
**2014-2015 BIENNIAL BUDGET BRIEFING**

*January 11, 2013*

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*Prepared by: Office of Governor Paul R. LePage*

**January 11, 2013**

**Honorable Members of the 126<sup>th</sup> Legislature and Citizens of Maine:**

These are challenging and difficult times. Our State is facing an economic crisis, and we need to examine our spending practices, evaluate our delivery of services and gain control of our welfare system. Maine's fiscal security and future is at stake, and we must make hard choices.

My challenge as Governor—and our challenge as a State—is to find ways to help Maine families prosper, improve the business climate, and foster better educational opportunities while still protecting the truly needy with limited resources.

This biennial budget balances priorities for the people of Maine by maintaining the crucial safety net for our most vulnerable while holding the line on our already too high tax burden.

Maine recently passed landmark tax reduction legislation—saving the average Maine family \$300 a year. Unfortunately, the strides we have made are not enough to overcome the sluggish growth in the American economy. For decades, Maine has remained uncompetitive in attracting and growing new businesses. Now is not the time to raise taxes on Maine's hardworking families and small businesses.

In the early part of the recession, Maine relied on one-time, so-called “stimulus” money from the federal government to pay for many expanded services and programs, rather than paying our existing bills. Today, that money is no longer provided, requiring us either to shift to State funding to maintain those services and programs or to cut them.

We made difficult choices to balance this budget in challenging times. Some worthwhile programs have not been funded and some have seen major reductions. We have prioritized Mainers' tax dollars to maintain a safety net for our most vulnerable.

Two years ago, this administration made it a priority to invest an additional \$63 million into education. Though we have had to make some cuts, this year, general purpose aid to schools is still higher than it was before I took office. And while Maine spends roughly \$4,000 above the national average, our investment is not yielding improved academic results.

While the federal government has not passed a budget in years, as Governor, I am responsible for ensuring Maine has a balanced budget. This requires State government to tighten its belt significantly. Local government must do the same. Towns and cities will feel the effects of this

budget through a temporary loss of revenue sharing. I commit to you here that we will restore revenue sharing to local governments as the economy improves.

In our continued effort to right-size State government, this budget eliminates about two-hundred positions and will achieve an additional \$30 million in savings by eliminating the lowest-value programs.

In a time of rising crime, we are ensuring our police receive the training they need at the Criminal Justice Academy and that drug enforcement will continue. In addition, we added a new sergeant to the Computer Crimes Lab to help solve some of the most despicable crimes committed against Maine's children and adults.

For years, our natural resource agencies have been cannibalized to pay for growing welfare and education programs—this budget maintains minimal of funding needed for these important agencies to operate.

This budget continues to fund essential transportation infrastructure.

We have modified property tax benefit programs like Circuit Breaker and the Homestead tax exemption to focus on our elderly living in their homes on fixed incomes.

Ultimately, this budget is a combination of difficult choices made during challenging times. But in the long-run, these choices are necessary to protect the future of our children and grandchildren and create a fiscally responsible plan for spending your tax dollars that will set us on a path to recovery.

Sincerely,

A handwritten signature in blue ink that reads "Paul R. LePage". The signature is written in a cursive style with a large initial "P".

Paul R. LePage  
Governor

# GOVERNOR LEPAGE BUDGET HIGHLIGHTS

## PAYING OUR BILLS

- Increasing funding **by \$2 million** for individuals with mental health needs as part of complying with the AMHI Consent Decree.
- Fully funding Indigent Legal Services, protecting constitutional rights of representation for Maine's poor.
- Ensuring the State's obligation for disaster relief to our towns and counties is met.

## RIGHTSIZING STATE GOVERNMENT

- Eliminating more than 200 positions, including 56.5 from the highway fund attributed to DOT's philosophy of "less process, more product" (See Graph Below).
- Prioritizing state spending through a zero-based budgeting process.
- Sharing the responsibility for teacher retirement costs between school districts and the state.
- Restructuring Maine's apprenticeship program to address Maine's skills gap.

## INVESTING IN MAINE'S FUTURE

- Maintaining funding for Maine's higher education institutions to ensure both access for students and an educated workforce.
- Providing **\$2 million annually**, in the form of incentives and startup funds, to school districts to encourage the efficient delivery of educational services.
- Providing **more than \$13 million annually** to establish greater accountability in Maine schools.
- Increasing funding, **in excess of \$1 million**, for the Jobs for Maine's Graduates program that will reach more than 5,000 students.
- Providing funds to support additional overseas business recruitment efforts for the Maine International Trade Center.

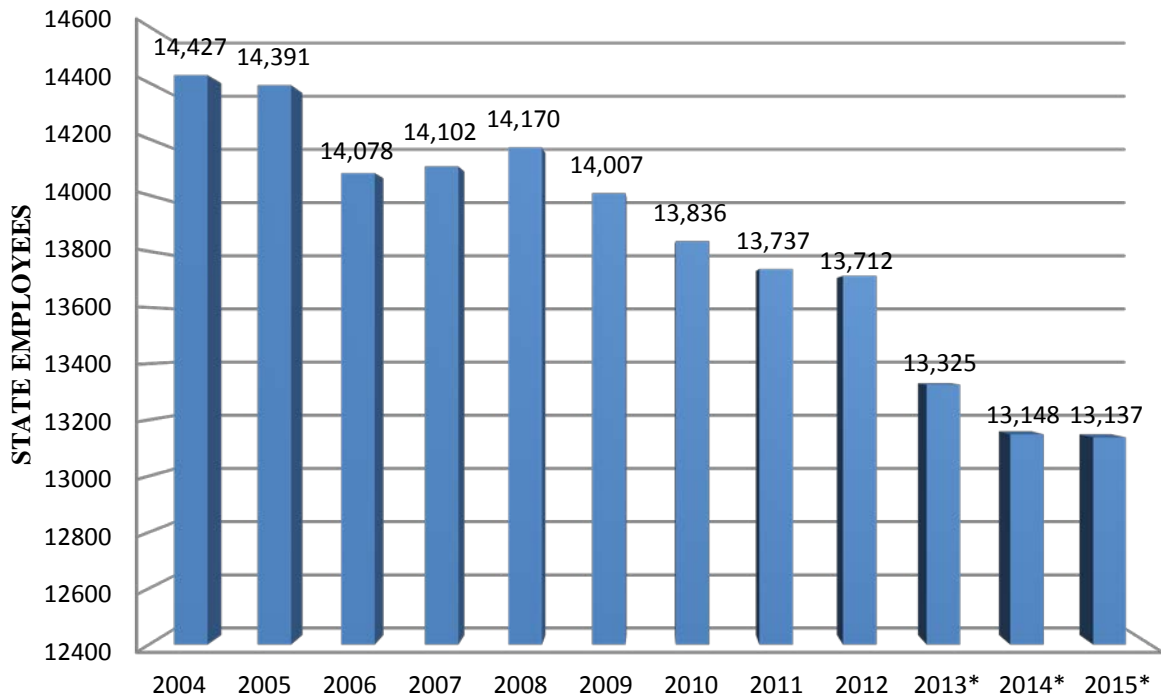
## PROTECTING MAINE'S MOST VULNERABLE

- Providing funding to reduce wait lists for individuals with intellectual disabilities and autism.
- Doubling the current Homestead Exemption to **\$20,000** for Maine resident homeowners age 65 years or older, resulting in **property tax reductions for 85,000 elderly homeowners**.
- Protecting property tax benefits for Maine's veterans aged 62 or older.
- Discontinuing the state-funded cash assistance for legal non-citizens who are not entitled to Social Security Income benefits.

## IMPACT OF FEDERAL FUNDING REDUCTIONS

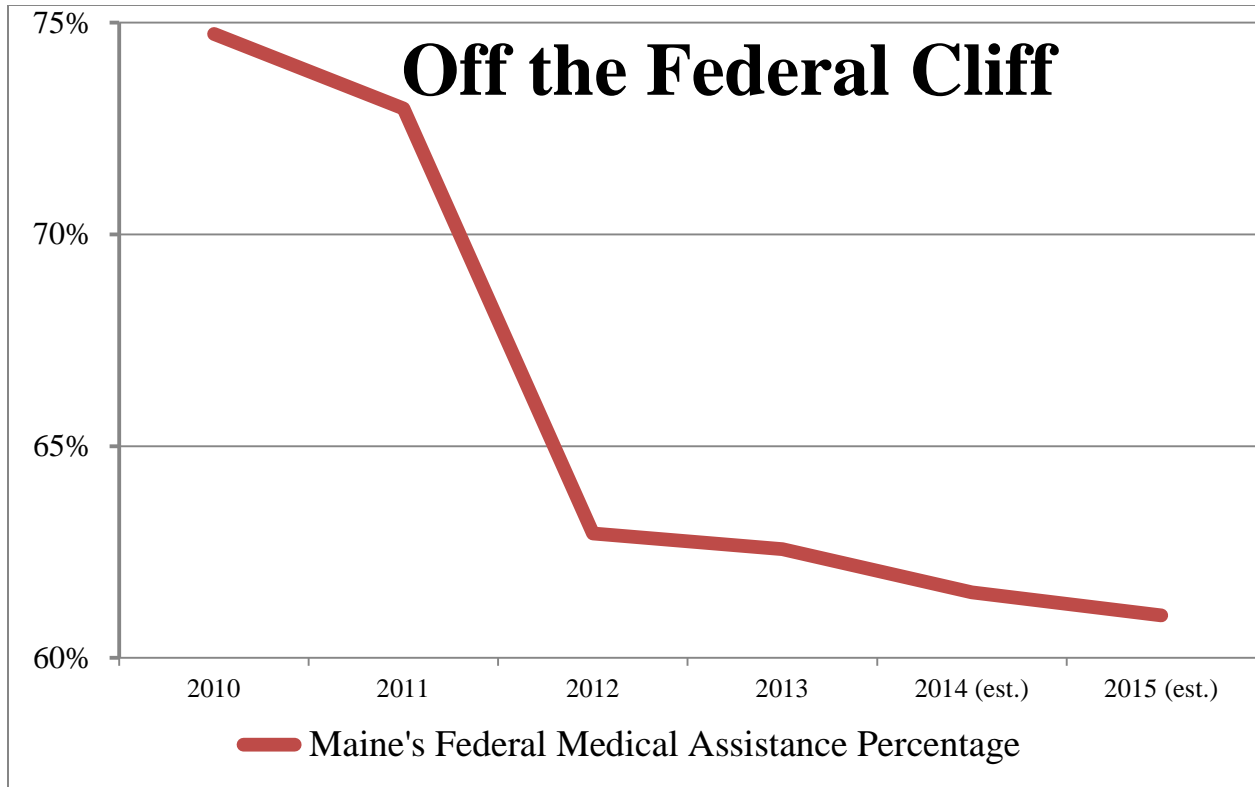
- Maintaining Maine's transportation infrastructure despite reduced project-specific federal funds.
- Providing state funding to partially offset losses of federal funding to combat drug crimes.
- Reforming Maine's welfare system to address the **\$40 million reduction** in federal match rates (See Graph Below).

## RIGHT-SIZING STATE GOVERNMENT WITHOUT MAJOR LAYOFFS



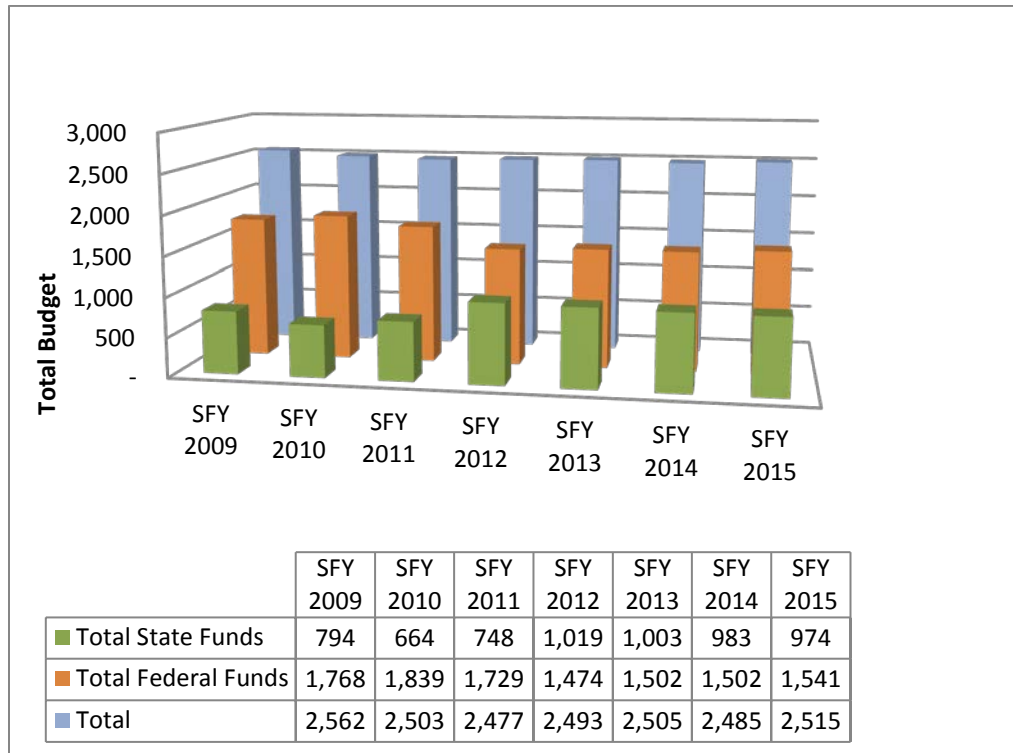
\*Reflects recommended positions for Fiscal Years 2013 – 2015.

This chart shows the number of state employees from 2004, to the projected number of state employees through fiscal years 2013, 2014, and 2015. It shows the trend of decreasing the size and scope of state government, while avoiding major layoffs.



This chart shows the decrease in federal matching funds for MaineCare spending from 2010. It includes the projected decrease for Fiscal Years 2014 and 2015. As federal funding for Maine's Medicaid Program has decreased, the state has had to increase its funding to offset some of the loss.

# MaineCare Expenditure History and Projected Spending (Dollars in Millions)



*Maine continues to be challenged by the loss of federal funding – a total of \$633 million decrease over three years.*

## A Snapshot of Medicaid’s Fiscal Realities

- Nationally, state spending on Medicaid exceeds funding for K-12 education, and, in the last decade, Medicaid spending has outpaced education at a rate of two to one.
- Maine’s challenges are intensified and exacerbated by the generosity of its welfare programs.
- As we stand at the edge of the federal fiscal cliff, the federal government has refused to allow Maine the flexibility to manage its Medicaid program.
- In the biennial budget alone, the reduction in federal matching funds creates a \$40 million challenge.
- DHHS’ financial needs continue to hinder the funding of other important programs across state government.

## **DHHS SFY 13 Supplemental**

### **The MaineCare Shortfall**

•MaineCare will require \$87 million in supplemental funding to meet payment obligations through the end of State Fiscal Year 13.

### **Factors Impacting the Need for Funding**

#### **Cost Shifting to the States**

- Since 2010, overall MaineCare expenditures have been virtually flat, but General Fund expenditures have increased by 65 percent to offset the loss of over \$600 million in Federal stimulus funding (\$162 million in 2009; \$272 million in 2010 and \$199 million in 2011).
- In addition, the federal match rate has consistently dropped – from 74.73 percent in 2010 to 62.57 percent in 2013.

#### **Higher Cycle Payments and Other Factors**

- Projects approximately \$54 million in expenses over what was budgeted initially in MaineCare.
- In addition, the lack of federal approval on legislatively approved changes in Medicaid and other savings were not fully realized.

Even with supplemental funding approval, total General Fund expenditures in MaineCare are projected to be about \$30 million less than in FY12

## **DHHS FY 13 Supplemental Initiatives**

### **Funding Priorities**

- \$4.2 million in additional funding to address the 25 percent increase in children in the foster care assistance program.
- \$2 million in funding for mental health services for individuals not eligible for MaineCare, in conformance with the consent decree. The services funded include Community Integration, Assertive Community Treatment, Daily Living Support, Medication Management, and WRAP. This funding complements other funds provided for Bridging and Rental Assistance Programs to facilitate safe and supportive housing for consumers.

### **Savings Initiatives**

#### **Eliminate Funding for Medically Needy Individuals in a Spend-Down Category**

These individuals reside in certain Private Non-Medical Institutions who do not have enough monthly income to pay the private rate of the facility. These individuals have income over 100 percent of the federal poverty level (\$931) and are under the asset limit of \$2,000.

- The department currently uses all state dollars to fund their medical costs until they meet their deductible and become eligible for MaineCare.
- This initiative will grandfather current members; we will not be allowing new members into the eligibility group.

**Savings:** \$232,000



**Eliminate the State-Funded Drug Program**

Eliminates the Drugs for the Elderly program which covers co-payments, Medicare Part D premiums, out-of-pocket costs, known as the donut hole, and the cost of excluded drugs. This program is 100 percent state funded.

**Savings:** \$1.75 million

**Increase Care Management**

20 percent of MaineCare members account for 87 percent of the cost, and the top 5 percent account for 54 percent of the cost. Initiatives already under way assure appropriate services are provided in the proper settings and will expand with high utilizers, leading to intensive care management and savings.

**Savings:** \$160,000

**Reduce Reimbursement Rates for Critical Access Hospitals**

Reduce reimbursement to Critical Access Hospitals from 109 percent of actual costs to 101 percent. This aligns with Medicare's current reimbursement of 101 percent.

**Savings:** \$612,000

**Rate Reduction in Section 45, Hospital Outpatient Services**

Reduce reimbursement for hospital outpatient services by 10 percent.

**Savings:** \$1.2 million

**Manage to a \$10.1 Million Cap in General Assistance**

**DHHS FY 14-15 Initiatives**

**Funding Priorities**

**Funding Growth**

A 3.5 percent funding increase is included each year to account for growth in payments to providers. In comparison, the national annual average for growth is projected to be around 6 percent. (CMS Trend Report)

**Funding: FY14: \$13.1 million FY 15: \$33 million**

**Mental Health Consent Decree**

Funding for mental health services for individuals not eligible for MaineCare in conformance with the Bates vs. Harvey Consent Decree. The services funded include Community Integration, Assertive Community Treatment, Daily Living Support, Medication Management, and WRAP. This funding works complimentary to the additional funds provided for Bridging and Rental Assistance Programs to facilitate safe and supportive housing for consumers.

**Funding: FY14: \$2 million**

**Wait Lists – Developmentally Disabled**

Funding to reduce wait lists for individuals with intellectual disabilities and Autism. These are home and community based services and supports provided under the Section 21 Waiver.

**Funding: FY14: \$3.3 million FY15: \$3.4 million**

**Taken off the wait list: 85 people**

## **Welfare Reform**

### **Reduce Medicare Savings Plan to Federal Minimums and Eliminate Crossover Payments**

Maine is currently one of two states that provide coverage above the federal minimum.

Recently, the federal government allowed a reduction in services by 10 percent.

**Savings: FY 14: \$11.7 million FY15: 12.1 million**

### **Limit Those Eligible for Medicaid and Medicare to Receive Services from Licensed Clinical Social Workers (LCSW)**

This initiative aligns with Medicare, which only reimburses LCSWs for Behavioral Health Services. Medicare does not reimburse for Licensed Clinical Professional Counselors (LCPCs) or Licensed Marriage and Family Therapists (LMFTs).

**Savings: FY14: \$3.3 million FY15: \$3.3 million**

### **Eliminate the State Funded Drug Program**

Eliminate the Drugs for the Elderly program which covers co-payments, Medicare Part D premiums, out-of-pocket costs known as the donut hole and the cost of excluded drugs.

**Savings: FY14: \$7 million FY15: \$7 million**

### **Manage to a \$10.1 Million Cap in General Assistance**

Establish changes in the General Assistance Program that will reduce costs, including standardized bed-night rates, standardized reimbursement to municipalities at 50 percent and exclusion of benefits provided to people who are not eligible for TANF due to the 60-month time limit.

**Savings: FY14: \$3.1 million FY15: \$3.6 million**

### **Eliminate Cash Assistance for Legal Non-Citizens**

Discontinue the state-funded cash assistance to elderly/blind/disabled legal non-citizens who are not entitled to Social Security Income (SSI) benefits.

**Savings: FY 14: \$552,000 FY15: \$740,000**

## **Payment Reform**

### **Align Hospital Taxation with Nursing Facilities**

Rebase the hospital tax annually to mirror existing practice with Nursing Facilities.

**Revenue Increase: FY 14: \$13.1 million FY15: \$17.8 million**

### **Reduce Reimbursement to Critical Access Hospitals**

Carry forward the change proposed in FY 13 Supplemental to reimburse Critical Access Hospitals at 101 percent of actual costs vs. 109 percent.

**Savings: FY14: \$2.4 million FY15: \$2.4 million**

**Rate Reduction in Section 45, Hospital Outpatient Services**

Reduce reimbursement for hospital outpatient services by 10 percent.

**Savings: FY14: \$4.9 million      FY15: \$4.9 million**

**Remove Medical Add-Ons in Sections 21 & 29**

Eliminates increases in reimbursement to providers to support a member who has a medical condition requiring extra care. This allows him or her to remain in their current residential placement and to avoid institutionalization.

**Savings: FY14: \$637,000      SFY15: \$1.45 million**

**Cost Reduction**

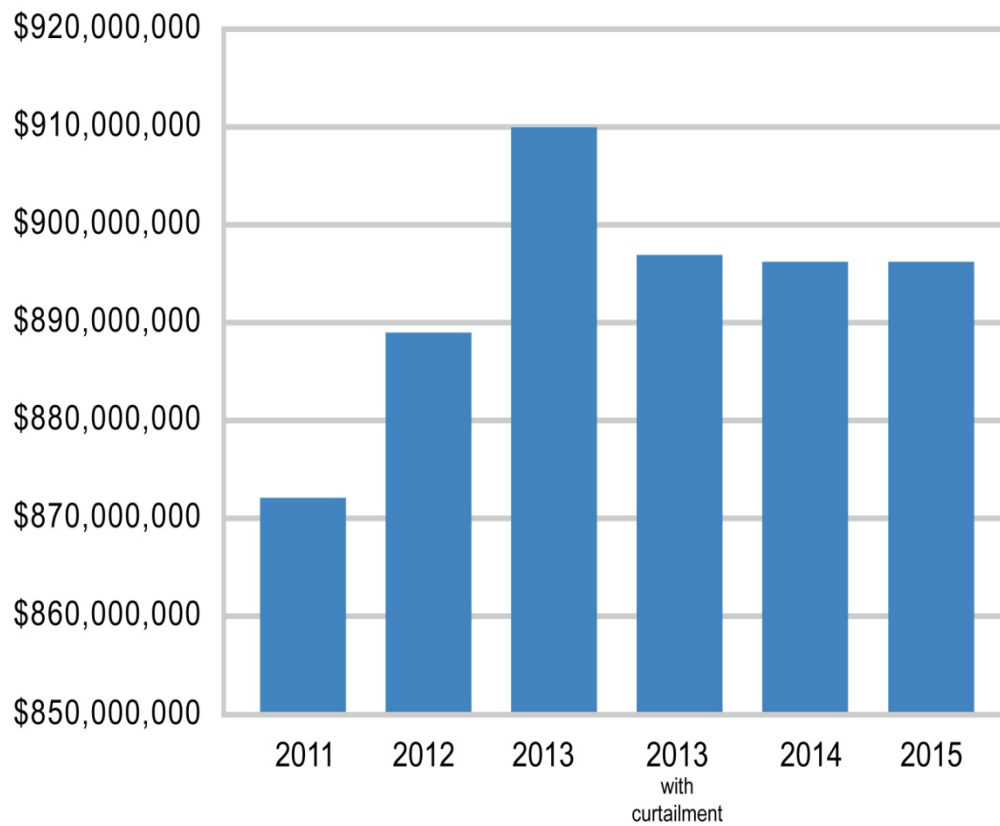
**Increase Care Management**

20 percent of MaineCare members account for 87 percent of the cost, and the top 5 percent account for 54 percent of the cost. Initiatives already under way will expand, with all providing intensive care management of high utilizers to reduce cost.

**Savings: FY14: \$6.5 million      FY15: Projected Biennial Savings: \$15.6 million**



## Net Impact of State Funding for School Districts



Due to the structural change, GPA technically grows to \$923 million in FY 2014, but the net impact to school districts is to essentially flat-fund GPA at roughly \$894 to \$895 million through FY 2015.

## INVESTING IN EDUCATION

### **A** ACCOUNTABILITY

|  |                |
|--|----------------|
| <b>Office of School Accountability and Support</b><br>Provide targeted resources to assist and support underperforming and struggling schools                                    | \$1,500,000/yr |
| <b>Teacher and principal evaluation systems</b><br>Assist districts in implementing teacher and principal evaluation systems, as required by LD 1858 and anticipated ESEA waiver | \$2,500,000/yr |

### **B** BEST PRACTICES

|  |                |
|--|----------------|
| <b>College Transitions</b><br>Expand a highly successful program that provides high-quality, cost-effective and accessible pathways to post-high school education throughout the state (currently only in about one-third the state’s Adult Ed programs) | \$550,000/yr   |
| <b>CTE industry certification</b><br>Assist career and technical education centers and regions in attaining industry certification (equipment upgrades, staff training, new student assessments, etc.)   | \$1,500,000/yr |
| <b>Proficiency-based diploma</b><br>Assist districts in transition to standards-based high school diplomas, as required by LD 1422   | \$2,000,000/yr |

### **C** CHOICE

|   |  |
|---|--|
| <b>Five-year high school</b><br>Expands Bridge-Year type model (Hermon CTE) to other CTE schools in the state, allowing high school diplomas and community college degrees within five years  | \$1,000,000/yr                           |
| <b>Aspirations program</b><br>Allows more students to gain college experience and credit while still in high school – resulting in more students going on to, and completing, college   | + \$600,000/yr                           |
| <b>Jobs for Maine’s Graduates</b><br>Expands the reach of this highly successful program to well over 5,000 students statewide, helping students who face barriers to education to be successful in school and to enter post-secondary education and the workforce. | + \$450,000 (FY14)<br>+ \$600,000 (FY15) |

## STREAMLINING AND IMPROVING EDUCATIONAL SERVICES DELIVERY

|  |                |
|--|----------------|
| <b>Fund for the Efficient Delivery of Educational Services</b><br>Provides incentive and startup funds available to school districts to form: a) a Regional School Unit that encompasses an entire Career and Technical Education region (there are 26 in the state), or b) a regional education cooperative that will substantially collaborate on key functions, such as special education, transportation, online learning, professional development, food services, etc. | \$2,000,000/yr |
|--|----------------|

### Investing in Education Continued...

- **No additional cuts to GPA** **\$895m**

Governor LePage has made education a priority, increasing GPA each of the past two years. Even after the curtailment, GPA remains greater than last year, even as most state agencies and programs have and will see reductions. The proposed biennial budget essentially flat-funds schools at the same level (\$894m – \$895m) for FY 2013, FY 2014, and FY 2015.

- **Investing in Education** **+ \$13m**

Additional revenues through Title 8, Section 1036, will be used to increase education funds for schools and targeted to key initiatives that support school accountability, best practices, and educational options.

Nearly all of these funds – \$13.1m in FY 2014 and \$13.8m in FY 2015 – will flow to school districts. Funding will go to establishing a new accountability system with supports for underperforming schools, implementing teacher and principal evaluation systems that were required by legislation passed last session, and supporting school’s work on developing proficiency-based diplomas, also required by legislation, and other purposes. With these funds, the state is backing up its expectations with funding and support.

- **Making educator retirement a shared responsibility**

- Asking employers to take on employer costs **– \$28m**

For too long, teacher retirement has been paid 100 percent by the state, regardless of a community’s wealth, and with no recognition that retirement is an employer responsibility. The biennial budget makes teacher retirement payments a shared responsibility of school districts and their communities and the state.

- State funds for educator retirement **+ \$14m**

However, by running these costs through the funding formula, rather than simply reducing GPA by an across-the board \$14 million, we are able to more equitably distribute the necessary savings. The state will provide \$14 million to cover half the retirement costs.

*Due to the structural change, GPA technically grows to \$923 million in FY 2014, but the net impact to school districts is essentially to flat-fund GPA at roughly \$894 to \$895 million through FY 2015. This is slightly above the FY 2012 state subsidy and well above the \$872 million GPA in FY 2011, before Gov. LePage took office.*

MAINE REVENUE SERVICES  
OFFICE OF TAX POLICY

SUMMARY OF MAJOR TAX PROVISIONS  
IN THE FY14/15 BIENNIAL BUDGET

**TEMPORARY SUSPENSION OF MUNICIPAL REVENUE SHARING**

Aid to municipalities is a significant part of the state budget. Although the administration recognizes the importance of revenue sharing to municipalities, it was necessary to propose the suspension of all revenue sharing from income and sales tax for the biennium in order for the State to maintain essential programs and protect our most vulnerable citizens. Estimated General Fund savings are based on FY 2012 actual revenue sharing payments to municipalities.

|                              |                          |
|------------------------------|--------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$98,872,288</b> |
|                              | <b>FY15 \$98,872,288</b> |

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**ENHANCED HOMESTEAD PROPERTY TAX EXEMPTION FOR HOMEOWNERS  
AGE 65 OR OLDER**

The budget proposes to modify the current \$10,000 Homestead Exemption to a \$20,000 Homestead Exemption for only Maine resident homeowners age 65 and older, effective on or after April 1, 2014. This change will target limited resources toward those who are most vulnerable to rising property taxes and provide greater certainty that the benefit will be sustainable in future budgets.

*An estimated 85,000 elderly homeowners will see an average property tax reduction of approximately \$300; a \$150 increase from the current benefit. Maine veterans who have served during a federally recognized war period may be assured that the qualifying age for the veterans exemption will remain unchanged at 62.*

|                              |                         |
|------------------------------|-------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$0</b>         |
|                              | <b>FY15 \$9,140,000</b> |

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## REPEAL OF SALES TAX EXEMPTION FOR PUBLICATIONS

The budget proposes to repeal the exemption for publications issued at least four times a year. Maine is one of only five states that exempts both magazine and newspaper sales.

*The only other products manufactured in Maine that are afforded tax exempt status are “necessities of life” (i.e. grocery staples, medicines, prosthetic devices, residential electricity, wood pellets, etc.). The product exemption for publications does not rise to the level of being a necessity.*

|                              |                         |
|------------------------------|-------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$2,493,750</b> |
|                              | <b>FY15 \$3,424,750</b> |

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## RETARGET BENEFITS UNDER THE CIRCUITBREAKER PROGRAM

The budget proposes to limit the Maine Tax and Rent “Circuitbreaker” Program to households where the claimant or the claimant’s spouse has attained the age of 65 during the year for which relief is requested. In addition, income thresholds are rolled back (as adjusted for inflation) to pre-2005 levels, a new investment income test is added to deny benefits to claimants with more than \$10,000 of investment income (interest, capital gains and dividends), and the percentage used to convert rent to a property tax equivalent is reduced from 20 percent to 15 percent. Similar to the Homestead Exemption proposal, this change will target limited resources to these most vulnerable to rising property taxes and provide greater certainty that the benefit will be sustainable in future budgets.

*Elderly homeowners who remain eligible for the Circuitbreaker program will see an average reimbursement increase of approximately \$125 compared to the “temporary” 20 percent across-the-board reduction in benefits implemented during the last four years.*

|                              |                          |
|------------------------------|--------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$34,818,758</b> |
|                              | <b>FY15 \$38,624,625</b> |

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## **EXPAND THE BUSINESS EQUIPMENT TAX EXEMPTION PROGRAM (BETE) AND REPEAL THE BUSINESS EQUIPMENT TAX REIMBURSEMENT PROGRAM (BETR)**

The budget proposes the elimination of the Business Equipment Tax Reimbursement (BETR) program and provides that property currently qualified under the BETR program be transferred into the Business Equipment Tax Exemption (BETE) program. These changes will generally result in the exemption of such property, rather than partial reimbursement of the property tax. One exception to the proposal is that property located at a retail sales facility, and used in a retail sales activity, will no longer be eligible for property tax relief.

The elimination of the BETR program will be effective for property taxes paid on or after January 1, 2013. Entry into the BETE program of property formerly eligible for BETR will be effective for property tax years beginning on or after April 1, 2014. State reimbursements to municipalities will be increased to 60 percent for property tax year 2014 and 55 percent for property tax year 2015. For property tax years beginning on or after April 1, 2016, municipal reimbursement will be 50 percent.

*The merger of the two business personal property tax relief programs will simplify the administrative process for both taxpayers and municipalities. Non-retail businesses currently in the BETR program will gain certainty that previous large investments in qualified machinery and equipment will be tax exempt and will no longer need to wait to realize these savings. Municipalities will get additional state reimbursement in the first two years of the merger to help in the transition. Property in a retail sales facility and used in retail sales activity will no longer receive a benefit, which will prevent a loss of property tax base for service center towns with a large retail presence.*

|                              |                          |
|------------------------------|--------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$0</b>          |
|                              | <b>FY15 \$11,754,000</b> |

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## **SUSPENSION OF THE INDEXING OF INDIVIDUAL INCOME TAX RATE SCHEDULES FOR TWO YEARS AND CHANGE TO THE CALCULATION OF THE INDEXING PERCENTAGE**

The budget proposes to suspend the indexing of the schedules for tax years beginning in 2014 and 2015, with the rates being the same as those that apply to tax years beginning in 2013.

*This change transitions Maine to the use of Chained CPI in adjusting Maine individual income tax-rate schedules for inflation in order to produce indexing results that more closely reflect changes in household cost of living.*

|                              |                         |
|------------------------------|-------------------------|
| <b>GENERAL FUND SAVINGS:</b> | <b>FY14 \$1,824,000</b> |
|                              | <b>FY15 \$6,840,000</b> |

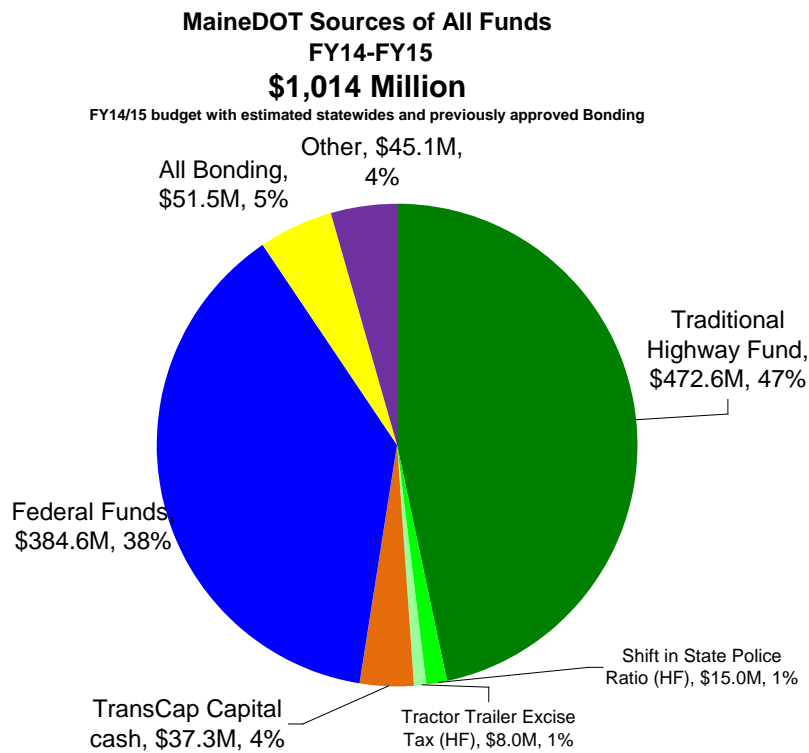
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# MAINEDOT BUDGET HIGHLIGHTS

## FY14-FY15 Biennium

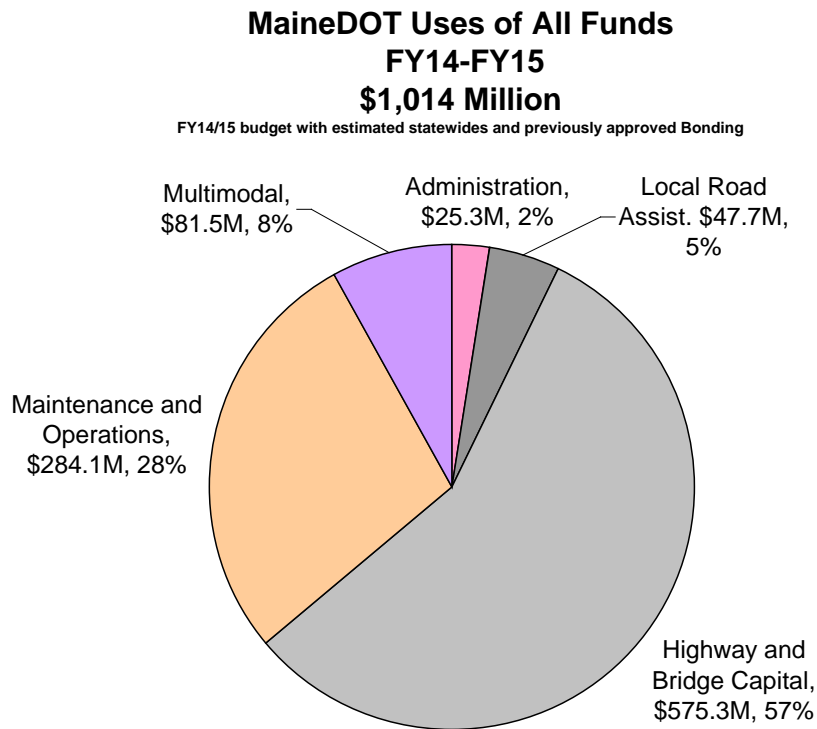
### Overview

- The Maine Department of Transportation (MaineDOT) receives its funding from the State Highway Fund (HF), state funds from the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. Considering all the provisions included in this budget, MaineDOT is projected to have about \$1,014 Million (M) in total funding in the FY14-FY15 biennium.



- Traditional HF revenues are derived primarily from fuel taxes and motor vehicle registration and title fees. The HF is principally used to fund MaineDOT, the Motor Vehicle portion of the Secretary of State, and the highway-related activities of the Public Safety. The Revenue Forecasting Committee has projected traditional HF revenues for FY14-FY15 to be \$621.4 M, which is about 2.3% less than the FY12-FY13 biennium.

- Under this budget, MaineDOT’s portion of the Highway Fund for FY14-FY15 is projected at about \$495.6 M, which is about \$ 12 M or 2.5% higher than the current biennium. Essentially, Governor LePage’s policy initiatives will more than offset the reduction of traditional Highway Fund revenues.
- MaineDOT focus on the production of capital improvements makes it unlike other agencies. About 63% of MaineDOT funding is used for capital purposes. See Uses of Funds pie chart below.



**Specific Budget Items**

- **Personnel Savings.** This budget includes the elimination of 56.5 vacant positions (full time equivalents) at MaineDOT, representing about 2.6% of its positions. This is the latest in a series of savings realized through MaineDOT’s “less process, more product” philosophy. The results of this philosophy have been substantial.
  - When combined with the elimination of positions in FY-12-FY13 budget, this represents a reduction of almost 110 vacant positions at MaineDOT under the LePage administration, a reduction of 5.2%.
- **M&O Personnel Service Savings.** To allow more direct infrastructure improvements through additional contracting and purchase of highway materials, this budget includes a one-time savings initiative to reduce Personal Services and increase All Other in the

Maintenance and Operations program. This results in additional All Other allocations of \$ 7.1 M in FY14 and \$ 8.0 M in FY15.

- State Police Funding Split. Governor LePage's HF and General Fund (GF) budgets include the provision to change the funding split for the State Police from the current 51%-GF, 49%-HF to 67%-GF, 33%-HF. Combined State Police funding is maintained; only the source of funding changes, representing a shift estimated at \$ 7.5 M per year. This policy, which received wide, bi-partisan support from both bodies of the 125th Legislature (see LD 471), will make these budgets consistent with the Maine Constitution and the most recent OPEGA and State Police reports on the percentage of State Police effort that is highway-related.
- Sharing of State Motor Vehicle-related Revenue. This budget maintains funding for the Local Road Assistance Program, the program by which the State shares fuel taxes and motor vehicle fees with municipalities for local highway needs. This program, which represents almost 10% of MaineDOT's Highway Fund Budget, is funded at \$ 23.9 million for FY14 and \$ 23.8 million for FY15, an increase of about \$500,000, or 2%, from current levels.
- Sharing of Municipal Motor Vehicle-related Revenue. This budget includes a new provision to have a small portion of the estimated \$183 million that municipalities collect in motor vehicle excise taxes be used for state highway purposes. Specifically, it provides that the excise tax on tractor trailers be deposited in the state Highway Fund. Tractor trailers move commerce statewide, between states, and internationally, and they spend the vast majority of their time on state roads. It is only fair their excise taxes be used for the roads that move them and the statewide economy. This amount is currently estimated at about \$ 4 million per year, being about 2% of total excise tax collected. The State will use these funds for highway purposes. (Unlike state fuel taxes and vehicle fees, there is no requirement that municipalities use motor vehicle excise taxes for roads.)
- Light Capital Paving. MaineDOT expects that this budget will allow it to continue to deliver 600 miles of Light Capital Paving each year. The actual miles delivered may vary depending upon budget language allowing for more flexible capital use of cash returned from the TransCap Trust Fund, overall funding levels, paving price fluctuations, and the severity of winter weather.
- MaineDOT's Work Plan. Other capital production figures (number of bridges improved, miles of preservation paving, number of spot and safety improvement projects, miles of highway construction and rehabilitation, and number of multimodal projects, etc.) are still under review by MaineDOT as part of its Work Plan process. Obviously, the Work Plan process requires consideration of the results of this just-released budget and other funding variables. MaineDOT intends to release its new, more comprehensive 3-year Work Plan in a few weeks.

# **MAINE'S NATURAL RESOURCE AGENCIES**

## **SUMMARY OF MAJOR INITIATIVES IN THE BIENNIAL BUDGET**

*The Biennial Budget initiatives in the four Natural Resource Agencies demonstrate Governor LePage's continued commitment to Maine's rural economy and natural resource heritage. Despite a slow economic recovery nationally that has led to reductions in federal funding to states, reduced revenues received by state government, and funding challenges due to entitlement spending, the FY14/15 Biennial Budget maintains funding for the natural resource sector. Continued expansion in entitlement spending on welfare programs make this outcome a real challenge, but this budget sets priorities and assures that Maine's natural Resource Agencies continue to provide service and meet core functions. Even with all these challenges, Governor LePage has made sure that fishing, farming, forestry and outdoor recreation remain top priorities in the State of Maine.*

### **DEPARTMENT OF ENVIRONMENTAL PROTECTION**

- ➔ Prioritizes environmental protection efforts with 4% in increased funding, stable program funding and staffing levels.
- ➔ Reorganization of the department ensures staffing positions are used at their maximum capacity, ensuring environmental protection and timely delivery of services, thanks to prioritization.
- ➔ Going forward, it is critical that we control state spending to ensure our natural resource and regulatory agencies have adequate resources.

### **DEPARTMENT OF INLAND FISHERIES & WILDLIFE**

- ➔ A reorganization of IF&W has been approved and resulted in a budget that fully funds the department's service costs while maintaining the funding from the previous biennial budget.
- ➔ This budget shows Governor LePage's commitment to maintaining the integrity of Maine's Natural Resource Agencies by providing funding that adequately pays for core mission activities, which allows the Department to adequately serve all our citizens.

## **DEPARTMENT OF AGRICULTURE, CONSERVATION & FORESTRY**

- ➔ The consolidation of the agencies into the Agriculture, Conservation & Forestry Department ensures support of key natural resource needs, preserves core functions and expands opportunities for better utilization of taxpayer resources.
- ➔ Working toward the efficient delivery of services, the budget provides for the realignment of some functions and positions to consolidate staff support in key program areas.
- ➔ The DACF budget builds program delivery while maintaining the same level of General Fund services and support.
- ➔ The Department was able to generate efficiencies and include a \$100,000 transfer from the Board of Pesticides Control to the University of Maine to replace the 2010 loss of federal dollars for blueberry integrated pest management research.

## **DEPARTMENT OF MARINE RESOURCES**

- ➔ DMR has evaluated the priority issues facing Maine's marine resource users, with the objective of reorganizing the Department to direct resources to high priority work creating economic opportunity for the state.
- ➔ This budget reflects a clear separation of DMR's science and policy work, increased focus on the Bureau of Public Health to support the shellfish industry and improved services to aquaculture (a growth sector), and improved efficiencies in Department administration.
- ➔ Federal reductions have been a key challenge for DMR, and loss of federal funds has required the shift of funds from federal to dedicated accounts to maintain support for baseline fisheries science, monitoring and data collection necessary for effective resource management.
- ➔ DMR anticipates further federal reductions of 10-20% for FY2014, impacting DMR in FY2015 if not before.