

THE MAINE HERITAGE POLICY CENTER

FiscalSanity TOUR

Maine's Spending Addiction
and the Road to Recovery.

Lunch with Moody

- Colgan is an optimist . . .
- Double Digit Unemployment
- Volatility in the Financial Markets
- Weakening Dollar
- Falling Home Prices
- ??? “Quantitative Easing”
- ??? Federal Stimulus Package

Budget Myths

- Maine is a rural state—rural states have higher costs and must spend more
- Without more spending our roads and bridges will crumble and fire and police services will be cut
- Local government spending is too high
 - Reality: Education and Public Welfare dominate spending

Chart 1
 Selected State Direct Expenditures
 State Fiscal Year 2006

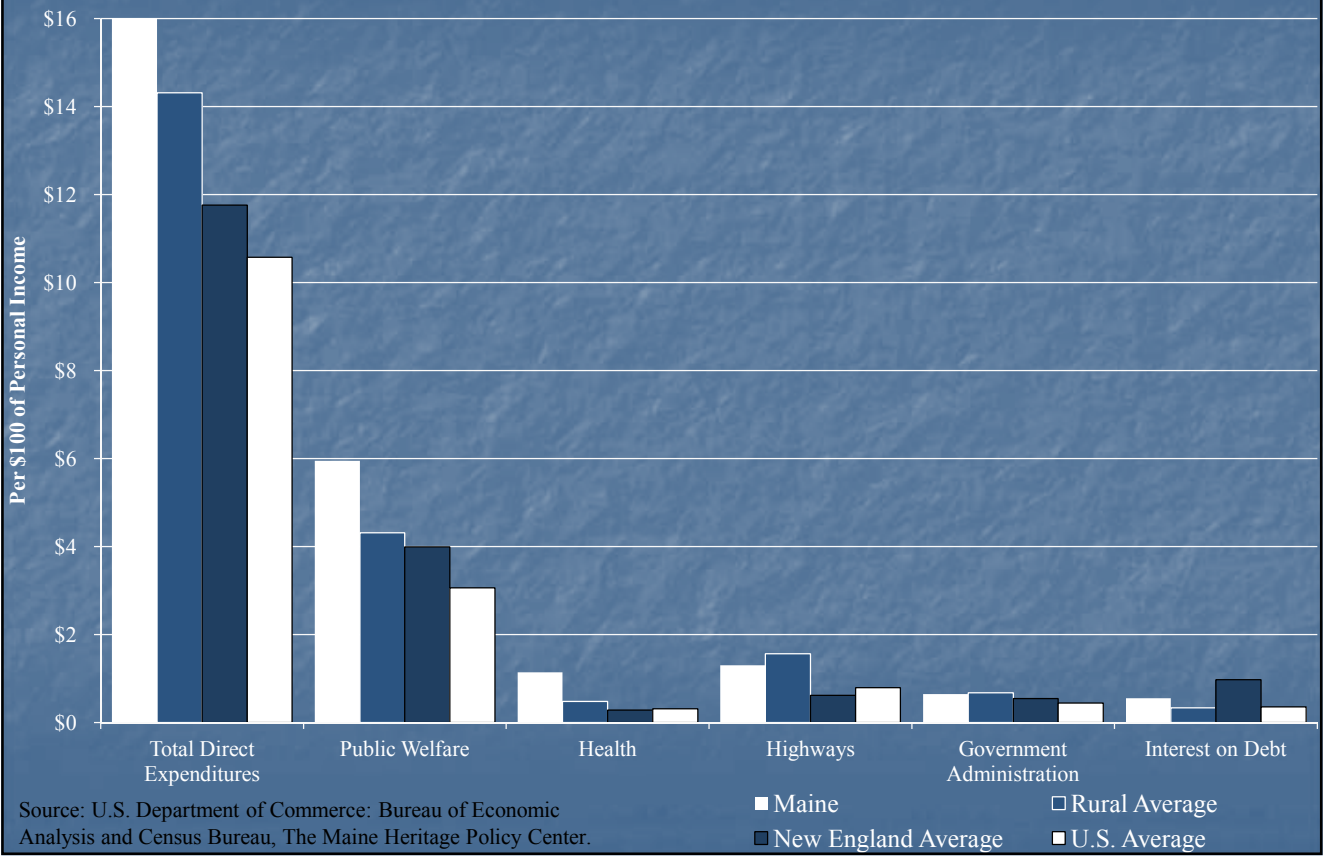
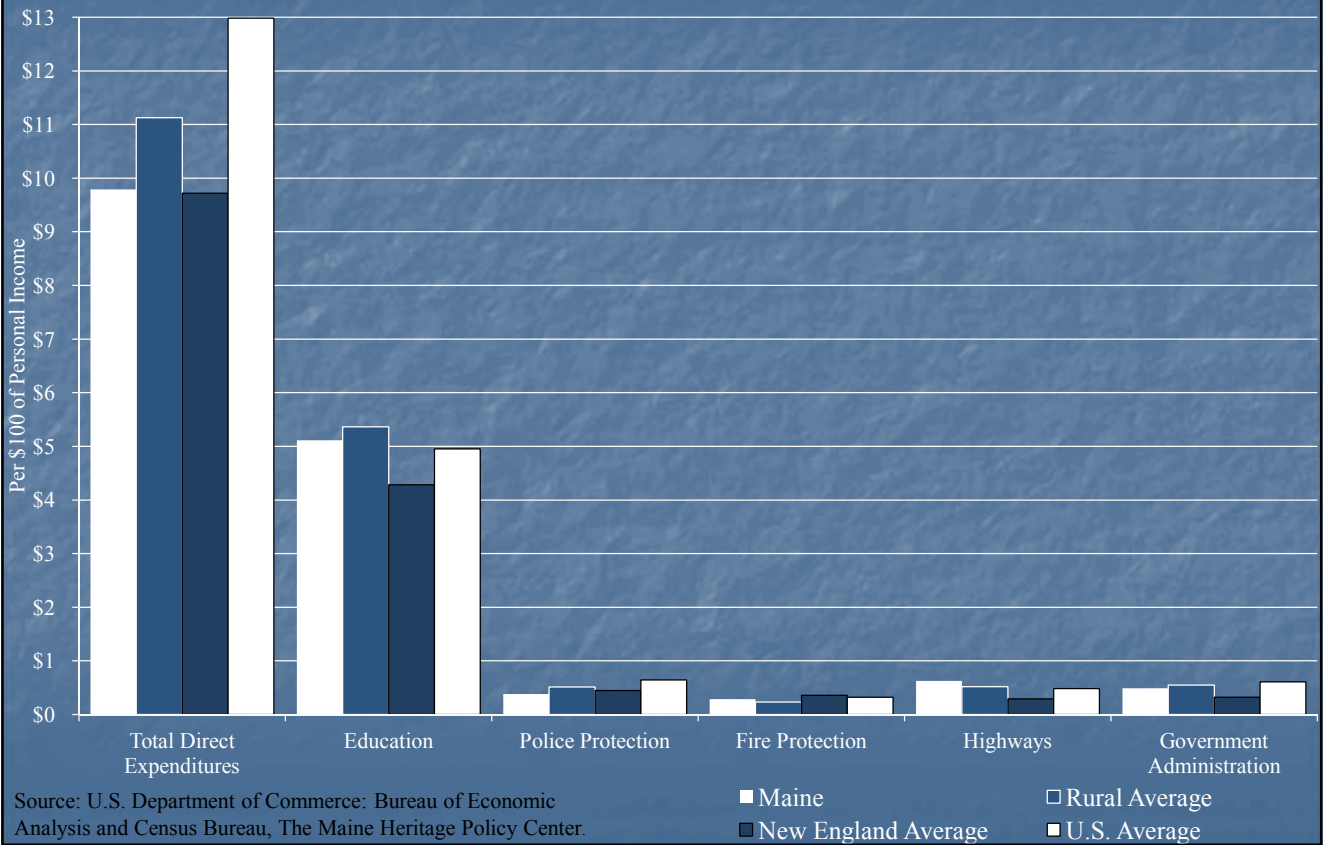


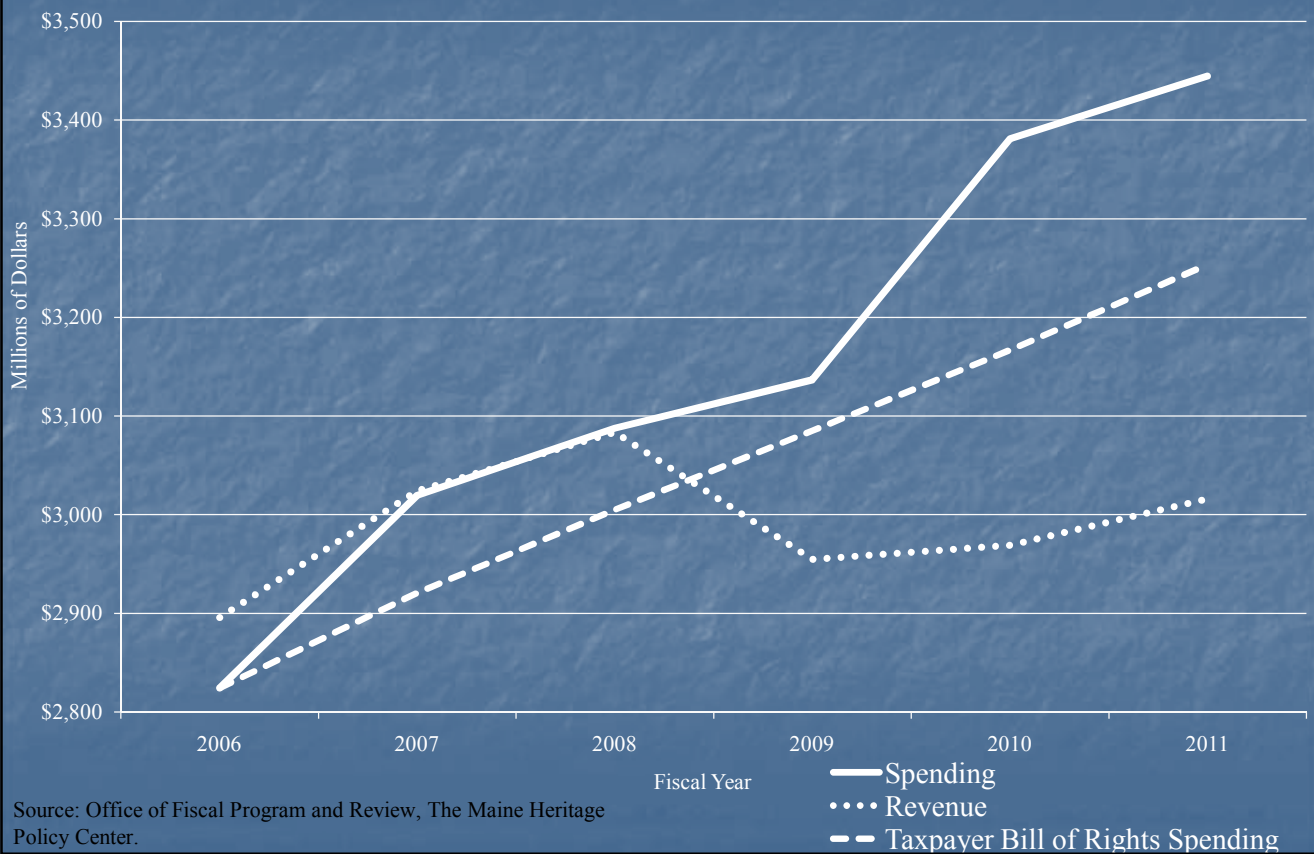
Chart 2
 Selected Local Direct Expenditures
 State Fiscal Year 2006



Source of Budget Deficit

- Current forecast shows an \$840 million biennium budget deficit . . . And its going to get worse before it gets better
- Revenue is lower, but not by a lot
- Spending, however, is way up
- 6.9 percent in FY 2007
- 7.8 percent in FY 2010 (current law)
- If we had a Taxpayer Bill of Rights . . .

Chart 1
State Spending Soars
Fiscal Years 2006 to 2011



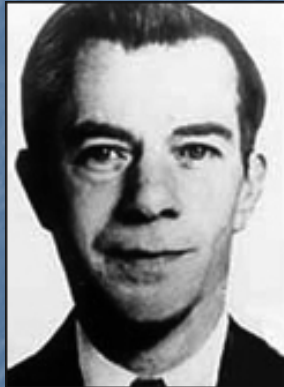
State Government Workforce

- Problem: State data is not transparent and we must rely on federal statistics
- Analysis: State government workforce is too big and overpaid
- Over-employed by 4,497 at a cost of \$189,451,468 (22,985 versus 27,482)
- Over-paid by \$8,943 at a cost of \$245,772,870 (\$42,130 versus \$51,073)

Preview of State Government Workforce by Function

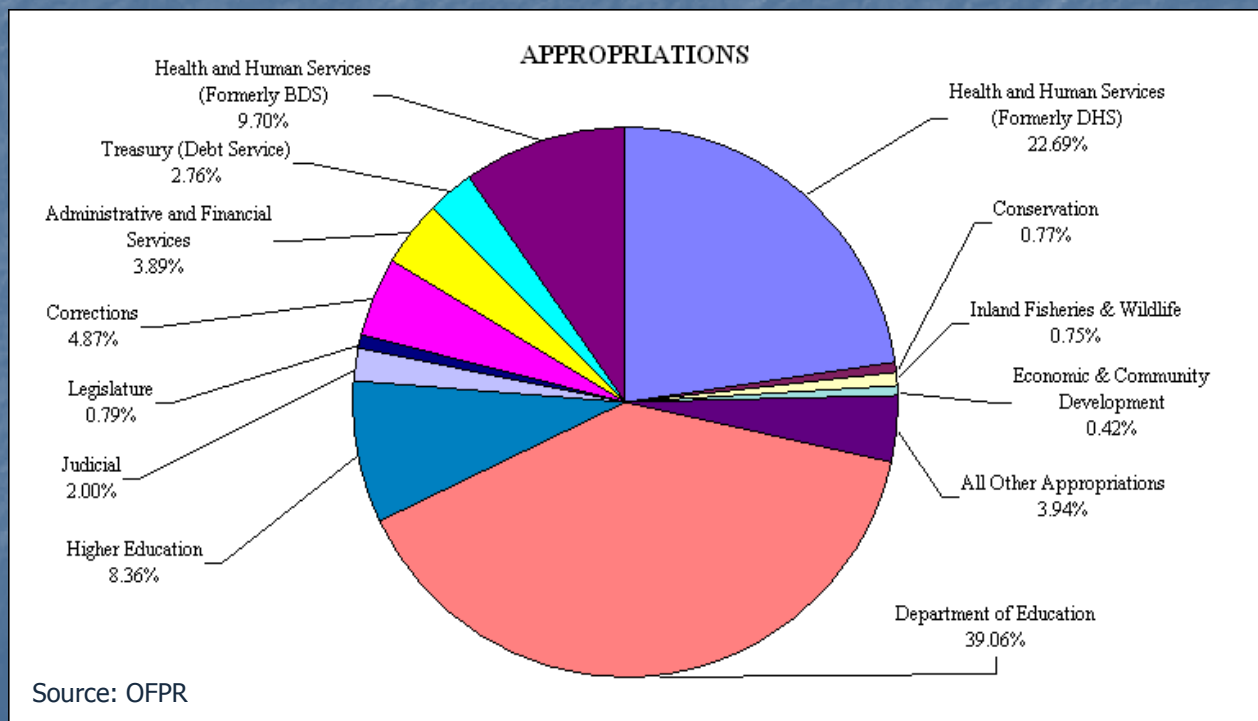
- New study, based on Census Bureau, showing workforce data by 32 functions similar to previous expenditure data
- The most worrisome function is Public Welfare, which is both over-employed and over-paid
- Study to come out next week

So where is the money?



Willie Sutton

General Fund 2008-2009



General Fund 2008-2009

\$6,191,235,819

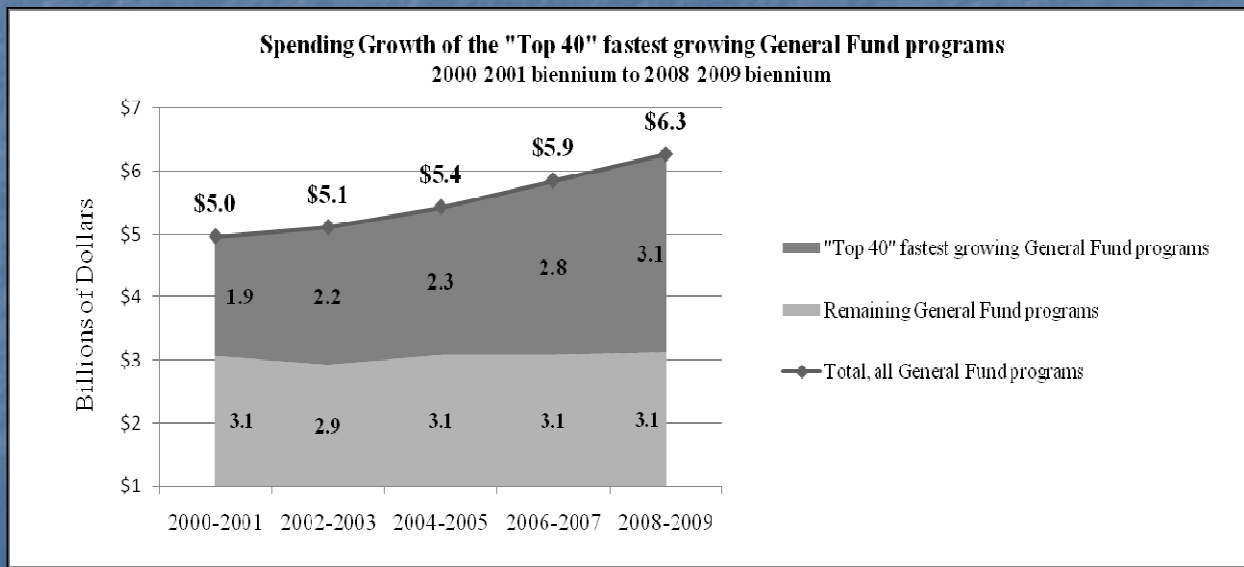
Department of Education =	39%
DHHS =	32.4%
Higher Education =	8.6%
Corrections =	<u>4.8%</u>
TOTAL =	84.8%
All other GF programs =	15.2%

General Fund 1998-1999

\$4,051,881,126

Department of Education =	38.2%
DHHS =	27.7%
Higher Education =	9.3%
Corrections =	<u>3.6%</u>
TOTAL =	78.8%
All other GF programs =	21.2%

The "Top 40" Fastest Growing General Fund Programs



The "Top 40" Fastest Growing General Fund Programs

Chart 1
Composition of General Fund,
2001-2002 biennium

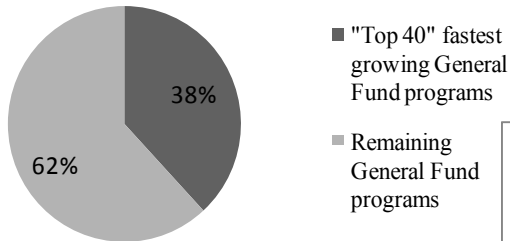
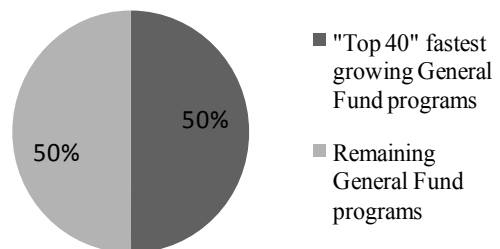


Chart 2
Composition of General Fund,
2008-2009 biennium



The “Top 40” Fastest Growing General Fund Programs

Health and Human Services

- 12 of the “Top 40” programs
 - \$ 246,474,662 combined in 2000-2001
 - \$ 488,360,108 combined in 2008-2009
 - **98%** Growth rate in ten years
 - Includes programs such as Medicaid, mental health programs, drug treatment, welfare, programs for children, administrative costs

The “Top 40” Fastest Growing General Fund Programs

- MaineCare – Maine’s Medicaid Program
 - FY 1999 = \$366,679,902 in state dollars
 - FY 2008 = \$607,537,933 in state dollars
 - 66% growth rate
 - FY 1999 = 17% of the General Fund budget
 - FY 2008 = 19.7% of the General Fund budget
 - Was as high as 22.8% of GF budget in FY 2006

The “Top 40” Fastest Growing General Fund Programs

- Other Health-related costs for the state
 - Health Insurance for State employees:
 - up **128%** FY '99 (\$24M) to FY '08 (\$55M)
 - Salary costs for state employees up only 37%
 - Correctional Medical Services for inmates
 - up **181%** FY '02 (\$5.8M) to FY '11 (\$16.5M*)
 - Retired Teachers' Health Insurance
 - up **397%** '00-'01 (\$7.7M) to '10-'11 (\$38M*)
 - State share increased from 30% to 45%

The “Top 40” Fastest Growing General Fund Programs

- Budget for the Department of Corrections
 - '00-'01 = ***\$180,433,139***
 - '02-'03 = ***\$220,948,563***
 - '04-'05 = ***\$244,774,832***
 - '06-'07 = ***\$265,873,570***
 - '08-'09 = ***\$305,086,287***
 - Proposed for '10-'11 = ***\$342,969,083***
 - Growth rate = ***90%*** in 12 years
 - Inmate population up ***32%*** '00 to '07

The “Top 40” Fastest Growing General Fund Programs

- Other Criminal Justice-related costs
FY '00-'01 to FY '10-'11 (as proposed by Gov.)
 - Drug Enforcement Agency budget up **214%**
 - Driver Education for OUI offenders up **175%**
 - State Police budget up **102%**
 - District Attorney salaries up **80%**
 - Spending on Courts up **58%**

The “Top 40” Fastest Growing General Fund Programs

Education spending

- General Purpose Aid to Local Schools
 - up **61%** from FY '99 (\$591M) to FY '08 (\$954M)
 - State spending on a Per-pupil basis:
 - 1998-1999: 216,121 students = **\$2,734** per pupil
 - 2007-2008: 198,219 students = **\$4,814** per pupil
 - With local share added in, now over **\$10,000** per pupil
- Adult Education
 - up **140%** from '00-'01 (\$4.5M) to '10-'11 (\$10.9M)

The “Top 40” Fastest Growing General Fund Programs

Other areas of concern

■ **Bureau of Revenue Services**

up **63%** from '00-'01 (\$46.8M) to '10-'11 (\$76.4M)

- 312 positions at BRS in FY 2003, now 330 positions

■ **Government Facilities Authority**

- Borrows for capital projects without voter approval

- Debt service costs up **443%**

- \$7.2 million in FY '00-'01, \$39.4 million in FY '10-'11

- Has \$208M in outstanding debt, up from \$104M in FY 2000

The “Top 40” Fastest Growing General Fund Programs

- Areas of concern, continued...
 - Governor’s Office
 - Up **83%** from ‘00-‘01 (\$3.1M) to ‘08-‘09 (\$5.7M)
 - Legislature
 - up **47%** from ‘00-‘01 (\$33M) to ‘08-‘09 (\$48.6M)
 - 170 year-round staff positions in the legislature, average salary and benefits = \$83,000
 - “Clean Elections” Program
 - \$17 million spent on candidates from 2000 to 2008

The “Top 40” Fastest Growing General Fund Programs

Summary

- Spending on the “Top 40” programs grew **66%** over the last 10 years - \$1.2 Billion
- Spending on the 551 other General Fund programs grew **2%** over the last ten years
- Had the “Top 40” grown at the General Fund average of 26%, the 2008-2009 General Fund budget would be **\$753 million** less.

The Governor's Proposed Budget

- "Flat Funds" the Top 40 programs
 - 2008-2009 spending on the Top 40:

\$ 3,132,472,781

- Gov's proposed '10-'11 spending on Top 40:

\$ 3,135,234,573*

*MHPC estimate, including shifts to and from other GF accounts

The Governor's Proposed Budget

- How does he do this? He takes some advice from our 2008 budget paper:
 - We said cut positions.
 - He cuts 219 positions. (139 layoffs)
 - We said have state employees pay a portion of their health insurance premiums.
 - He proposes to have them do this.
 - We said cut waste at Higher Ed institutions.
 - He proposes savings from Higher Ed reform.

The Governor's Proposed Budget

- Other budget proposals merely shift costs:
 - Flat-funds aid to schools, which may result in property tax increases.
 - Cuts tax relief programs such as Circuit Breaker, Tree Growth, and Municipal Revenue Sharing.
 - Cuts Business Equipment Tax Reimbursement
 - Cuts Medicaid payments to providers
 - Raises a number of industry-related fees
 - Anticipates \$98.8 million in Federal bailouts

A better approach...

- Use this opportunity to cut the size, cost, and intrusiveness of Maine government
 - Restructure agencies and programs, privatize to gain efficiencies where doing so makes sense
 - Enact meaningful health care reform to cut costs
 - Reform Medicaid and the state's welfare programs to cut enrollments and dependency
 - Ease regulations on businesses and job creators
 - Enact a TABOR provision to control future budget growth

Coming soon...

- MHPC's budget solutions paper
- Additional analyses of state spending
- Enhancements to MaineOpenGov.org
- Additional **Fiscal Sanity Tour** events
- Our Citizen's Initiatives campaigns

