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A Comparison of Maine’s Per Capita Spending, 1996-2006 to the US and Other States

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Capstone Report -- Edmund S. Muskie School of Public Service

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Introduction

"You know if you jump off the top floor of an eighty-story building, you can actually feel like you're flying for seventy-nine stories. It's the sudden stop at the end that gets you." – Rob Watson, EcoTech International, as found in Tom Friedman's *Hot, Flat and Crowded*

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The Great Recession of 2008-2010 is showing that the states and national government have spent too much. We need the vision of Thomas Friedman to move beyond our spending and planning habits of the past.[1] The intent of this study is to analyze what Maine spent in 1996 and 2006. But the greater importance is for us to figure out as a country and a state where our priorities lie. What levels of spending are crucial for Maine to continue, lessen or strengthen? What components of spending do we need to emphasize in 2010 and beyond?

In 2016, expenditures compared to 2006 will look very different, unlike the previous similarities of 1996 to 2006. This retraction, due to the recession and our government's embracement of concerns about debt from policy wonks such as former US Comptroller David Walker, debt will have a significant affect on many populations of our society. Maine has been noted as being a state that looks after the downtrodden. We need to continue monitoring our spending in all arenas, but also find ways to make our society prosper by increasing and restructuring education expenditures and certain infrastructure projects. "The term infrastructure has been used since 1927 to refer collectively to the roads, bridges, rail lines, and similar public works that are required for an industrial economy or a portion of it to function."[2] Commerce flows across our bridges, and highways in good repair makes our state and country more competitive. Infrastructure is important to move people from Southern New England into Maine and

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[1] Friedman, Thomas, 2010. The Fat Lady Has Sung. New York Times, February 20, Editorial Section.

[2] ." _____. Issues and Options in Infrastructure Investment. Congressional Budget Office. p. 15

goods in the reverse fashion.

Over the past few months this author read three non-scholarly articles that focus on government in various ways. They all have similar themes. The first is by James Fallows who was a Carter administration official who makes a living as a well-respected journalist. The premise of his article in the January/February edition of the Atlantic is that our governmental system is broken.[3] Our country was more willing to put money where it was needed (i.e. infrastructure) in the past.[4] The common theme to these thinkers is that education and infrastructure are key.[5] Fallows makes the point that public spending and private spending and well-being is connected.[6] Both at the individual level and the governmental level we have spent more than we can bear. When public funds are spent with the wrong emphasis it limits the growth that can occur in the private sector. A caveat is the timing of a reduction of federal government expenditures. The Center for A Responsible Federal Budget advises until waiting until at least 2012.[7]

Niall Ferguson is British by origin and a popular historian who writes about foreign policy and other contemporary matters. Ferguson is as prescriptive as Fallows is descriptive. His warning to the United States is that fiscal problems have been the linchpin leading to the fall of all great "empires."[8] His thinking also evolves to say that although debt is usually seen through the lens as a problem far down the road that can change quickly.[9] Too often he believes historians throw a laundry list of problems when

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[3] Fallows, James. 2010. How America Can Rise Again. Atlantic, January / February, p. 54.

[4] "Our forebears invested billions in these systems when they were relatively much poorer than we are. We won't even pay to maintain them for our own use, let alone have anything to pass to our grandchildren." – Stephen Flynn, Center for National Policy. Ibid, p.50.

[5] The Fallows article has much about infrastructure. Fallows, James. 2010. How America Can Rise Again. Atlantic, January / February.

[6] Fallows, James. 2010. How America Can Rise Again. Atlantic, January / February, p. 54.

[7] The Center for a Responsible Federal Budget has a computer program where the user has to pick a budget track and make policy choices that affect the debt. The program shows how difficult it is to achieve the programs recommended goal of debt that equals 60% of Gross Domestic Product by 2020. The Center writes: "Drastic action now would threaten the already fragile economic recovery. But failing to convince market creditors that the U.S. is serious about reducing its debt in the long term would cause interest rates to rise dramatically and likely trigger a fiscal crisis." www.crfb.org/stabalizethedebt/, Paragraph 2.

[8] Ferguson, Niall. 2010. Complexity and Collapse. Foreign Affairs, March / April, paragraph 35.

[9] Ibid, paragraph 11.

describing the fall of a country.[10] In Ferguson's estimation, small catastrophes can create avalanches that have changed the directions of powerful nations.[11] Thomas Friedman is a highly read columnist at *The New York Times.* He, too, echoes the theme that infrastructure is important and needs increased spending. Friedman believes that we have to spend smarter in the future; the U.S. spent too much in the past and now has to batten down the hatches.

This study looks at the years of 1996 and 2006. To use a word overused in academia-- they are "interesting" time periods. Both were similar periods in Maine, at the bottom of the recession cycles that had occurred five years prior nationally in 1991 and 2001. Maine was slow to recover from both with the 1991 recession being particularly biting.[12] This was due in both time periods to the state rebounding from negative economic circumstances, mostly the emergence of a global economy which hurt Maine's traditional economies. Maine's spending compares to the national and reference set averages in several areas—particularly highway and in some ways K-12 Education expenditure. Maine increased its per capita spending trends in the two areas throughout the ten years under review. As noted below, the increasing challenges of having standards-based education and the desire to shift the costs from the local tax base (via the property tax) to the state has required that Maine significantly increase its funding of public K-12 education.

It is more then just the upcoming debt crisis that faces governments. The lack of planning and thus fiscal sustainability is a great detriment to the state. Connected to this is how the impact of the business cycles affects state government, making it unable to balance revenue and expenditures. The quote below is in reference to education, but could be applicable to any state function: "Although the shortened school days were eliminated in 1978 Berne and Stiefel found much longer lasting impacts on a number of dimensions, including lower per pupil real spending, larger class sizes, and a increase in

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[10] Ibid, paragraph 4.
[11] Ibid, paragraph 17.
[12] Charlie Colgan was interviewed about the 2008 recession in Maine:"When the recession began, we were at 620,000 jobs (full-and part-time). Now we have 593,000 jobs with the recovery under way. During the 2001 recession the state lost just 6,000 jobs. That means this has been the most sever recession in the last 25 years. In 1991, the state lost 32,000 jobs, according to Colgan." _____. 2010. Maine recession 'over' but damage will linger. Portland Press Herald. May 21, 2010.

deferred maintenance." [13] When maintenance is delayed, it raises costs in the long term**.**[14] Fiscal sustainability is a term which will be discussed below. No longer can we afford to make decisions that will have significant long-term affects, because of the necessity of balancing today's budget.

[13] Reschovsky, Andrew. 2004. The Impact of State Government Fiscal Crises on Local Governments and Schools. State and Local Government Review. 36: 99

[14] "Problems resulting from deferred maintenance don't go away—they just become more costly to repair. In 1995, the GAO 'found that district officials attributed declining conditions primarily to insufficient funds, resulting from decision to defer maintenance and repair expenditures form year to year."- Lawrence, Barbara Kent. 2003. Save a penny, Lose a School: The Real Cost of Deferred Maintenance. Policy Brief Series on Rural Education. Rural School and Community Trust,p.9 .

This Study

"The difficulty lies not in new ideas but in escaping the old ones." – John Maynard Keynes

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"The goal is to help replace a lot of anecdotes and impressions of wasteful government in Maine with a more systematic analysis."[15] Phillip Trostel, Professor at the Margaret Chase Smith Policy Center attempts to do with his most recent article.[16] This study also hopes to complete a "big picture" view of Maine's government, expenditures and revenues—with recommendation to improve the fiscal sustainability of Maine. First, we will compare Maine to the US averages. Secondly, reference states have been picked that resemble Maine in either economics, geography, or population.[17] The tool of measurement that will be used throughout this paper is per capita spending. Per capita spending is not a perfect tool, but provides an opportunity to analyze a state's fiscal health. Trostel uses personal income to analyze Maine's spending, and his study will be referenced at times below. The goal of this paper is to describe how Maine could change its budgets so it may balance expenditures and revenues in the long term and achieve fiscal sustainability.[18]

Budgets should focus upon accentuating a state's strengths and not spending excessively in other categories. There are many important governmental issues that are only touched upon in this essay. An example would be volatility. As Daniel Boyd, a Senior Fellow at the Rockefeller Institute, writes, "Feds have the most volatile revenue structure (But who cares? Annual balance not a goal.) States almost as volatile—and they must balance annual budgets. Ouch."[19] There lies the problem, the necessity of state budgets to be balanced, during times of economic retraction revenues drop precipitously and the expenditure pressures are still present.

[15] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.1.
[16] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.1.
[17] The reference states set are: Arkansas, Idaho, Iowa, Nebraska, Oregon, Utah, Vermont, West Virginia.
[18] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 465.
[19] Boyd, Daniel, 2009. Coping with Effects of Recession in the States. July, 27, 2009 in Washington, District of Columbia, slide 3.

This study will look at the years of 1996 and 2006 and also look at trends (increases or decreases, and to what degree) between those years. It is important to make a note about how monetary values from separate time periods need to be approached with caution, due to inflation. Inflation is used to describe an economic process where goods cost more in later years when compared to the past. The only way to fairly compare two monetary figures from different times is to factor that one dollar in 1996 was worth more then one dollar in 2006. Throughout the term Real Change will be used to describe this process.

Components of Spending

"Monarchy is like a splendid ship, with all sails set moves majestically on but then it hits a rock and sinks forever. Democracy is like a raft. It never sinks, but damm it, your feet are always in the water." –Fisher Ames, former Mass. Supreme Judicial Court Judge

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"The art of taxation consist in so plucking the goose to obtain the largest amount of feathers, with the least possible amount of hissing." – Jean Baptiste Colbert, Treasurer to King Louis IV

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Direct General Expenditures are just inside the top twenty in total spending ranking per capita at eighteen in 1996. In 2006, Maine was in the top half of all states in spending. Rankings can be a bludgeoned tool when doing fiscal analysis. It is helpful to keep this in mind throughout this study. We can see that Maine has not been building as many new schools as other states. Maine was ranked forty-eighth and forty-ninth in Education Capital Outlay with $47 and $85 per capita expenditures in 1996 and 2006. There is good reason for this low ranking, as the Brookings Institution's Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places describes Maine with a declining student population among other factors.[20] Even with fewer students, Maine still appears to have built more schools or school additions then necessary. [21] This is an example of how particularly education expenditures need to be spent more wisely.

For the Education category in general, Maine ranks twenty-first for both years. The dollar figure amounts were: $1,048 in 1996, growing to $1,620 in 2006. An increase of $272 per capita in Elementary and Secondary Education is a significant increase, and the state should be applauded in this regard. The

[20] "Though Maine's student enrollment declined by 13,000 from 1995 to 2005, five million square feet of additional school capacity was built." [20]2006. Brookings Institution. Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places, p.61.
[21] "Ibid.

expenditures in this category helped to put Maine on equal footing with the US average. This was a tremendous achievement that is not heralded.

Maine does not spend as much as others states on Public Higher Education. Maine was ranked forty-third in both years. The dollar figures were at $315 in the 1990's and $544 ten years later. There is no question that Maine did not look like the RSA in Public Higher Education spending. In the measurement of personal income, Trostel indicates that Maine is quite a bit behind in the national average relative to public higher education.[22] With that being said, the state has been somewhat making encouraging strides in increasing spending in this category. "Balance wheel"[23] is the term used nationally to describe higher education, "…funding rises in good times, but is likely to be cut disproportionately when revenues are scarce."[24] No one is certain *when* the business cycle will inevitably move into a recessionary stage. A plan should be in place with the University and Community College Systems to pivot from one scenario to the other.

Maine is a large state geographically with many roads that require consistent maintenance. Excessive weathering of roads due to extreme winter conditions also impacts the costs of this category relative to the national average. Trostel looks at personal income --a different measure from per capita but comes to the same conclusions.[25] Eight states make up the reference state set average and were selected with consideration paid to the state's weather conditions. Per capita spending for this category will appear excessive to the reader without knowledge about the demands of a large highway system. Compounding the situation is the fact that the state is being measured as a state with a small population size. Maine ranks fifth and fourth for the two years being analyzed and twenty-second for real dollar change (non-

[22] "Public higher education next expenditure in Maine is low in comparison to the rest of the nation. Maine's net spending for higher education as a percentage of income is 18.1% lower than the national average. Maine's net spending pr student is 13.7% lower than the national average." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine. p.1-2.

[23]Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 472.

[24] Ibid.

[25] "In comparison to the rest of the nation, Maine's spending on highways is high relative to income and relative to vehicle miles. This appears to be attributable to Maine's winter weather. Indeed, after taking weather into account, Maine's highways spending appears to be close to the interstate norm." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.1.

inflation) between the two-anchor years of 1996 and 2006.

Highway Spending and general Capital Outlay are two infrastructure related categories to consider. In the overall Highway Net of Capital Outlay category, Maine was ranked fortieth in 1996; by 2006 the ranking was twenty-seventh. As for dollar amounts, by 2006 the value was $252, growing from the 1996 total of $149. In the general Highway category, Maine was ranked quite high at fifth and fourth for the two years. The totals were $243, before increasing to $355 ten years later.

Maine was ranked last in the Capital Outlay Total category in 1996 and forty-ninth in 2006. The spread between Maine and the US total grew and the difference between the RSA and Maine stayed a comparable difference. With that being said Maine showed a 43.5% increase by putting forth $181 more in 2006 then in 1996. Maine increased funding in Highway Spending Net of Capital Outlay from a low starting point in comparison to the other groups in the year 1996. The same situation could be applied to Highway Spending.

The example of neighboring Massachusetts shows a scenario that Maine avoided. Maine showed an emphasis of the future by spending more on roads. An example would be Route 9 in Downeast Maine; a road that provides linkages for the numerous small communities from Calais to Brewer was upgraded to improve the commercial flow between New England and Maritime Canada.[26] Like education spending, Maine was trending towards spending more in this category, which is positive from the author's perspective.

A more complicated matter than infrastructure is Public Welfare. A cross for our citizens to bear is to take care of our fellow Mainers. Maine spent a lot of money in Public Welfare and Public Welfare Vendors in 1996 and 2006. Maine was ranked third and fourth in Public Welfare and second and fifth for Public Welfare Vendor Payments in the years 1996 and 2006. Public Welfare per capita totals

[26] "During many of the outreach efforts conducted during this project, the private sector freight community expressed their pleasure with the widening and the addition of truck climbing and passing lanes to Route 9. These improvements provided significant benefits for both truck and passenger traffic traveling between the Canadian border and Bangor, crossing at Calais." _____. 2002. Maine Integrated Freight Plan. Cambridge Systematics, Inc. February 22, 2002. p.101.

were: $1026 in 1996, climbing to $1899, a decade later. Public Welfare Vendor Payments almost doubled from $730 in 1996 and then by 2006 a total of $1,414. It is interesting that Maine was ranked towards the middle at twenty-fourth in Real Change, 1996-2006. Yet, Maine in Real Change, 1996-2006 spent $580 per capita. The 2006 United States total was $1,240 which is significantly lower than Maine per capita spending of $1,899 resulting in a $649 per capita difference. Per capita spending wise, it is certain that Maine remained very strong in its support in the Public Welfare Total throughout the late 1990s and early 2000s.

Public Safety is another broad category to discuss. We will analyze the trends of Fire and Police. When observing the Maine Department of Public Safety Records statistics Maine can be seen as a safe place to live in comparison to other locations**.**[27][28] At the time of this writing, there is little clamoring by the Maine State Police and other forces for more resources. In the Maine there are many layers of police forces (i.e. Marine Patrol, Game Wardens, Fire Wardens, Maine Drug Enforcement Agency, state, county and local police officers) but Maine spends less than the rest of the country in Police spending. That trend was exacerbated in late years. The rest of the country spent more on police forces in the 1990s. The aftermath of September 11, 2001 resulted in an increase in the Police and Fire related spending around the country.[29] The Police per capita spending rankings place Maine at forty-sixth and forty-fifth in 1996 and 2006 respectively. The monetary values were $104 and then $168 per capita. Although much less then other groups the expenditure level in the Police category appears to fit the conditions of the state.[30] In the Fire component the trend in Maine has been to increase spending. Maine was still ranked twenty-seventh for both time frames, but the per capita amount increased from $56 to $91. Maine's rural traits caused

[27] "Violent crimes occurred at a rate of 1.18 offenses per 1,000 persons…" Crime in Maine 2008 www.maine.gov/dps/cim/crime_in_maine/2008pef/013%20rates.pdf, paragraph 4.

[28] "The crime rate in Maine is about 32% lower than the national average rate." www.ncic.gov/features/statestats/?State=Maine, second box.

[29] "According to a 2008 report by the General Accounting Office, DHS had spent $19 billion on local grants from 2002 to 2008 but never developed a way to determine whether the money improved national security."
____. Grisom, Brandi. 2010. Security Spending Oversight Diffuse, Decentralized. The Texas Tribune. March 8 2010. Paragraph nine.

[30] "Maine spends much less on police protection as a percentage of income than the rest of the nation. This, however, appears to be due to Maine's relatively low crime rate and low income. After accounting for these factors Maine's level of police protection is about the same as in the rest of the nation." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.1.

Fire spending to be higher than most states.[31] Each town (and Maine has close to 500) contributes due to the desire and need of buying their own equipment and trucks.

Corrections spending in Maine was low, but is trending toward a moderately higher level of spending. This is worrisome. Many believe there is an "if you build it (jails) they will come" (prisoners) conundrum.[32] Also the responsibility for Corrections mostly falls upon the county or local level in Maine. A large increase in spending for a local division of government, which raises little revenue for itself, should be of a concern. At the time of this writing, jail consolidation has been criticized by several county sheriffs, including Hancock County Sheriff Bill Clark:

> He said Franklin County raises about $800,000 for its jail, which has been reduced to a holding facility that costs some $500,000 to operate. 'The state takes $300,000. We don't have an opportunity to influence decisions and that's a problem….Either the Board of Corrections has total authority, or the County Commission does. It depends on the issue. The state decides the gross budget; the county decides the line items.[33]

Somewhat alleviating is that the RSA and US also are trending to a much higher level of expenditures in this area. In 2006 the dollar value per capita for Maine's Corrections expenditures was $139, which is almost double the 1996 real growth total of $72. This growth in spending increased the rankings for Maine from forty-seventh to forty-third. Trostel indicates that, Maine is not in line with his rural states reference set averages.[34] Recent literature suggests that Corrections departments are one area where state governments have been recently searching for efficiencies.[35]

Natural Resources is a category that is important to both Mainers and tourists of Maine and the state has stayed in the top fifteen in rankings for this category.[36] In 1996, Maine spent $85 per capita

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[31] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p. 1.

[32] "A third possible explanation derives from the "build-it-and-they-will-come" principle. Rather than crowd county jails, this theory holds, Maine judges may have lengthened sentences so that offenders would end up in a place where there was space." Paragraph Nine. Rosenbloom, Joseph. 2003. The Shawshank Succesion. American Prospect. December 1, 2003.

[33] Straub, James. 2010. Jail Consolidation Isn't Working. Ellsworth American, July 1, Section I, p. 1.

[34] "Maine's estimated corrections spending expenditure per inmate is 119% above the national average. Moreover, Maine being a relatively rural state is apparently is not the reason for Maine's relatively high expenditure on corrections." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.2.

[35] Fehr, Stephen. 2010. Recession could reshape state governments in lasting ways. www.Stateline.org. Feb 11, paragraph 31.

[36] Trostel has a different type of view, "Parks and recreation spending relative to income is low in Maine compared to the rest of the nation and to other rural states." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p. 1.

which ranked the state fourteenth. In 2006, Maine was ranked thirteenth due to spending $134 per capita. The trends in Maine during the late 1990's and 2000's were to put a fair amount of money towards this category. Although this area is important to Maine's image and heritage – it needs to be reevaluated. Expenditures in Natural Resources are mostly put out in public bond packages, voted on by the public at large.[37][38] [39][40][41][42] Next are the areas of Interest on Debt for General Purposes and Financial Administration.

In the area of Financial Administration—Maine was ranked fifteenth in 1996 and fell to twenty-first by 2006, the per capita increase of $40 was added to the 1996 value of $101, to finish at $141 in 2006. Interest on Debt for General Purposes shows that Maine was trending downwards in this category. Maine's expenditures were $15 less in 2006 when using inflation accounted figures. With that being said, Maine was quite different then the RSA and the US. Maine trends in this category appear to be below the US average but not the RSA. Maine's expenditure trends are much higher than the RSA indicating that this is an area for further analysis and future attention.

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[37]For example in 2008: "The Maine Natural Resource Bond Issue was on the June 10, 2008 statewide primary ballot in Maine. The question on the ballot was "Do you favor a $29,725,000 bond issue for natural resource, agricultural and transportation infrastructure that will leverage $29,780,000 in other funds?" www.ballotpedia.org/wiki/inex.php/Maine_Natural _ Resource_Bond_Issue_(2008).
[38] "Do you favor a $3,000,000 bond issue to make capital improvements at state parks and historic sites?" -1996. "www.maine.gov/legis/lawlib/bondvote.htm
[39]"Do you favor a $29, 725,000 bond issue for natural resource, agricultural and transportation infrastructure that will leverage $29,780,000 in other funds." -2008, www.maine.gov/legis/lawlib/bondvote.htm.

[41] "Do you favor a $12,000,000 bond issue to purchase land and conservation easements statewide from willing sellers for conservation, water access, wildlife and fish habitat, outdoor recreation, including hunting and fishing, farmland preservation and working waterfront preservation to be matched by at least $7,000,000 in private and public contributions?" -2005, www.maine.gov/legis/lawlib/bondvote.htm.
[42] "Do you favor a $50,000,000 bond issue to purchase public lands and easements statewide from willing sellers for conservation, water access, outdoor recreation, including hunting and fishing, wildlife and fish habitat and farmland preservation, to be matched by $25,000,000 in private and public contributions? 1999, www.maine.gov/legis/lawlib/bondvote.htm.

Trends in Spending

"Mankind likes to think in terms of extreme opposites. It is given to formulating its beliefs in terms of Either-ors, between which it recognizes no intermediate possibilities." – Dewey

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"A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be." –Wayne Gretzky

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Maine has been trending towards more spending in per capita dollars in the Direct General Expenditure then the other two groups, the US and RSA totals. Maine's expenditure in this category enlarged by $1,993 in 2006 then the total in1996. In contrast the other two groups expenditures grew by much less at $1,340 and $1,229 for the US and RSA respectively. Maine was trending towards a higher level of spending indicative by increasing from eighteenth to thirteenth in the past ten years. Maine now has the highest expenditures of all three groups with a 35.7% change in spending compared to only 23.3% for the other two groups. The trends for the categories below can be evidenced in the following graphs.

In Capital Outlay expenditures, Maine spends less then the other groups. Maine had a much lower starting point at $325 in spending per capita in 1996. The United States and RSA per capita total was $528 and $517 in 1996. In percentage terms, Maine was trending towards a higher increase then the other groups. Percentage-wise Maine has increased its spending over the last ten years by 43.5% compared to 27.4% for the US and 21.6% for the RSA. Dollar-wise Maine's spending grew by $181 versus $186 for the US and $122 for the RSA.

Maine is trending towards moderate increases in the overall Elementary and Secondary Education category. Maine increased $272 per capita in 2006 compared to $172 less in the RSA and $322 for the US. These percentage accumulations for the groups are as follows: 20.2% for Maine, 13.9% for RSA and 23.8% for the US total. All three groups were similar in 1996 by being within $23 of each other. Maine has been trending most similar to the US total and was ranked twenty-first in 1996 and in 2006. The category of Elementary and Secondary Education (Net of Capital Outlay) is similar to the general Education category. Maine increased most like the US total at 19.2% for the former and 21.7% for the latter in Real Change 1996-2006 percent change. Again the RSA was trending with much less growth then the US and Maine totals at only 14.9% change. In dollar values the changes from Real Change, 1996-2006 were $247 for Maine and a few more dollars per capita at $263 for the US with the RSA much less at $169.

Elementary and Secondary Education Capital Outlay was another category where Maine was trending similar to the US. With that being said Maine was ranked forty-eighth and forty-ninth in 1996 and 2006. Maine put $25 more per capita in 2006 then in 1996. The US increased by $58 and the RSA at a paltry $3 addition. The percentage increase over the 10 years was: 41.8% for Maine and the US, with only 15% for the RSA. Maine was ranked twenty-first in the Real Change 1996, 2006 and has been trending towards greater expenditures, from a lower starting position. Maine’s expenditure for Public Higher Education was similar to Elementary and Secondary Education Capital Outlay. Maine ranked slightly higher then it was in Elementary and Secondary Education Capital Outlay at forty-third. Again, Maine had an incredible low position but put $139 Real Change 1996-2006, which translates to a 34.2% increase. The RSA and US total increased by 36% and 31.5% or in dollars $212 or $154. In 2006 the per capita totals were as follows: $544 for Maine, $642 in the United States, $816 for the RSA. The RSA had the highest total in this component. Maine has been spending less quickly then both the RSA and the US and already had a much lower expenditures in 1996.

Public Welfare Total provides the opposite example of Public Higher Education. Maine has been trending towards greater spending when looking at the Real Change, 1996-2006 category. In percentage terms Maine's expenditures grew by 44%, the RSA was similar with a 44.7% growth and the United States rose by a whopping 137%. The US total was only $302 for the Real Change 1996-2006 in dollar terms and $364 for the RSA and $580 for Maine. Maine had an incredibly high position in 1996 of being ranked third in the US, by spending per capita $1,026. The United States and RSA were at $759 for the former and $652 for the latter. As seen above, Maine had an already high starting position in the Public Welfare Total relative to the other groups. Maine increased at a high rate in comparison to the other groups in the last ten years.

Public Welfare Vendor Payments, not surprisingly, looks a lot like Public Welfare Total. In dollar terms for the Real Change 1996-2006, Maine spent $476 more dollars per capita, the expenditure for the RSA was $335 and $314 for the US total. Maine had a lower percentage increase in the last ten years, due to its greater starting position in 1996. Expenditures in Maine for this category were $730 in 2006. The RSA and the US spent $452 and $471 per capita. Maine's expenditures were growing in both Public Welfare categories. The difference between the RSA and US averages and Maine was greater in both Public Welfare categories in 2006 then in 1996.

In the Highways Outlay Net of Capital Spending, Maine was ranked fifth and fourth in 1996 and 2006. Maine added $42 (13.5%) in the 1996 to 2006 period, which was significantly more then the RSA at $10 (5.7%) and comparable to the US total of $25 (14.4%). In the related category of Highways Capital Outlay Maine started at the lowest position of the three groups in 1996 and added $60 (31.5%) in the Real Change, 1996-2006 by 2006. The US increased $45 in 2006 for an expenditure growth of 21.4% in the Real Change, 1996-2006. The RSA's rate of growth was half of the Maine total at $30 and the percent increase was 12.6%. Maine has been trending towards a higher level of expenditure in both highway categories then it did prior in the 1990s.

In the Police and Fire combined category, Maine and the RSA reflect almost the same expenditure totals. Maine and the RSA were within $3 of each other in 1996; by 2006 the difference grew to $9. Maine increased 26.6% in the Real Change, 1996-2006 category, a growth of $55 For the RSA the totals were $60 (31.3%) in the ten year period. The US was at a steeper level in the 1990s and was trending towards a higher level of expenditure. In 2006 the US total was $77 higher then in 1996 for a percentage increase of 25.4%.

In the Police category like the combined Fire and Police, the RSA and Maine totals were somewhat close to one and another. Maine spent $35 more in 2006 then in 1996 for an expenditure growth of 26.2%. The RSA grew at 31.5%, or $45 in real dollars. The US total was $48 more in 2006 then in 1996 for a growth of 22.2%. Where this section focuses upon trends, the 1996 and 2006 totals can be observed in the tables or separate RSA and US sections below.

The US ranking of Maine for the Police category was forty-sixth and forty-fifth in 1996 and 2006. Maine was ranked at twenty-seventh for both years in the Fire category. Once again Maine was similar to the RSA. The RSA expenditure grew by 31.5% in the Real Change, 1996 category or by $16 in dollar terms. Maine only grew by 27.4%, but had a higher expenditure level and put $20 with those totals in 2006. The United States again, was much higher then the RSA and Maine levels of expenditures. The United States total grew by $29 more in 2006 then it was in 1996, this represents a 33.3% growth. Maine's expenditure levels in the joint category of Fire and Police are trending towards levels such as the RSA. Both had similar expenditure levels in 1996. The US total started much higher in 1996. The per capita spending increases by 2006 also grew greater than the RSA or Maine levels.

The Corrections category reveals that Maine started from a much lower position, but grew at a $46 per capita Real Change increase by 2006, which represents a notable 49.2% spike. The RSA grew at an even higher rate of $58, a percentage increase of 54.9%. The United States total rose much less. By 2006 the total was only $28 more for a 15.4% increase in the Real Change, 1996-2006 category. Maine and the RSA were almost even in 1996. By 2006 the new difference was $21 as Maine put $24 more real dollars for an increase of 22.4%. The RSA grew by $6 for a 5.8% increase. The United States added $9—

resulting in an 11.3% rise since 1996. Maine was ranked fourteenth and thirteenth in the two years we are investigating. Maine has grown more then the other two groups and now far exceeds the US total in Corrections.

Maine and the RSA were very close to one and another in 1996 and fairly close in 2006 Financial Administration expenditures. The spread between the two groups, also including the US was relatively low. Maine grew by 8.1%, the lowest of the three, by contributing $11 more dollars in 2006 then in 1996. The United States total strengthened by $16 --a 14.3% growth. The RSA rose by 21.1% with a $21 increase by 2006. Maine in the national ranks fell from fifteenth to twenty-first by 2006. Maine has been growing less then the other groups, but remains at a moderate level of expenditure when observed next to the RSA and the United States lower starting positions.

Interest on Debt is the only category where negative growth occurred for both the RSA and Maine. The US total grew by $1 which is a 0.4% increase. Maine declined the most from 1996 to 2006. The -5.8% reduction represents $15 less in 2006 then 1996. The RSA declined by half as much at 2.3% or $7 less in 2006 then in 1996. Maine’s ranking dropped from twenty-third to twenty-ninth.

Comparative Analysis - Comparison to the US average

"By three methods we may learn wisdom: first by reflection, which is noblest; second by imitation which is easiest; and third by experience which is the bitterest." - Confucius

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Throughout this section we will be observing the U.S. average compared to Maine in per capita spending. To give the reader a picture of the two ends of the expenditure spectrum, Alaska in the direct general expenditure per capita was ranked first in 1996 and spent $10,365 or $13,322 per capita when the dollars are converted to the 2006 value. Maine and Alaska both have adverse backgrounds (isolated, rural, severe weather) when it comes to evaluating spending by population and both states have small populations relative to the majority of the rest of the country. Ranked at the very last position, the fiftieth position, Arkansas spent the least at only $3,458 per capita in 1996 or $4,444 in present value. By 2006 Maine's budget had grown much more than it was in 1996.The Real Change analysis for the ten year period from 1996-2006, shows that Maine ranked third, spending $4,346 dollars per capita in 1996. In 2006 Maine spent $5,586 per capita, an increase of $1,240 per Maine resident. Maine was below the US total by $47 per capita before flipping to $76 ahead. In 2006 Maine as a percentage of the US total was ahead by 8.4%. Maine's rank went from eighteen in 1996 to thirteen in 2006 and 49% above the US total. The percent of Real Change, 1996-2006 exemplifies Maine's high level of spending during the decade as well with the US at 23.2% percent and Maine ranked third overall with a 35.7% Real Change percentage from 1996-2006.

In Capital Outlay Maine's low ranks of forty-nine and fifty mask a large increase. In the Real Change category during the period of 1996-2006 Capital Outlay, Maine was ranked twelfth due to $181 increase in spending per person. It is difficult to determine why Maine was so low or why such a drastic increase occurred in Capital Outlay-- the construction of new buildings and other infrastructure projects.

This will be an intriguing category to be extrapolated by the set of reference states.

Maine's rank in Elementary and Secondary Education including Capital Outlay remained the same in 2006 as in 1996. Maine was twenty-first ranked both years. Partly due to the 2004 LD 1 provisions where voters approved the state's obligation to fund K-12 education at a 55% level,[43] Maine increased $272 per capita in Education spending since 1996. The Real Change rank for the state is twenty-seventh, meaning Maine was in the middle of the pack of states. In 1996 Maine was spending $1,048 per resident and in inflation adjusted dollars $1,347 per capita, by 2006 $1,620.

Maine spends more in Education and Secondary Net of Capital Outlay than the US total. Maine spent 6% greater than the US total in 1996. Ten years later Maine's spending had slightly declined to 4% when compared to the US total. In inflation adjusted terms in 1996 and in 2006 Maine spent more than the US total. The 1996 adjusted money breakdown was: Maine was spending $1,287 per capita; the US total was $1,214. By 2006 the picture looked as follows: $1,534 for Maine, $1,477 in the US total category. The state's spending became more in line with the United States average, from $73 above to $57 in 2006.

In Maine and the US, Public Higher Education expenditures are similar to the Elementary and Secondary Education Capital Outlay category. Maine is ranked near the bottom but was not the lowest at forty-third. Public Higher Education in Maine includes: the University of Maine System, Maine Community College System and Maine Maritime Academy. The Community College System was overhauled in the later time frame of this period[44] and is noted as having good leadership and enrollment[45] has spiked in recent years. Turmoil has plagued the University of Maine System as recently as 2004 when a proposal was made to combine several schools in the Northern part of the state, as well as

43 ___Lothan, Judith. 2006. www.cga.ct.gov/2006/rpt/2006-R-0707.htm, Nov. 16, 2005. Paragraph 8, 10.

44 "Under Fitzsimmons' leadership, institutions within the Maine Community College System have transitioned from vocational technical institutes to technical colleges to community colleges, and enrollment has grown by over 200 percent to more 13,800 credit students. In the past five years alone, since the establishment of the community colleges, enrollment of degree-seeking has jumped by 55 percent." ___.John Fitzsimmons, president of the Maine Community College System, has been awarded the Lifetime Achievement Award by the Economic Development Council of Maine. www.thefreelibrary.com

45 Ibid.

the University of Southern Maine and University of Maine at Augusta in Southern and Central Maine.

The Pine Tree State's recent spending had a low starting position when it comes to the Public Higher Education. The Percent of Real Change, 1996-2006 analysis shows that from its lower starting position Maine increased at a higher percentage rate then the country as whole at 34.2%. For the ten-year period it was slightly behind the U.S. total of 31.5%. Trostel has a similar description, "Maine moved slightly closer toward the national average in public provision of higher education between 2002 and 2007."[46]

The United States total in the Real Change category of Public Higher Education is $154-- only $15 per capita more than the Maine total of $139. The United States totals were also: $380 in 1996, $488 for 1996 in 2006 dollars and $642 per capita in 2006. The Maine totals were: $315, $405 and $544 for 1996, 1996 inflation adjusted and 2006 respectively. The difference between the Maine total and the US total grew from $55 before inflation in 1996 to $83 after inflation in 2006. By 2006 the difference was $98. Maine and the US have had consistent expenditure levels in Public Higher Education. In Public Higher Education, Trostel believes Maine might be able to cut back in one regard: "non-instructional payroll."[47] Maine tends not to fund its University and Community College System at the same level as the United States average.

Maine ranks in Public Welfare for 1996 and 2006 was third and fourth nationally. It makes sense that the category of Public Welfare Vendor Payments looks similar to Public Welfare in general. Vendor payments account partially for the many social service providers sometimes cited as around 6,00 to 7,000 in the State of Maine.[48] Maine was ranked second, fifth and twenty-eighth for the years or categories of: 1996, 2006 and Real Change, 1996-2006, respectively. Expenditures in Maine were $730 per capita in 1996 and in 1996 money updated to 2006 value, the figure rises to $939 per capita. The United States

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[46] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine. p. 1.

[47] "Public higher education in Maine may have unusually high costs in non-instructional areas. Maine has the nation's second highest non-instructional payroll to instructional payroll." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p. 1.

[48] Peter Mills' Stump Speeches.

total at this period of time was: $471 and $606 per capita in 1996 and 1996 inflation-adjusted dollars.

Expenditures in Maine for Public Welfare Vendor Payments were $920 per capita versus $1,414 for the US total, which equals a gain of $494 per capita for the Pine Tree State. In the earlier time frame of 1996, the US total and Maine total only differed by $333 per capita in inflation adjusted value or $259 per capita in non-inflation dollars. The Real Change, 1996-2006 was notable at $476 growth or a 50.7% increase over ten years. Trostel has another similar statistic: "Maine's relative payroll in public welfare increased 45.9% since 2002. Nationally it decreased 13.2%.[49] Maine when compared to the rest of the country increased its expenditure difference by 2006 in both Public Welfare categories.

Maine has a high amount of roads and highways to maintain due to the geographical expanse of the state. Keeping this in mind Maine ranked at the top at fifth and fourth out of the whole US for both time frames in the Highway Outlay Capital Net of Capital Spending. Maine's expenditures were at 32% above the RSA but 81% above the US.

In Highways Outlay Net of Capital 1996 expenditures Maine spent $243 per capita; by 2006; the total grew to $355 per capita. To compare to the US total we will look at the inflation factored spending for Maine in 1996, which was $313. From 1996 to 2006 this increase of $42 per capita was a 13.5% change putting Maine in the middle of the pack of states. Maine's 1996 $243 per capita total was moderately ahead of the United States total. The US totals were: $134 per capita, $173 per capita and $198 per capita for 1996, 1996 adjusted dollars and 2006 dollar figures.

When looking at the rankings, Maine was ranked fortieth in spending per capita for the building of highways in 1996 and then twenty-seventh in 2006. Maine was ranked sixteenth for the Real Change, 1996-2006. Maine spent similar to the United States as a whole on highways in the later years. Maine's ranks next to the other 49 states in the measurement of spending per capita, shows that in the highway category the state has been greatly increasing funding. Maine was towards the bottom of the rankings for

[49] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p. 2

Highways-Capital Outlay; only 9% lower then the US expenditures in 1996 and 2006. Maine spent $149 per capita in 1996. The US total was $15 higher ($164). By 2006 the spread was tighter. Maine ($256) was only $4 behind the US $252 total. In the Capital Outlay aspect of Highways Maine is comparable to the US and has been increasing at a higher rate than the US, but not as much as in the overall Highway category.

The umbrella category of Public Service can be divided into the categories of Police and Fire. The US total was much higher starting in 196 at $168 before reaching $265 in 2006. Maine was 38% behind the US as a percentage and later 36% . By 2006 the numbers looked as following: $265 per capita for the US total, $133 for Maine.

Maine was at the bottom of Police spending per capita with ranks of forty-sixth and forty-fifth for the inflation-adjusted years of 1996 and 2006. The country as a whole averaged to $216 inflation per capita dollars in 1996-- a figure well ahead of Maine. In that year Maine spent $133 in inflation terms spending. The US total in 1996, in 1996 dollars of $168 per capita was greater than the Maine total of $104 per capita. By 2006, Maine per capita spending was $168 per capita versus the much-increased US total of $265 per capita. In the Police category the US total and Maine spread had gone from $83 to $97 per capita. Trostel sees the same picture via personal income statistics. [50]

Maine was slightly below the national average in Fire spending per capita.[51] Maine spent in 1996, $56 per capita, only $11 behind the US total. When put into 2006 dollars the US total of $67 becomes $86 per capita. The $56 for the state of Maine totals to $71 per capita in inflation terms. Maine was behind the US total in 2006 by $23 per capita, $114 versus $91. Fire funding as a whole from 1996 to 2006 grew by $20 per capita in the state for an increase of 27.4%. The percentage increase in Maine is comparable to the national 33% increase and an absolute gain nationally of $29 per capita. Trostel is looking at a

[51] Trostel's evaluation is similar, but more nuanced: "Maine's spending on fire protection is low compared to the rest of the county, but this appears to be due to a cost advantage from being a rural states Indeed, Maine's fire expenditure relative to personal income is higher than in other rural states." Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p. 1.

narrower span of time and indicates this component bears watching, "Maine's spending on fire protection grew faster than the rest of the country from 2002-2007."[52] Maine was ranked twenty-seventh in both years with a lower rank of thirty-sixth for the Real Change, 1996-2006 category. The category of Fire will be an important component to be investigated further in the below reference state comparisons.

A category that is extremely unsuitable to compare the US total to Maine is in spending on corrections. California has a total incarcerated population of 316,229, which is a quarter of Maine's total population.[53] In a category like this, a state should be applauded for its lower spending in comparison to other states. Lower expenditures can be attributed to numerous reasons such as smaller population, more efficient spending or less crime. Maine spent $72 per capita in 1996 --half of the United States total of $141, in 1996. This ranked Maine at forty-seventh among all fifty states, before lowering to forty-third by 2006. Maine spent $72 per capita in 1996, which grew to $139 per capita by 2006. While gauging for inflation, Maine increased $46 per capita for the period. In 2006, at the end of the ten years, Maine had caught up to what the US total in the corrections field had been in 1996. At that earlier point in time the US total was $182 per capita in inflation terms and $93 per capita for Maine in adjusted monetary value. By 2006 the US total grew to $210 per capita. Maine was at $139, which was $71 behind versus the $89 per capita difference in 1996. Lower expenditures can be attributed to numerous reasons such as smaller population, more efficient spending or less crime.

Maine increased its Corrections spending in the ten-year interregnum to catch up from its low starting point. The state was $18 less per capita behind the nation then ten years prior. The evidence can be seen in the Real Change, 1996-2006 category as Maine increased its funding in this category by 49.2%. This was a significant jump from the incredible low starting point; more than the US. Maine found itself in the top ten in per capita spending when evaluating Real Change that had occurred from 1996-2006. The majority of this spending was likely devoted to the several new jails throughout the state

[52] Ibid.
[53] California Prisoners and Parolees 2008, California Department of Corrections and Rehabilitation Offender Information Services Branch Estimates and Statistical Analysis Section Data Analysis Unit, www.cdcr.ca.go/Reports_Researc/Offender_Information_Services_Branch/Annual/ Calprisd208.pdf, p. 2.

and a new Maine State Prison built in the latter part of this time period. [54] In this category it would be helpful to analyze a breakdown of all Corrections spending. What can be certain is that Maine has been increasing its expenditures at a high rate relative to the US average.

The topic of Natural Resources is different then the others. Maine does very well in regards to the number and quality of state parks and purchasing public lands.[55] During the 1996-2006 time frames Maine was ahead of the US by $60 to $85. Maine increased its expenditures dramatically to finish the period of this study at $134 versus only $85 for the US total.

Maine was higher than the US total in Financial Administration with ranks of fifteenth and twenty-first for the two specific years we have been looking at. Maine was $16 per capita higher than the US total average in 1996. The US total was $85 per capita, Maine being at $101. When looking at the 1996 dollars in 2006 value the numbers are $110 for the fifty states and $130 for Maine. Maine did not contribute as much funding to this category in 2006 as it did in 1996. When using the deflator (putting 1996 money to 2006 value) by 2006 the US total was only $16 lower then Maine's total, instead of $20 less as ten years prior. Maine's expenditures grew 8.1%versus the 14.3% in the US total. The US total increased $16 in the Real Change category, which is $5 more per capita than the Maine average of $11. In the last ten years in this category the rest of the county had increased spending more then Maine.

[54] The new Maximum Security Prison was built in Warren, Maine: "All told, the number of inmates in Maine's prisons surged from an average of 1,167 to 1,189 a year later, a 9 percent jump and the largest increase percentage-wise among the 50 states, according to the U.S. Bureau of Justice Statistics." Rosenbloom, Joseph. 2003. The Shawshank Succesion. American Prospect. December 1, 2003. Paragraph 3.

[55] "In 1999 Maine voters approved a $50 million bond issue to renew funding for the Land for Maine's Future Program…Thanks to the strong support of Maine voters, the program has helped protect dozens of special places in all 16 Maine counties – from Mount Kineo to Scarborough Beach. The Trust for Public Land. Conserving Land for People. www.tpl.org/tier3-cd.dfm?content_item_id=7820&folder_id=259

Comparison to a Reference Set of States

"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt." –Cicero 55 BC

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It is one thing to say that Maine does not reflect the national average; yet the more important factor is how Maine falls in regard to the reference set average (RSA). It should be noted that the United States total does not mean the best fit for Maine. The reason goes back to the reference state average argument. Some states, for example: Florida, Texas, New York or Hawaii are not like Maine in most regards. The United States total in many demographic areas differs from Maine. Education levels of the citizenry of a state or population size are two examples.

There are eight states similar to Maine and will make up the reference set average. They are: Arkansas, Idaho, Iowa, Nebraska, Oregon, Utah, Vermont and West Virginia. As mentioned in discussing Maine and Alaska, these are mostly rural states that also have similar socieo-economic statistics as Maine. Population-wise, Maine is a disperse state with a sheer land mass. In Maine, the vast majority of people have jobs with above average paychecks, yet many residents' incomes are very little. [56] There are very little income earners in the median. This affects the average income and makes our aggregate pay look less.[57] In addition, the global economy has been shifting from one of high-wage, blue-collar jobs to a more diverse lower-wage, service-oriented economy. The former was an area where Maine dominated in the 1950s and on. Today the many paper mills, shoe factories, farming and fishing have closed or are

[56] Part of this phenomenon is regional: "Within Maine, 2004 per capita income ranged from $23,921 in Somerset County to $37, 847 in Cumberland County." www.rupri.org/Forms/Maine.pdf. Slide 19.

[57] "Maine remains a place where people of all incomes interact, due in large part to our historically small income divide. Take a ride down most rural roads, and there will be mobile homes next door to new split-levels, next door to old farmhouse under endless repair….As the income gap widens, there is more class separation." Pohlmann, Lisa. 2004. Changing Maine. Barringer. Tilbury House. Muskie School of Public Service. Chapter 3, p.63.

suffering a slow death.[58]

To show the comparison between the RSA and Maine: Maine is 39.1% in millions of dollars below the reference state group average in 2006 personal income. In dollar terms this was $42,202M for the state versus $69,270M for the country. The other initial category where Maine was under the reference state average is 2006 population in thousands. The eight reference states average was 2,214 versus 1,315 in Maine for population in thousands. Recently many have commented how the population in New Hampshire has exceeded Maine's for the first time since the 1800s.[59]

In the next four categories, Maine and the RSA states compare in a better fashion. The first is Per Capita Personal Income for 2007. In this Maine was 1.8% above the reference state average in 2007. The RSA was $33,116, similar to Maine's $33,722. Maine was only .6% above the average of the eight similar states in 1996. The dollars per capita for 1996 in personal income was $21,070 for the RSA and $21,203 for Maine. Maine moved up one spot from thirty-sixth to thirty-fifth by 2007. In the percent change from 1996 to 2007 Maine was ranked twenty-seventh and was 2.9% higher than the reference state average of 57.4%. As far as income ranks are concerned Maine is closest to states like Arkansas, Utah and West Virginia in the Percent Change 1996-2007, Per Capita Personal Income.

Persons per square mile or population density shows Maine was below the reference state average. Lack of high population density is usually seen as a positive attribute.[60] Maine is 5.8% below the RSA, which was 94.2%. The US average of 86.2 persons per square mile is almost twice as much as Maine at 42.7 and the RSA slightly higher at 45. In rankings of persons per square mile Maine was ranked thirty-eight, which was similar to the RSA was rank of forty-third.

In 1996 Direct General Expenditure Maine was slightly above the Reference Set Average as a

[58] See Stinson's Seafood, as the latest example, the last sardine packing plant in the state, which was located in Gouldsboro, Maine. It closed in April of 2010, leaving130 mostly long-term employees, many without any other skills, looking for work.
[59] Wright, Lori. 2010. UNH Campus Journal. January 13. www.unh.edu/news/campusjournal/2010/Jan/13pop.cfm, paragraph three.
[60] This is true for two reasons. The first is usually the aesthetic nature of condensed living, the second is the typicall high cost of providing public services to a dispersed area: "Population density affects fire prevention, fire fighting, crime rates, road costs…" LaPlante, Josie. Fiscal and Budgetary Analysis of Government. Muskie School Classes. Slide 14.

percent of the RSA at 5%. By 2006 Maine as a percentage was 16% ahead of the RSA at $7,579 with the RSA at $6,545 per capita. In 1996 inflation adjusted dollars Maine was $270 behind the RSA. Ten years later Maine spent per capita $1043 more than the RSA. When comparing the per capita figures for the two years it becomes apparent during the interim that Maine dramatically increased its Direct General Expenditure in comparison to the RSA. The late 1990's was a time when Maine was flush with revenue in part due to the booming dot com national economy.[61]

Maine in spending per person for Capital Outlay Total was ranked at the last position, fiftieth in 1996 and ten years later at forty-ninth. In inflated dollars Maine spent $417 dollars in the mid 1990's and $599 a decade later. Maine was 37% below the RSA before decreasing to only 24% behind the RSA in later years. Maine's increases put it at 49% above the RSA in the Real Change category. Maine is most similar to states like Arkansas, Vermont and West Virginia in 1996. Idaho joined the lower echelon of spending in 2006. Maine's contributions throughout the decade are most like Iowa, Vermont and West Virginia.

Recently, Maine changed its school funding formula to the Essential Programs and Services (EPS)[62] model in an effort to reach the 2004 voter mandated 55% school funding requirement. The state was 2% above of the reference set average (RSA) in 1996 and climbed to 8% above in 2006. In inflation adjusted dollars in 1996 Maine contributed $1,347 per capita to education. The RSA was $23 less ($1,324 versus $1,347) per capita than Maine. Later the RSA fell behind Maine by $124 ($1,496 versus $1,620) in 2006 per capita dollars instead of the previous $23. Maine's counterpart states went form a similar expenditure level to Maine before contributing much less towards education by 2006.

The category Real Change, 1996-2006 contrasts the increases that Maine put towards K-12

[61] "In the spring of 2000, when Maine had surplus funds on hand at the height of the recent stock boom…" Mills, Peter. 2004. Changing Maine. Barringer. Tilbury House. Muskie School of Public Service. Chapter 8, p.176.

[62] The EPS model was an attempt for the state to fund schools partially determinant of labor costs and size of school population. The state wanted to ensure that they were increasing their expenditures for unneeded positions, such as multiple librarians for a smallish school. Also a determination was made that some students cost more then others. The model was based upon schools like Fairfield High and Scarborough High which use modest sums of money. Much of the modeling work was performed by Prof. David Silvernail at the University of Southern Maine.

education (includes Capital Outlay), with the paltry amount that the RSA did. Maine spent $272 more dollars per capita, $100 more dollars than the RSA at $172. Maine in 2006 was only $50 behind the US Real Change and with this increase the Pine Tree State as a percentage is 58% above the RSA. The difference between the groups for the ten-year interim can be seen in the Real Change Percentage, with 20.2% for Maine and 13.9% for the RSA. Maine's greater expenditure than the RSA in K-12 spending is the reverse of Public Higher Education.

The Real Change, 1996-2006 Elementary and Secondary Education Net of Capital Outlay category shows the difference between Maine ($247) and the RSA ($169). Maine's expenditures grew by 19.2%. The RSA increased 14.7%. Maine spent $1001 in 1996 and $1534 by 2006, the RSA, which spent a somewhat comparable figure of $922 in 1996. The later expenditures by Maine were much lower then the RSA. By 2006 the total per capita for the RSA was $1355. Maine contributed more expenditures then the RSA in the years following 1996 in almost all areas of educations spending.

As in the Capital Outlay category, Maine had lower contributions than the RSA for both years but large growth when observing the Real Change, 1996-2006 category. Maine actually was 179% above the RSA by putting $25 more towards the building of schools in 2006 then in 1996 when accounting for inflation. With that being said, Maine was ranked forty-eighth and forty-ninth in 1996 and 2006 in this category. Maine had less than half of the RSA total in 1996 at $47 versus $107. By 1996 the spread was the same at $141 for the RSA and $85 for Maine.

The ranking of forty-third for Public Higher Education remained the same in 2006. The Real Change from 1996 to 2006 placed Maine at twenty-sixth with a $139 per capita increase. Yet the RSA spent considerably more then Maine in both years. Maine's expenditure was $315 per capita, compared to the RSA value of $470 per capita in 1996. For 2006 the new figures were $816 for the RSA and only $544 for Maine's University and Community College Systems. The inflation-adjusted dollars for Maine's budget was $405 in 1996.

Utah, Iowa and Vermont in the 1990s were ranked in the top ten at two, six and seven respectively. Nebraska and Oregon are ranked at fifteen and eighteen, leaving three more states to round out the RSA (Arkansas (38), Idaho (21), and West Virginia (31). Again, Maine was ranked forty-third. The RSA in the year of 2006 rose to $816 from the $605 per capita for a spending increase total of $212. Maine per capita wise climbed $139 by 2006 which is the lowest of the three groups ($154 and $212 for the US and RSA). The 2006 and 1996 data resemble each other. The expenditure amount Maine put towards Public Higher Education was $544 versus the $816 of the RSA. Many of the states in the RSA have prestigious state university systems: Nebraska, Iowa, Oregon. Worthy of note, the RSA group on average outspent Maine on Public Higher Education.

Maine spends an incredible amount per capita ahead the RSA total in Public Welfare Total. A large portion of Maine's population needs or has public assistance**.**[63][64] Maine spent $374 more per capita than the RSA, for a total of $1,026 versus $652 for the RSA. The state was above both groups when looking at the state's expenditures as a percentage. Maine in 1996 spent 57% more than the RSA. In 2006 The RSA was 58% below what Maine spent. In 2006 Maine was ranked fourth and spent $1,899 per capita. This amount was almost $700 ahead of RSA. The Maine and the RSA growth from 1996 to 2006 was 44% and 44.7% for each respectively. In Public Welfare Vendor Payments, Maine increased spending by $476 per capita, a considerable increase more than the $335 the RSA total grew by. As a percentage the RSA increased spending the most by 60.7%, the US total of 51.9%, which was closely followed at 50.7% for Maine. Maine's expenditure figures on Public Welfare were grossly out of line with the RSA averages.

The RSA is slightly below the United States total per capita spending in Public Welfare Vendor

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[63] "…shows that from 1982 to 2000, Maine lost low-wage service sector jobs; they had an average weekly wage of $680 in 2000. At the same time, Maine saw a 72 percent increase in retail sales jobs; they had an average weekly wage of $323 in 2000." Pohlmann, Lisa. 2004. Changing Maine. Barringer. Tilbury House. Muskie School of Public Service. Chapter 3, p.54.

[64] "The rise in income inequality may also be seen by comparing the average income among families in the top 20 percent with those in the bottom 20 percent. Using this measure with three-year averages, Maine inequality grew from a ratio of 6.6 in 1978-1980 to 7.6 in 1998-1990 and to 8.3 in 1998-2000, now ranking thirty-fifth among states in income inequality by this measure." Pohlmann, Lisa. 2004. Changing Maine. Barringer. Tilbury House. Muskie School of Public Service. Chapter 3, p.60

Payments. In this category, Maine spent $730 per capita, $278 more than the RSA. Because of this, Maine in 1996 as a percent of the US and the RSA was 55% and 61% above each group. In 2006 the same story exists. Maine spent $1,414 per capita --54% above as a percent of the RSA. The US totaled $920 per capita and the RSA spent slightly less at $916. Maine was ranked second and then fifth in 1996 and then 2006. Although in the Public Welfare Vendor Payments, the RSA is closer to Maine then the general Public Welfare Category; it is unmistakable that Maine was spending much more in 1996, 2006 and the years between then comparable states in both Public Welfare Vendor Payments and Public Welfare categories.

In the category of Highway Outlay Net of Capital Spending, the neighboring state of Massachusetts provides an example opposite of Maine. The Bay State was ranked eleventh in the 1990s and forty-fourth by the 2000s with the near last place ranking of forty-nine for Real Change, 1996-2006. Per capita spending in the Bay State declined -41.9%. (The Big Dig multi-decade construction project in Boston ended during this period, and with its controversy may have reduced the "taste"[65] for road and bridge work.) In 1996, Maine put forth $243 towards the non-building aspect of highways. The RSA only spent $184 which resulted in Maine being 32% above the RSA as a percentage, increasing to 44% above by 2006. Maine spent $355 per capita, contrasting with the RSA of $247. The smaller state of Vermont, which has fewer roads to maintain, was ranked high in this category, at third place and $81 more dollars per capita than Maine. Vermont spent $324 per capita in 1996.

For the Real Change, 1996-2006, Highways Outlay Net of Capital Spending, Maine increased its spending $42 per capita, far surpassing the $10 per capita growth of the RSA. Because of Maine's increase relative to the RSA change, Maine as a percent in 2006 dollars spent 315% more in Real Change category. Excluding Idaho and Utah, the majority of the eight states in the RSA are ranked much closer to the bottom then Maine for the ten-year change. Maine's expenditure for this category exceeded the RSA in all years of analysis.

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[65] LaPlante. Josie. Muskie School Classes Notes.

In Highways-Capital Outlay the RSA totals went from $259 per capita in inflation-adjusted dollars to $290 for 1996 adjusted figures and 2006 respectively. Maine in contrast spent $192 per capita in 2006 dollars in 1996 and $252 per individual in 2006. Maine is not in line with the RSA, but the increase over the ten years was a $60 per capita rise in spending, which represents a 31.5% growth. The Real Change, 1996-2006 shows the numbers are: $30, $60 for the RSA, US total and Maine per capita spending. Maine spent twice as much as the RSA, ranking sixteenth in the nation. Maine was 99% ahead of the RSA as a percentage. With its high contributions during the decade, Maine's expenditures towards the building of highways, compared to the RSA, continued to grow from already greater contributions.

Earlier a reference was made how there are many categories where the US total corrupts the differences between Maine and the US total. The RSA is pivotal in confronting and teasing out where a broad brush is not very telling. Public safety in Maine is one of these areas. Maine was 32% below the US total, but only 2% behind the RSA in spending per capita. In the 1990's Police spending increased around the entire country.[66] Maine was only $3 per capita behind the RSA. One can see that the US total exceeded Maine by $76 per capita ranking Maine forty-sixth in 1996. By 2006 the rankings were much the same but Maine was now $200 below the national average. For 1996 the RSA spent $162, a few dollars ahead of Maine's $159 per capita. In 2006 the figures were: $268 for the RSA group and $259 for Maine with Maine at the same level of 3% below the RSA as a percentage. The Real Change category shows that Maine is essentially spending what appears at first blush a correct level--in line with the RSA. Maine. The eight states increased spending on average by $60 compared to Maine's $55. Maine was only 10% below the reference set average as a percentage when observing the Real Change category.

In the Real Change, 1996-2006 categories of Police expenditures, the RSA was similar to Maine with the spending of $45-- $10 more per capita then Maine's $35. The result was Maine below the

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[66] Donohue, John III, and Jens Ludwig. 2007. More Cops. Policy Brief #158. The Brookings Institution. March 2007. www.works.bepress.com/cgi/viewcontent.ci?article=1049&context=john_donohue. "It is time to reconsider the massive de-funding of one of the most successful federal anti-crime measures of the 1990s: the U.S. Department of Justice's Office of Community Policing Services (COPS program. The program, authorized by the Violent Crime Control and Law Enforcement Act of 1994…The COPS program distributed nearly $1 billion in hiring grants to state and local police in each fiscal year from 1995 to 1999." Paragraph one and two.

reference set by 22% as a percentage for the Real Change category. Maine's difference in expenditures levels in comparison to the RSA grew in the later years. Maine and the RSA had a difference of $12 in 1996. The RSA on average spent $118 per capita versus $104 for Maine. By 2006 the spread grew to $28 --or $151 for the RSA and $133 per capita for Maine. Maine was 12% below the RSA average in 1996 and 14% by 2006.

In the Fire category, unlike Police (where Maine was behind the RSA) Maine spent more in the 1996 Fire category than the RSA by $12. In 1996, Maine spent 26% above the RSA at $56 per capita, except for Oregon. Spending had remained stable in 2006 among both groups. Maine as a percentage of the RSA stayed at 26% above the RSA, $91 per capita for Maine and $72 for the RSA. Maine was also ranked twenty-seventh for 2006. One of the better analysis tools is Real Change, 1996-2006. In the Fire category Maine contributed $20 more per capita for 2006 in spending than it did in 1996. This is $5 above the RSA increase of $15. Maine was 31% below the US total and 28% above the RSA in spending for 1996-2006. In the RSA, four states were in the top ten in the Real Change Fire category. Yet, Maine was ranked twenty-third. Maine's expenditures in the Fire Category has remained stable throughout the decade and moderately higher then the RSA.

In the Corrections component, Maine was ranked forty-seventh in the US in 1996. Ten years later the state had edged up to forty-third. Maine was spending $139 per capita by the mid 2000s. The RSA as a whole had bumped its spending from $21 above Maine in inflation adjusted terms in 1996 to $33 above Maine in 2006. The reference set states on average spent $172 per capita in 2006. Maine as a percentage was 19% the RSA in 1996 and 2006. Interestingly, Maine went from being almost 50% below to only a third below the US total. The RSA total increased by $58 per capita, compared to the $46 rise in expenditure in Maine. The RSA rose $21 per capita ahead of Maine instead of $17 in 1996. Maine's expenditures in this field were marginally below the RSA in the Corrections field.

In Natural Resources spending, Maine was only 3% as a percent above the RSA but 43% as a percent above the US total in 1996 before becoming 19% higher than the RSA. In 1996 the RSA set was only $2 behind Maine per capita at $83 versus $85. By 2006 the RSA spent $113 versus Maine's $134 for a difference of $21 per capita. In inflation accounted 1996 spending the difference was $4 or $110 for Maine and $106 for the RSA. Maine was in line with the RSA in 1996. By 2006 Maine's expenditures were greater then the RSA. The RSA added $6 per capita during the interim while Maine quadrupled that figure by adding $24 by the end of the period. Maine ranked thirteen, falling only behind Vermont's rank of seventh. The Green Mountain State's increased spending of $40 per capita from 1996 to 2006. Maine spent a similar amount to the RSA in 1996, but is trending towards a larger gap by 2006. This is due to the $24 increase in spending since 1996; compared to the RSA's $6. Maine's spending in relation to the RSA grew at a higher rate by the end year of 2006 then in 1996.

Expenditures in Maine and the RSA were even in the Financial Administration category for 1996. The RSA had started spending slightly more per capita than Maine in 2006. The 1996 dollar terms were $103 for the RSA and $101 for Maine. When inflation is accounted for, the totals are: $132 and $130. The later 2006 totals were $153 and $141. The RSA added much more to its previous $2 higher position over Maine. The RSA total was $21 more dollars in this category by 2006 versus, Maine adding $11. Maine was 1% below the RSA in 1996 and then 8% less than the RSA in 2006. Maine and the RSA are somewhat comparable, although the eight other states on average added more then Maine did from 1996 onwards.

Maine exceeded the RSA in 1996 for the category Interest on Debt for General Purposes. These trends largely continued into 2006. Maine spent $206 per capita in 1996. By 2006 spending grew to $250. To see how much was added we must look at the inflation adjusted 1996 figure of $265. Maine spent $15 less dollars per capita in 2006 then in 1996. The RSA has a similar story in that it retracted $7 per capita for the decade of 1996 - 2006. The RSA went from a paltry $155 pre-inflation to $199 in post-inflation analysis to only $192 in 2006. Maine was 33% above the RSA total in 1996. The numbers changed little in 2006, as Maine was 30% ahead of the RSA in Interest on Debt for General Purposes. Maine's contributions toward this category declined twice as much as the RSA. Yet, it has a much higher position and continues to sit at a higher per capita level of $250 in 2006 over the RSA's total of $192.

Findings

"Annual income twenty pounds, annual expenditure nineteen and six result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery. – Mr. Micawber, *David Copperfield*, Charles Dickens

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In this section of the paper, we will consider only the major components of spending where advice for increasing or lowering or shifting resources is suggested. Those categories are: Direct General Expenditure, Public Welfare, Highway Spending, Public Higher and K-12 Education. In Direct General Expenditure, Maine's spending is growing more than both the US and the RSA. Real Change, 1996-2006 shows this as Maine was slightly less then the US in 1996, before spending almost $2,000 ($1,993) per capita compared to $1,340 and $1,229 for the US and RSA respectively. Maine suffers from what is called a "bungee cord" --our tax system brings in a fair amount of money during the boom economic cycles.[67] Maine spends the revenue easily when the coffers are full. As Professor LaPlante indicates, "Many initiatives of the latter 1990's, just like the initiatives of the latter 1980's were unsustainable in the absence of offsetting cutbacks in the state budget. Revenue receipts should not determine the level of services a state provides."[68]

The Pine Tree State's spending in Public Welfare was growing much quicker than the US or RSA. Maine contributed $580 more per capita in 2006 then in 1996. The US funding grew at $302 and the RSA at $364. Public Welfare Vendor Payments is much the same, where Maine has been growing much more than the other two groups. In the Real Change, 1996-2006 category Maine went from an already high position and grew by $476, compared to $314 and $335 for the US and the RSA respectively. Unlike education or infrastructure expenditures there was nothing such as a low starting

[67] LaPlante, Josie. The Roots & Consequences of Maine's Chronic Crises in State Finances. Muskie School Classes. Slides, 3,20,30.
[68] Ibid.Classes. Slides,38, 39.

point in 1996. It also might be worth of note to say how the federal welfare programs were reformed in the 1990s. Tommy Thompson,[69] former Wisconsin Governor, and President Clinton deserve a lot of credit.[70] Trostel indicates in regards to personal income, in the welfare category Maine *far* exceeds the national averages.[71] Both the US and RSA are considerably lower in per capita terms then Maine in this category. The following groups: policymakers, the general populace, stakeholders in vendor and advocacy groups must determine if being extremely out of the line with the US and RSA average expenditures are where Maine's expenditures should be in Public Welfare expenditure category.

Total Highway spending in Maine is trending towards a much higher total than either the US or RSA total. Maine added $42 in 2006 to already greater totals. The US and RSA only added $25 and $10 in comparison. In just the road construction aspect or Highways-Capital Outlay, a different story emerges. Maine is growing more quickly then the other components but the total 2006 spread is closer. Maine increased its per capita spending by $60. The US average rose $45 and the RSA only half of the Maine increase for $30. The RSA still finished at $290 in 2006 versus $256 for the US and Maine coming in at $252. As said above Maine has many roads to repair and cost requirements of extreme winter weather. Further research should be conducted to see if Maine can shift a portion of its Highway expenditures from the general Highway component to the Highway-Capital Outlay part.

Many have noted how our infrastructure nationally is not receiving the same capital it did in the mid 20th Century.[72] Structures that were built during that time frame are nearing the end of their lifespan, but are continuing to be used daily. Whether it is a collapse of a bridge in Minnesota or the bursting of

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[69] "The experience of Wisconsin is commonly cited as evidenced as of the capability of states for reforming welfare. Wisconsin's welfare caseload declined by 22.5 percent between December 1986 and December 1994." Wiseman, Michael.1995 State Strategies for Welfare Reform: The Wisconsin Story. Institute for Research on Poverty Robert M La Follette Institute of Public Affairs, p.1.

[70] "In 1996 President Bill Clinton fulfilled his campaign pledge to 'end welfare as we know it' by turning AFDC into a block grant program that ended the federal guarantee of family assistance for states. The new program, called Temporary Assistance for Needy Families (TANF), has a five-year lifetime limite on receipt of federal cash assistance. For the first time, welfare recipients are required to work, no matter what their circumstances, in order to receve benefits. TANF allows just twelve months of training activities, and the program emphasis is on 'work first." Pohlmann, Lisa. 2004. Changing Maine. Barringer. Tilbury House. Muskie School of Public Service. Chapter 3, p.65

[71] Trotsel, Phillip. 2010. Incomplete Draft—Maine State- and Local Government Payroll and Expenditure in 2007. May 2010 in Augusta, Maine, p.1.

[72] "From 1996 through the mid 1970's, real federal spending on infrastructure grew much more rapidly than did state and local spending; on average, federal spending grew at an annual rate of 7 percent, versus 1 percent for state and local spending." In 2008, "… states and localities has accounted for around three-fourths of total spending." _____. Trends in Public Spending on Transportation and Water Infrastructure, 1956 to 2004.Congressional Budget Office.p. 7

pipes in the streets of New York, the perception to America's citizens is that government cannot take care of the most simple of its charges: building and maintaining roads, as well as piping and buildings.[73] Large infrastructure projects can be seen as individual specific projects. *The Bangor Daily News* recent editorial argues that during the recession is the time to make port infrastructure developments in Eastport, Portland, and particularly Searsport.[74]

In Public Higher Education expenditures Maine stands much lower than the national or reference set average. Maine's expenditures have been growing less then the group averages. Public Higher Education per capita spending in Maine was much less to begin with in 1996 then the US. It was also quite a bit lower than the RSA. By 2006 Maine's increase was $139, versus $154 for the US and $212 for the RSA. Many of the RSA states have top university systems, but in this component of spending, Maine must contribute more funding or radically restructure current expenditures. An opinion editorial in *The Bangor Daily News* testified to this and suggested the following:

> Higher education in Maine is structured in silos and archaic fiefdoms. The silos are expensive to maintain, each having its own demonstrably redundant administrative structure… A seven- campus system does not require seven universities and a chancellor's office…the cost of the chancellor's office – over $25 million a year – turns out to be at the expense of the academic mission…In Pennsylvania and Minnesota, excellent multi-campus university systems are administered efficiently out of one campus….How much money could be saved in the liberal arts at the University of Maine, for example if there were not an average of one administrative department at a cost between $50,000 and $60,000 for ever 11 faculty? Funds spent on obsolete silos are not thoughtful investments.[75]

The "balance wheel"[76] term is sometimes applied to higher education due to its propensity to take large cuts in state funding during poor economic periods. In many states tuition increases at public

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[73] Part of the policy problem stems from the fact that "…determining the level of spending necessary for the efficient and safe operation of existing infrastructure is difficult at the aggregate level, because individual infrastructure projects have varying needs depending upon their age, type of construction, intensity of use, and other factors." _____. Trends in Public Spending on Transportation and Water Infrastructure, 1956 to 2004.Congressional Budget Office.p. 5

[74] "The new state government should remain mindful of Searsport as an option and consider marketing the port again. As Commissioner Cole said, 'You don't wait until the recession is over or it will be too late." ______. Container Potential. 2010. Bangor Daily News, July 8, 2010.

[75] Some of this is occurring: At the University of Maine at Machias in 2010, the History department was decommissioned. It was the smallest academic program at the smallest university.
Brinkley, Tony. Invest in Education, Not Administration. 2010. Bangor Daily News. July 10-11, 2010. Paragraphs 5, 8, 10.

[76] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 472.

schools have created controversy.[77] *The Denver Post* describes the other components that are similar to public higher education, in that they can easily be cut when the state is facing difficult budget balances:

> The truth is, as Gov. Bill Ritter recently pointed out in a Colorado Public Radio interview, there are only five areas one can hit to take $1 billion out of a general fund budget that hovers around $7 billion. Those are: higher education, K-12 education, health care, human services and public safety…"It doesn't take but five minutes with economic development forks, who spend their days trying to lure and retain businesses in the state, to get an earful about how much value employees put on a robust university system. This is especially true of those offering the kind of jobs we want in the state – high paying professional jobs."[78]

Unfortunately, in Maine we do not value our university system to fund it to the degree we probably should. *The Ellsworth American* wrote an editorial which highlights a recent Op-Ed titled "A Degree in Three" found in *The New York Times.*[79] The reasons to think about reducing the number of years for a bachelor degree in Maine are numerous, "The facilities of our universities and colleges sit empty or see only limited use all summer…Demand at our postsecondary institutions is exceeding capacity and costs continue to rise."[80]

Educational levels are low throughout much of Maine and studies link educational levels with a higher lifetime earnings**.**[81] The 1991 Recession in Maine hurt the traditional economies in the woods or mills causing declining incomes. Fallows' article in *The Atlantic* details the most recent economic downturn:

> It can be found, most immediately, in the wreckage of the Great Recession, in which three-quarters of the 8 million jobs lost were by men…Some of these jobs will come back, but the overall pattern of dislocation is neither temporary nor random. The recession merely revealed –and accelerated—a profound economic shift that has been going on for at least 30 years, and in some ways even longer. [82]

In the Elementary and Secondary Education Total, all groups were similar to each other in 1996.

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[77] Fehr, Stephen. 2010. Recession could reshape state governments in lasting ways. www.Stateline.org, paragraph 21.

[78] _____. 2010. How Would You Cut $1 Billion? Denver Post. June 27. Editorial Section.

[79] "That assumption needs to change. The college experience may be idyllic, but it's also wasteful and expensive, both for students and institutions. There is dimply no reason undergraduate degrees can't be finished in three years, and many reasons they should be." _______. 2010. A New Approach to College. Ellsworth American, June 3, Editorial section, p.1

[80] Ibid.

[81] Cheeseman Day, Jenifer and Eric Newburger, 2002. Attainment and Synthetic Estimates of Work-Life Earnings. US Census, July 2002.www.usgovinfo.about.com/gi/o.htm?zi=1/XJ&zTi=n18sdn=usgovinfo&cdn=newsissues&tm=6&gps=595_453_1676_821&f=00&tt+2&bt=0&bts=0&zu=http%3Awww.census.gov/prod/2002pubs/p23-210.pdf, Figure 1.

[82] Fallows, James. 2010. How America Can Rise Again. Atlantic, January / February. p. 6 0

As has been discussed Maine increased funding post-1996 for numerous reasons.[83] Per capita spending in Maine grew more rapidly in this component then the RSA, by $100, but less then the US by $50. Maine contributed $272 more in 2006 then in 1996. The US contributed $322 and the RSA fell behind with expenditures increasing $172. Due to declining school populations[84] across the state, some people will desire to cut Maine's education spending. (In 2004 voters in Maine approved a referendum question for the state to fund local education at the 55% level. This is a significant amount of money for the state to come up with—which helped convince the Baldacci administration of the need to pursue school district consolidation. A referendum question to rescind the consolidation law failed in 2009, yet there appears to be citizen disgust in the rural areas.) Maine must spend its dollars more *wisely* and continue to fund K-12 education adequately so inflation and increasing standards based requirements (like the next No Child Left Behind like federal legislation) does not cut into existing dollars.

[83]"LD 1's goal is to increase the state share from the current 46.5% to 55% of the overall EPS amount by FY 09…In FY 06, the state increased state education aid by $99 million."
___Lothan, Judith. 2006. www.cga.ct.gov/2006/rpt/2006-R-0707.htm, Nov. 16, 2005. Paragraph 8, 10.
[84]2006. Brookings Institution. Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places, p.61.

Discussion

"Anger, fear, aggression; the dark side of the Force are they." – Yoda

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When it comes to changes, people like only those they make themselves." - French Proverb

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Voters have only a small say about policy choices. A voter cannot be sure what policies they are getting when they cast their ballot for a candidate. Voter apathy is another common problem where voters do not exercise what say they do have. It is often said that elections are arguments where we discuss what our priorities should be in the upcoming years. Administrations have different priorities, and it has been noted those in years of economic turmoil (1980 and 1992) or political upheaval such as (1974, 1994 and 2006) resort in different ideologies coming to power. [85]

On the other hand, an individual voter is just one of a huge swath of people with differing opinions and they only have limited choices when voting (one choice for the position of governor for example). Put more eloquently, "Many researchers have analyzed voters' "demands" for expenditures, but precise measurements—does the public want 1 percent more spending, 5 percent more, or 2 percent less? –cannot be made with confidence."[86] On the flip side of expenditures is the revenue side of government. Tax reform in Maine is frequently desired, yet when the effort comes forth in legislation, a people's veto is undertaken.[87]

The quality of service levels need to be evaluated and ranked.[88] Governor O'Malley of Maryland, performed statistical evaluation to see what governmental services, first when he was Mayor of Baltimore

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[85]Reschovsky, Andrew. 2004. "The Impact of State Government Fiscal Crises on Local Governments and Schools. State and Local Government Review. 36: 99, p. 97.
[86]Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 472., p. 464
[87] Allen, Michael and David Gunter. 2009. Modeling Tax Reform in Maine. September 15, 2009. Slide 4-6
[88] Mills, Peter. 2010. Anger in the Electorate. Portland Press Herald. May 12, 2010. Paragraph 5,6.

needed improvement: “Not only did violent crime come down, but potholes were being filled faster, towing of abandoned vehicles increased 22 percent, the amount of graffiti removal blossomed fourfold, and lead-abatement efforts expanded significantly.”[89] If service levels were made known to the public, then the *value* of which the taxes are being used for would be known to the public.[90] In current practice only expenditure figures are scrutinized. The result is that it lets people and pundits bemoan that Maine did not spend enough or spent too much. If we could as a society evaluate where the state ranked in service level provision, the analysis of Maine’s expenditure level would be enhanced. What is being discussed here is often labeled as “transparency.” School budgets in Maine have recently made the first step. “If voters were given the breakdown in expenditures by area, i.e. “Instruction” and what the expenditure in that category was last year, the current year and the proposed next year would be a greater example of transparency.”[91]

To make a generalization, people have become way too concerned with their favorite causes, the “stake” that they are holding --not the sake of the entire state. Ward and Dadavan depict this sentiment well, “Much smaller spending reduction or tax increases tend to generate controversy and criticism of elected officials, and even during national recessions some states generally avoid such steps.”[92] In Maine, the sales tax was introduced in 1952, income tax in 1969, and by 1973, property taxes came to our state.[93] Even in1977, Maine people rejected a people’s veto of the then recently implemented property tax.[94] Nationally, the top marginal tax rate was upwards of 90% after World War II leading up to the Kennedy tax cuts.[95] Ward and Dadayan again confront the fact of how some say states do not have the same *capacity* to tax at the same level as in the past, “States’ tax bases, or total taxable resources (TTR) per person have grown nearly as fast as the economy. The TTR measure attempts to capture “the net

[89] Peter Mills’s stump speeches and Walters, Jonathan. 2007. Measuring Up 2.0. p.9.
[90] Mills, Peter. 2010. Anger in the Electorate. Portland Press Herald. May 12, 2010. Paragraph 5, 6.
[91] Peter Mill’s stump speeches
[92] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 472.
[93] Mills, Peter. 2010. Anger in the Electorate. Portland Press Herald. May 12, 2010. Paragraph 3.
[94] Ibid.
[95] McTeer, Bob. Do Taxes Affect Economic Growth? National Center for Policy Analysis. www.taxesandgrowth.ncpa.org/news/do-taxes-affect-economic -growth, paragraph 6.

economic base that the state may choose to tax." The *will* for increased taxes is no longer present in the populace. Most politicians have taken the mantra of "no new taxes" yet we have many unfunded liabilities and nationally much debt on the horizon. It would behoove us as a country and state to look at our problems in the eye. To not even discuss tax raises --one of the few options available to our policy makers to make our governments work efficiently over the long-haul, is like putting our heads in the sand. *The Chicago Tribune* makes the point:

> Pouring on still more deficit spending would make it all the harder to pay off retirement and health care obligations. If Americans lose confidence in the government's ability to deliver many of those benefits, they would save, not spend, and the pace of commerce would slow, not accelerate.[96]

Delivering pensions to retirees is a simple function that state governments need to provide to keep their legitimacy. By 2028, Maine must pay the debt that is owed to the pension system and the estimate of $4 billion is an excessive bill looming on the horizon.[97] The next governor will need to implement the strategies necessary to face this challenge of unfunded liabilities. The definition of fiscal sustainability is as follows: "A government's ability to balance revenues and expenditures over a long-term period."[98]

Government leaders need to lower Citizens ire of how the cyclical nature of the economy affects state government to such a degree.[99] Three other fiscal sustainability issues to confront include: first, the incredible rise in the cost of healthcare, secondly, the federal-state relationship and thirdly, aging populations in relation to pension funds and provision of healthcare. Preventing fiscal sustainability is how programs seem to require a higher level of expenditures over time.[100] Economic cyclical declines

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96 ____. 2010. Enough Debt, Already. Chicago Tribune, June 29. Editorial Section.

97 "According to a law passed by the Legislature in 1995, the state must pay off the old debt, which totals more than $4 billion, by 2028." ____Cousins, Christopher. 2010 State Retirment Costs to go up $278M. Bangor Daily News. July 10-11, 2010. Paragraph 4.

98 Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 465.

99 "During good economic times, the tendency of income tax revenues to grow much faster than income is increasing, and To drop more quickly than deteriorating personal income would predict when the economy slows….Maine's Unusually Sensitive Income Tax Rate Structure Produces Volatility….Maine's Bungee Cord Budget Problems Are Exacerbated By Unusually Responsive Sales Tax Collections."
LaPlante, Josie. The Roots & Consequences of Maine's Chronic Crises in State Finances. Muskie School Classes. Slides 2, 15, 19.

100 ____. 2010. Enough Debt, Already. Chicago Tribune, June 29. Editorial Section.

affect the revenue side of every state government due to how when the economy slows, the amount of revenue does not come in as it did during the boom times. Capital gains receipts are the most volatile, followed by the income tax and then sales tax, with property taxes not tending to be volatile.[101] Capital gains also have a huge "lag" "…e.g. in April-June 2011 taxpayers will settle upon gains earned in 2010."[102] Once the economy starts to rebound state government's tax revenues does not.

James Fallows described how our governmental system has not been adapted from when it was set up for a different time.[103] We need to look at what new components of state spending states have become responsible for. Health and Human Services have become the great cost-center of state government. Prior to Medicaid in the 1960s, states dealt primarily with the laying of highways.[104] From Ward and Dadayan: "Relative to State's direct general expenditures, Medicaid has grown from roughly one in 20 dollars three decades ago, to one in eight more recently. [105] Also, "Medicaid payments rose by 56 percent, a growth rate that far outpaced overall spending increases or those for education, public welfare or highways." [106] One light of hope exists in a newer concept, called "Accountable Health Organizations" or ACO's. They are defined as:

> a local health care organization and a related set of providers (at a minimum, primary care physicians, specialists, and hospitals) that can be held accountable for the cost and quality of care delivered to a defined population. The goal of the ACO is to deliver coordinated and efficient care.[107]

For example a major cost saving strategy of an ACO would be nurses checking with patients making sure that diabetes patients take their insulin. This would save our system, for example, from incurring emergency room costs due to the long-term results of a patient not taking their insulin. [108]

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[100] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 459.
[101] Boyd, Daniel, 2009. Coping with Effects of Recession in the States. July, 27, 2009 in Washington, District of Columbia, p. 5.
[102]Ibid, p.8.
[103] Fallows, James. 2010. How America Can Rise Again. Atlantic, January / February, p. 49.
[104] Peter Mills Stump Speeches
[105]Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism,, p. 458.
[106]Ibid.
[107] Devers, Kelly, and Rober Berenson. 2009. Can Accountable Care Organizations Improve the Value of Health Care by Solving the Cost and Quality Quandries? Urban Institute. p.1.
[108] The latest Bangor Daily News had an alarming article: Richardson, John. Obesity a growing economic disaster. 2010. Bangor Daily News. July 5, 2010.

(Assigning what part of costs savings are responsible to the group in charge of an ACO, may be somewhat difficult to determine-- but it is a step in the right direction.) It is plain to see that Medicaid cost increases[109] are making it very difficult for states[110] to achieve fiscal sustainability.[111]

The federal-state relationship has been touched on briefly; it will be interesting to see how the 2010 Federal Health Care Reform legislation will impact Maine. As said by Ward and Dadayan, "The last time Washington created such a major new health program, Medicaid became a cost driver for states- indeed as mentioned above, it now constitutes the single largest threat to state/local fiscal sustainability."[112] Peter Mills, a candidate for Governor in June of 2010, said on the campaign trail, "They have made the most expensive health care system in the world more expensive."[113] The aging population comes into play with the normal discussion about less taxes being available, but also how "increased numbers of older individuals will require more costly health care."[114] Other fiscal sustainable issues include how over time a program needs a greater expenditure to keep the same levels of service. "…Expenditures tend to rise at rates above the combination of inflation and population growth."[115] A related example would be how in the education world, No Child Left Behind and other attempts at raising education quality are requiring higher influxes of capital.[116]

The suggestions to improve fiscal sustainability are numerous: first, annual budgets,[117] second, adopt accounting long-term accounting practices,[118] third, allow governments to have greater budget

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[109] A possible change to the current system that may improve state's budget practices is detailed by Hood, "A single annual block grant would instead allow state policymakers to know exactly how much federal money they will receive for the year and to budget accordingly; it would also allow federal policymakers to have more predictable levels of spending. Hood, John. How to Fix Medicaid. Summer 2010. National Affairs, p. 139.

[110] Some readers may be confused as Medicare is federally run, Medicaid has federal and state finances: "Funding responsibilities are shared by the federal government and the states in accordance with a formula based largely on the scope of poverty within each state; wealthier states, like Connecticut and Colorado, receive a 50% federal share, while poorer states receive significantly larger federal subsidies." Hood, John. How to Fix Medicaid. Summer 2010. National Affairs, p. 130.

[111] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 468.

[112] Ibid, p. 469.

[113] Peter Mills Stump Speeches

[114] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 468- 469.

[115] Ibid, p. 459.

[116] "A growing body of empirical evidence suggests that for many school districts, the minimum amount of money needed to meet these new performance standards exceeds the current level of spending." - Reschovsky, Andrew. 2004. "The Impact of State Government Fiscal Crises on Local Governments and Schools. State and Local Government Review. 36: 99, p.94

[117] Ward, Robert, and Lucy Dadayan. 2009. State and Local Finance: Increasing Focus on Fiscal Sustainability. Publius: The Journal of Federalism, p. 465.

flexibility,[119] fourth, fix the spiraling out-of-control Medicaid issues, fifth, apply Accountable Health Organizations, sixth, adopt proposals to alter our pensions funds and start paying down our unfunded liabilities, seventh, focus bond proposals with a long-term focus[120] and eighth raise the national gas tax.[121] Nationally, a value added tax (VAT) that many economists have lectured about could be implemented.[122][123] Although income tax reform was stalled in Maine in 2010, the state's income tax rate structure[124] is contributing to the state's fiscal issues. Some type of ratcheting of public assistance requirements in Maine needs to be carefully observed.[125] In conjunction with pension funds, Maine should stop giving equalizing aid to rich communities via Maine State Retirement. This occurs when all state taxpayers pay for the greater salaries and thus greater pension payouts to teachers in more well-to-do areas.[126]

Ward and Dadayan talk at length about how current budgetary practices and accounting standards do not look far enough into the future. Reschovsky discusses how in Texas, two governmental organizations and one non-profit see the "…deficit estimates that emerge from different measures of spending."[127] The Texas comptroller estimated, $9.9B, the legislative budget board estimate came in at

[118]Ibid, p.466.
[119] Ibid, p. 471.
[120] ______.Our Views: On Bond Issues We Vote 'Yes' on 2, 3, and 5; no on 4. 2010. Portland Press Herald. June 6 2010. "Maine is a strong position to borrow money to invest in its future. But it can't afford to make those investments carelessly. Question 4 is a grab bag of programs, many that are worthy, that collectively show the lack of focus in Maine's economic development strategy. We say vote "no."
[121] The gas tax in Maine is relatively high at 25.2 cents. www.gaspricewatch.com
[122] Needham, Vicki. 2010. Obama adviser Volcker says record deficits could lead to new VAT tax. The Hill. April 7, 2007. Finance and Economy blog.http://thehill.com/blogs/on-the-money/domestic-taxes/90991-volcker-suggests-raising-taxes-possibly-adding-a-value-added-tax, paragraph 1 and 2.
[123] In the Center for a Responsible Budget, the figure quoted for a national sales tax was 5% with some form of credits. The estimate made by the Center was that this would bring in $630 Billion in revenue over some moderate length of time.
[124] The tax reform package would have been a start in the right direction towards fixing the problems that Prof. LaPlante articulates: "Very sharp progression of rates over a narrow range of low to moderate taxable incomes produces high sensitivity to even modest household income changes."
LaPlante, Josie. The Roots & Consequences of Maine's Chronic Crises in State Finances. Muskie School Classes. Slide 15.
[125] The conditions for a great level of savings would have to be similar to Wisconsin's situation, which had the perfect timing in conjunction with the rising business cycle: "This paper argues that the decline was most likely the product of restriction of eligibility and benefits, a strong state economy, and large expenditures on welfare-to-work programs encouraged by an exceptional fiscal bargain with the federal government. Opportunities for continued reduction of welfare utilization by means other than denying access are jeopardized by proposed changes in federal cost sharing, a prospective state deficit…" Wiseman, Micheal. 1995. "State Strategies for Welfare Reform: The Wisconsin Story. Institute for Research on Poverty Robert M. La Follette Institute of Public Affairs, p. 1.
[126] LaPlante, Josie. Education Finance. Muskie School Classes. Slide 2.
[127] Reschovsky, Andrew. 2004. "The Impact of State Government Fiscal Crises on Local Governments and Schools. State and Local Government Review. 36: 99, p.89

$10.5B and a non-profit at $15.6B.[128] If we do not have a fair estimate of how much debt a state owes, then how can we attempt to have a long-term focus to our government? The greater flexibility argument works for states that have highly restrictive caps on tax increases, like California. The argument for flexibility may have to be made louder, since the mood by the citizenry in many states seem to be moving towards greater participation by the population, via the referendum process.[129] *The Portland Press Herald* argued in their pre-election editorial that one of the four bond proposals to be voted on in June 2010 did not deserve to pass because it was not targeted.[130] Bond issues should be developed with a long term focus of what areas need to be focused upon as advocated in the previously mentioned Bangor Daily News editorial about container shipping in Maine, (Re: infrastructure—specifically, bridges or ports) and how to propose bonds over a long term period. In example of lack of planning in infrastructure (a common bonding arena) is how we use railroads less then many other states, which would require less maintenance and capital in the long-term then the use of highways for the transport of our goods.[131][132] One way to fix infrastructure is to raise the gas tax. It has not been raised nationally since 1993,[133] and as Peter Mills likes to say, we can either spend our money on the roads or on vehicle repairs.

This essay started with the premise that in the future we have to decide where we would like to spend our scarce resources. David Brooks a columnist at *The New York Times* writes wisely:

> Much of what we do in public policy is to try to get people to behave in their own long-term interests – to finish school, get married, avoid gangs, lose weight, save money. Because the soul is so complicated, much of what we do fails.[134]

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[128] Ibid p.89.
[129] Brownstein, Ronald. 2009. The California Experiment. Atlantic. October. Paragraph Three.
[130] ______.Our Views: On Bond Issues We Vote 'Yes' on 2, 3, and 5; No On 4. 2010. Portland Press Herald. June 6 2010. "Maine is a strong position to borrow money to invest in its future. But it can't afford to make those investments carelessly. Question 4 is a grab bag of programs, many that are worthy, that collectively show the lack of focus in Maine's economic development strategy. We say vote "no."
[131] According to the Maine DOT, "Interestingly, American railroads carry more freight than was moved in the first Golden Age of railroading." www.maine.gov/mdot/freight/railroading-history.php,

[132] Yet, In tons carried, and rail carloads Maine ranks by far and away at the bottom for the year 2008. Maine Tons Carried-6,303,428 for a rank of 47th. Maine carloads 81,376 for a rank of 46. Contrast with the leaders of both categories: Wyoming Tons Carried 536, 030,087 for a rank of 1st. Illinois' carloads carried 11,285,483 for a rank of first. www.aar.org/PubCommon/Documents/.../RRState_Rankings.pdf.
[133] Donohue, Thomas. 2007 Infrastructure: We Need More Money, But Must Spend It Wisely. U.S. Chamber of Commerce October 2007. Paragraph seven.
[134] Brooks, David. 2010. Bill Wilson's Gospel. New York Times, June 28. Editorial Section.

In public policy, issues that are persistently difficult to solve are called “sticky problems.”[135] The scope of this paper is beyond suggesting *how* leadership or our society will draw down our debt nationally and for states to become fiscally sustainable. The trends of 1996-2006 showed the direction of our society when it contained much more wealth. Now that things have changed, where do we as a collective society want our spending to be focused? The quicker we figure that out—the better off for everyone. As Steve Jobs said, "It's okay to spend a lot of time arguing about which route to San Francisco when everyone wants to end up there, but a lot of time gets wasted in such arguments if one person wants to go to San Francisco and another secretly wants to go to San Diego."

[135] Gerston, Larry. 2004. Public Policy Making: Process and Principles. M.E. Sharpe, Inc. Armonk, New York.

Appendix

"It does not take a weatherman to figure out which way the wind is blowing." – Bob Dylan

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Table 1- Per Capita Spending in Major Components for 1996

Component	Maine	US	RSA
Direct General Expenditure	$4,346	$4,483	$4,136
Capital Total Outlay	$325	$528	$517
Elementary and Secondary Education	$1,048	$1,053	$1,030
Elementary and Secondary Education Capital Outlay	$47	$109	$107
Public Higher Education	$315	$380	$470
Public Welfare Total	$1,026	$729	$652
Public Welfare Vendor Payments	$730	$471	$452
Highways Outlay Net of Capital Spending	$243	$134	$184
Highways- Capital Outlay	$149	$164	$202
Public Safety	$159	$235	$162

Police	$104	$168	$118
Fire	$56	$67	$44
Corrections	$72	$141	$89
Natural Resources	$85	$60	$83
Financial Administration	$101	$85	$103
Interest on Debt for General Purposes	$206	$222	$155

Table 2 Per Capita Spending in Major Components for 2006

Component	Maine	US	RSA
Direct General Expenditure	$7,579	$7,103	$5,316
Capital Total Outlay	$325	$528	$517
Elementary and Secondary Education	$1,496	$1,675	$1,496
Elementary and Secondary Education Capital Outlay	$85	$ 198	$141
Public Higher Education	$544	$642	$816
Public Welfare Total	$1,899	$1,240	$1,202
Public Welfare Vendor Payments	$1,414	$920	$916

Highways Outlay Net of Capital Spending	**$ 355**	**$198**	**$247**
Highways- Capital Outlay	**$252**	**$256**	**$290**
Public Safety	**$259**	**$379**	**$268**
Police	**$168**	**$265**	**$196**
Fire	**$91**	**$114**	**$72**
Corrections	**$139**	**$210**	**$172**
Natural Resources	**$134**	**$85**	**$113**
Financial Administration	**$141**	**$125**	**$153**
Interest on Debt for General Purposes	**$250**	**$287**	**$192**

Table 3 Per Capita Spending in Major Components, 1996 in 2006 $ (Deflated)

Component	**Maine**	**US**	**RSA**
Direct General Expenditure	**$ 5,586**	**$5,763**	**$5,316**
Capital Total Outlay	**$417**	**$679**	**$665**
Elementary and Secondary Education	**$1,347**	**$1,354**	**$1,324**
Elementary and Secondary Education Capital Outlay	**$60**	**$140**	**$138**

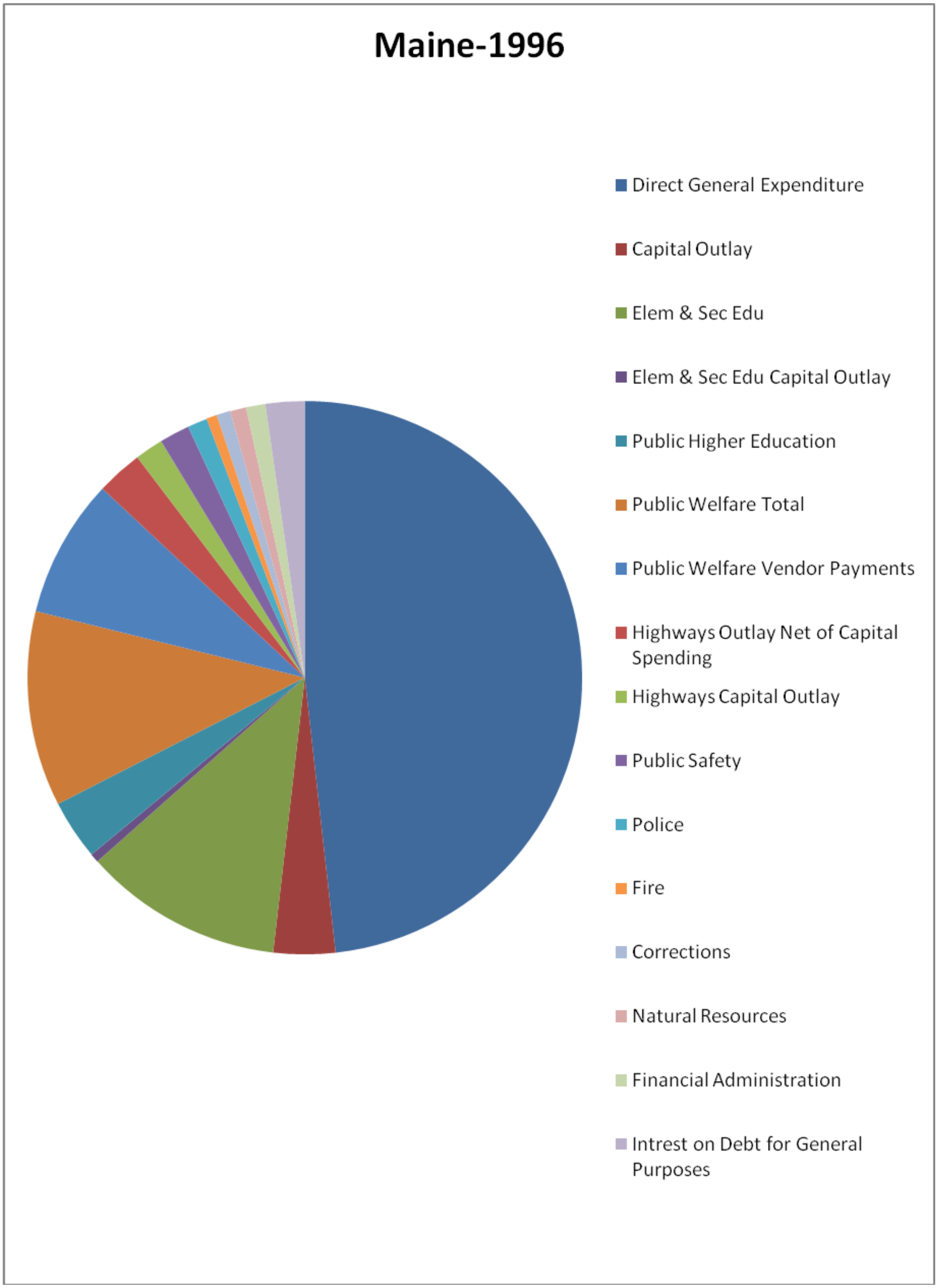
Public Higher Education	**$405**	**$488**	**$605**
Public Welfare Total	**$1,318**	**$937**	**$839**
Public Welfare Vendor Payments	**$939**	**$606**	**$581**
Highways Outlay Net of Capital Spending	**$ 313**	**$173**	**$236**
Highways- Capital Outlay	**$192**	**$211**	**$259**
Public Safety	**$259**	**$302**	**$208**
Police	**$133**	**$216**	**$151**
Fire	**$71**	**$86**	**$57**
Corrections	**$93**	**$182**	**$114**
Natural Resources	**$110**	**$106**	**$77**
Financial Administration	**$130**	**$110**	**$132**
Interest on Debt for General Purposes	**$265**	**$285**	**$199**

Table 4 Per Capita Spending in Major Components, Real Change 1996-2006

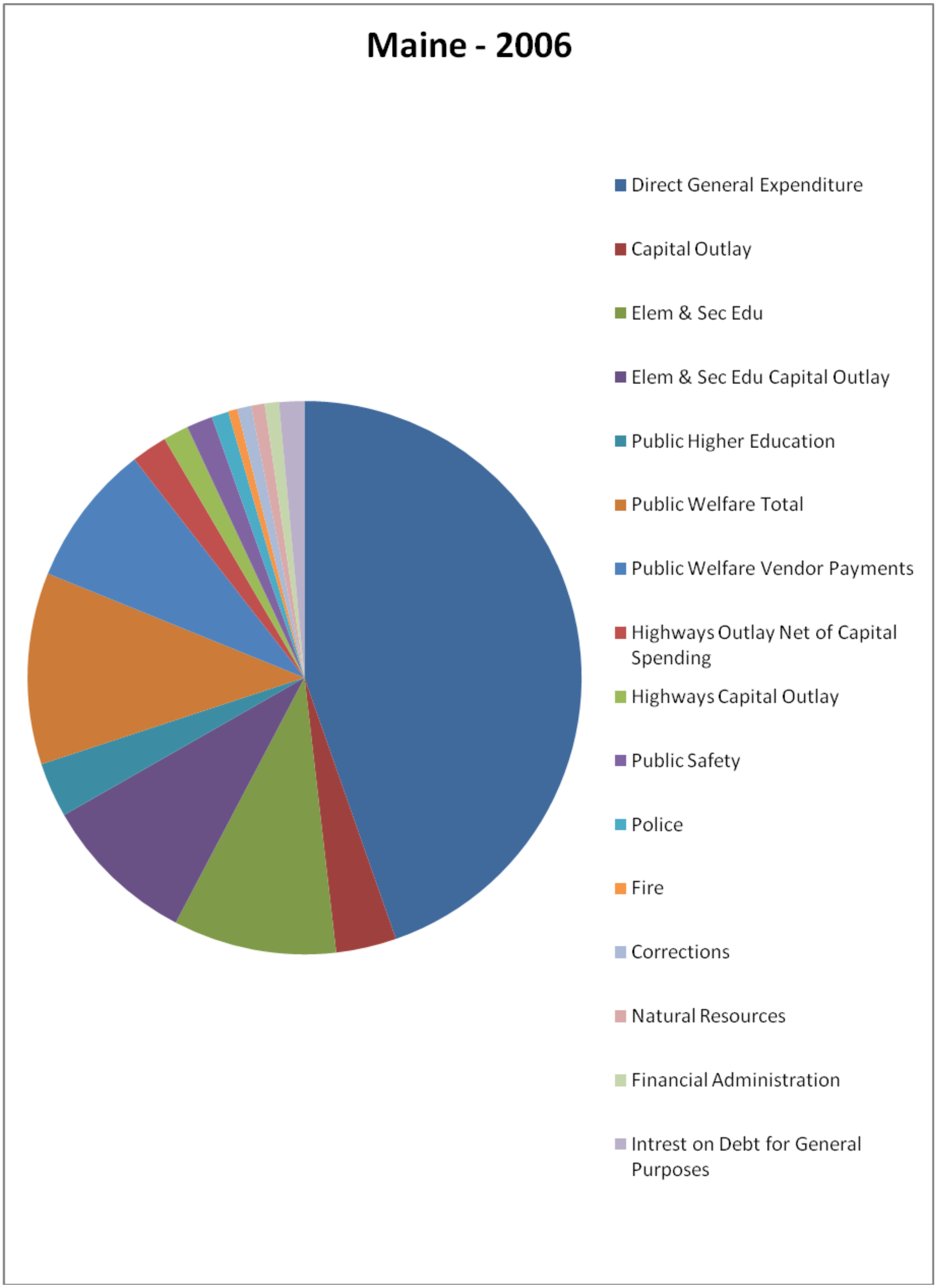
Component	**Maine**	**US**	**RSA**
Direct General Expenditure	**$1,993**	**$1,340**	**$1,299**
Capital Total Outlay	**$181**	**$186**	**$122**

Elementary and Secondary Education	**$272**	**$322**	**$172**
Elementary and Secondary Education Capital Outlay	**$25**	**$58**	**$3**
Public Higher Education	**$139**	**$154**	**$212**
Public Welfare Total	**$580**	**$302**	**$364**
Public Welfare Vendor Payments	**$476**	**$314**	**$335**
Highways Outlay Net of Capital Spending	**$ 42**	**$25**	**$10**
Highways- Capital Outlay	**$60**	**$45**	**$30**
Public Safety	**$55**	**$77**	**$60**
Police	**$35**	**$48**	**$45**
Fire	**$20**	**$29**	**$15**
Corrections	**$46**	**$28**	**$58**
Natural Resources	**$24**	**$9**	**$6**
Financial Administration	**$11**	**$16**	**$21**
Interest on Debt for General Purposes	**$(15)**	**$1**	**$(7)**

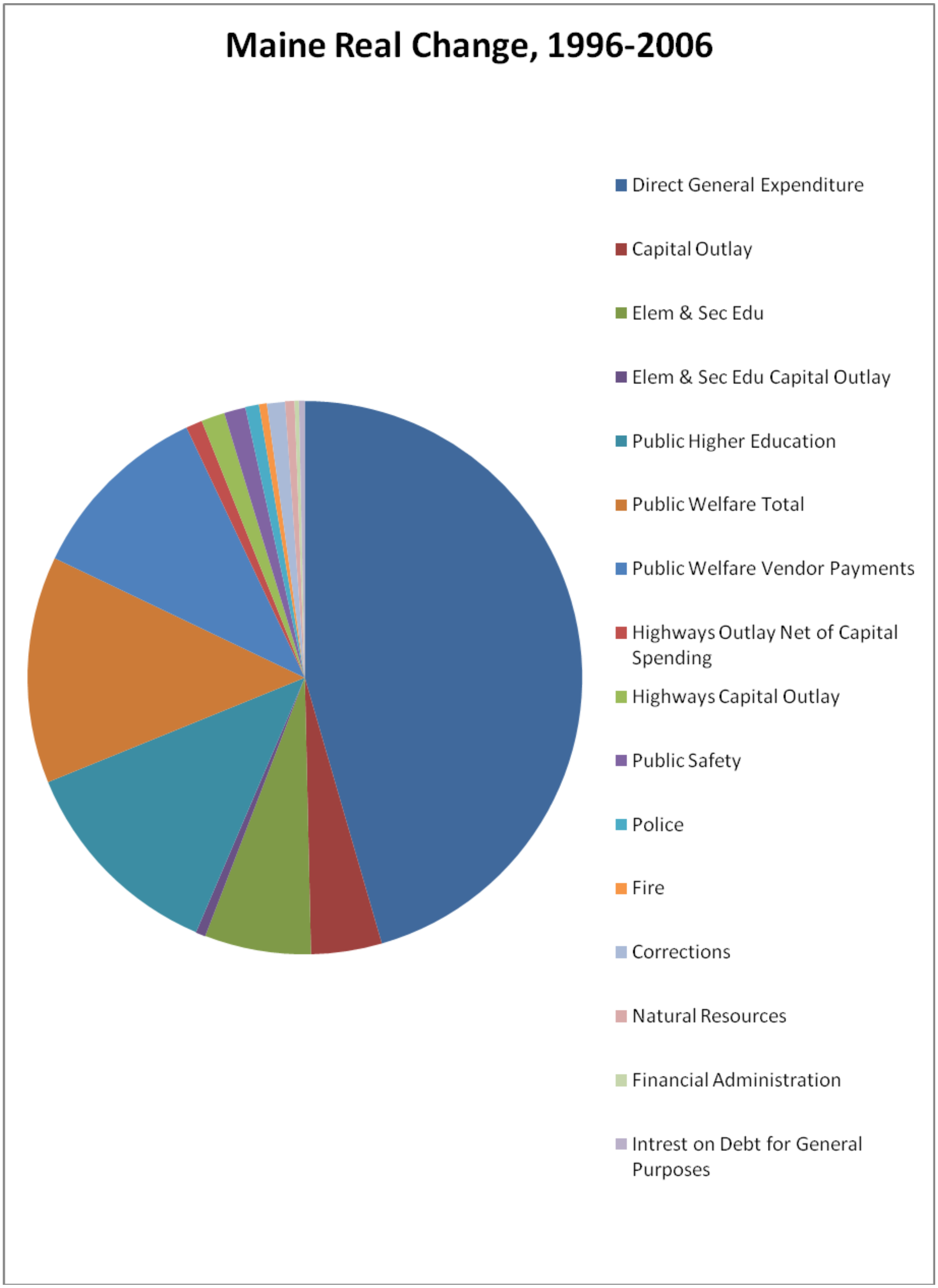
Graph 1- Per Capita Spending in Major Components- 1996



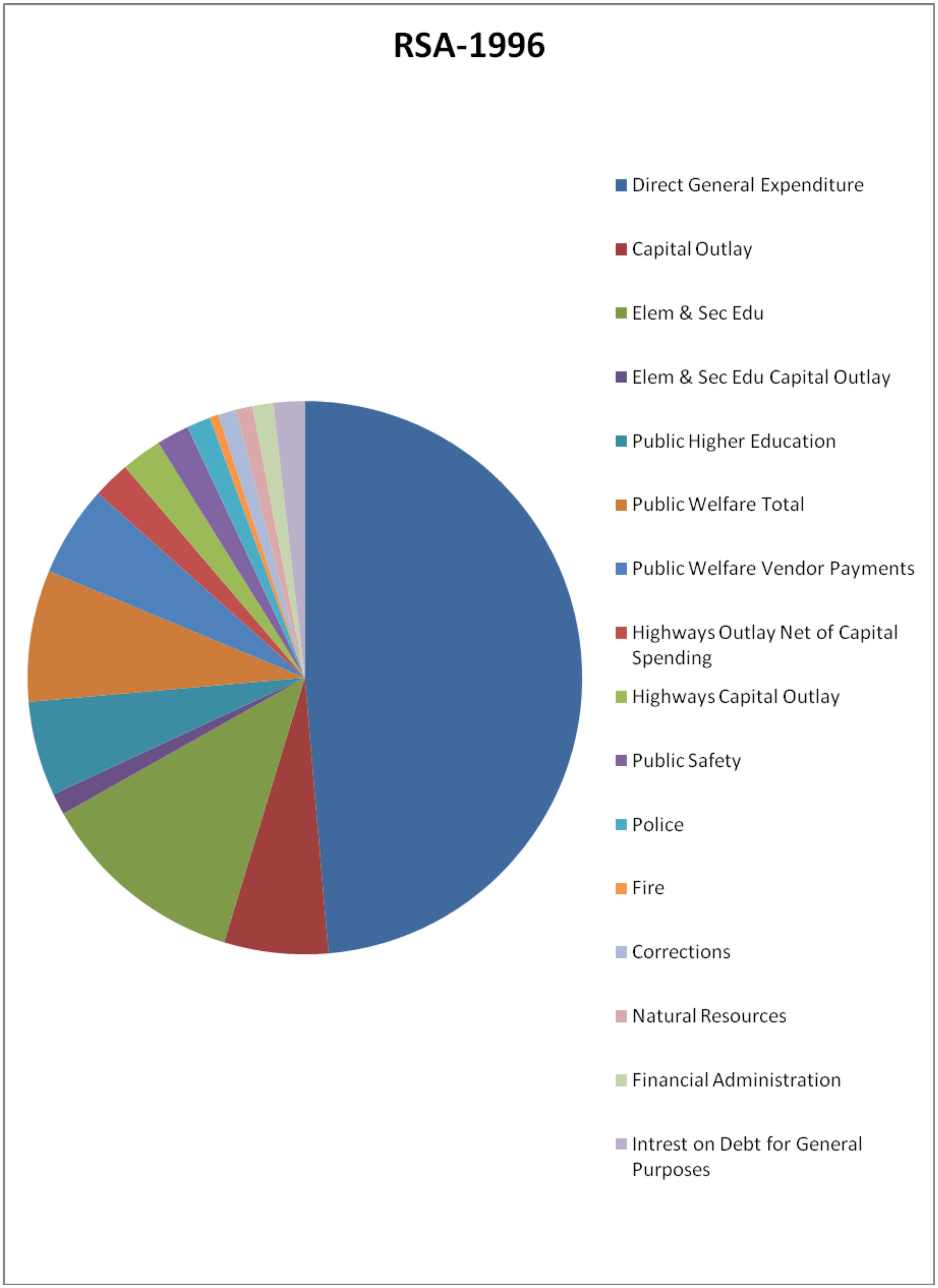
Graph 2- Per Capita Spending in Major Components- 2006


Maine - 2006
Direct General Expenditure
Capital Outlay
Elem & Sec Edu
Elem & Sec Edu Capital Outlay
Public Higher Education
Public Welfare Total
Public Welfare Vendor Payments
Highways Outlay Net of Capital Spending
Highways Capital Outlay
Public Safety
Police
Fire
Corrections
Natural Resources
Financial Administration
Intrest on Debt for General Purposes

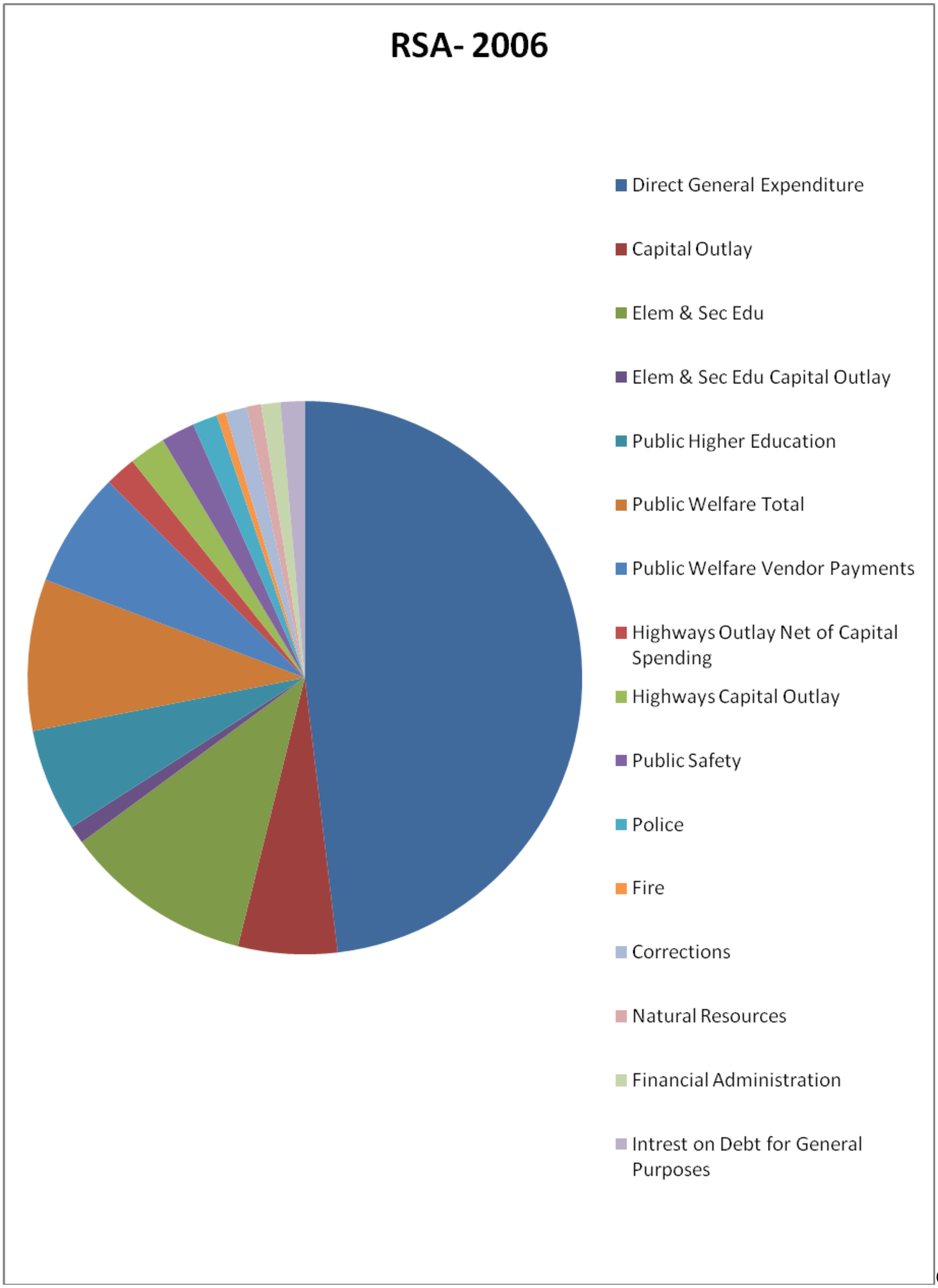
Graph 3- Per Capita Spending in Major Components, Real Change 1996-2006



Graph 4- Per Capita Reference Set Average Spending in Major Components- 1996



Graph 5- Reference Set Average Per Capita Spending in Major Components- 2006



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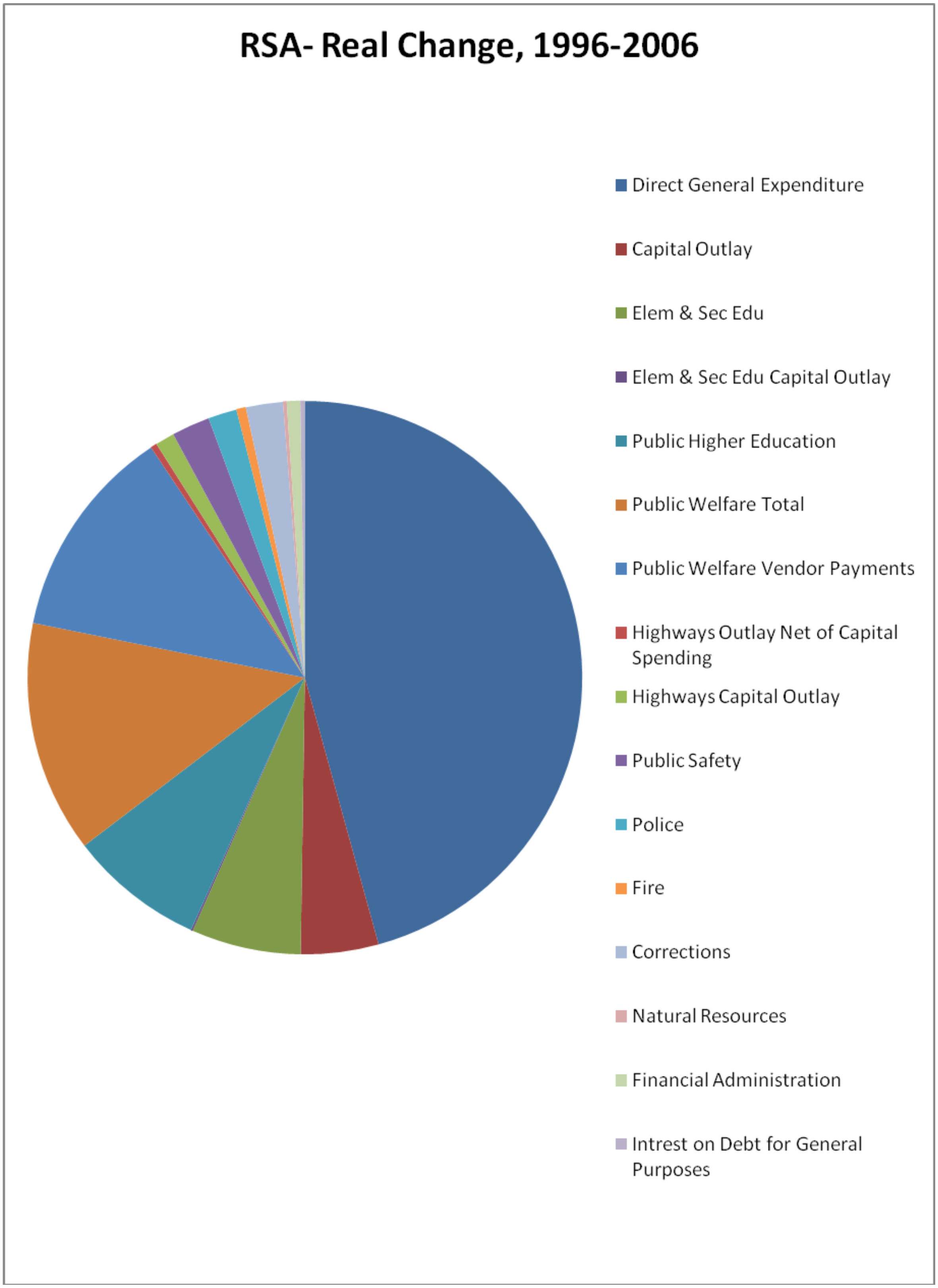
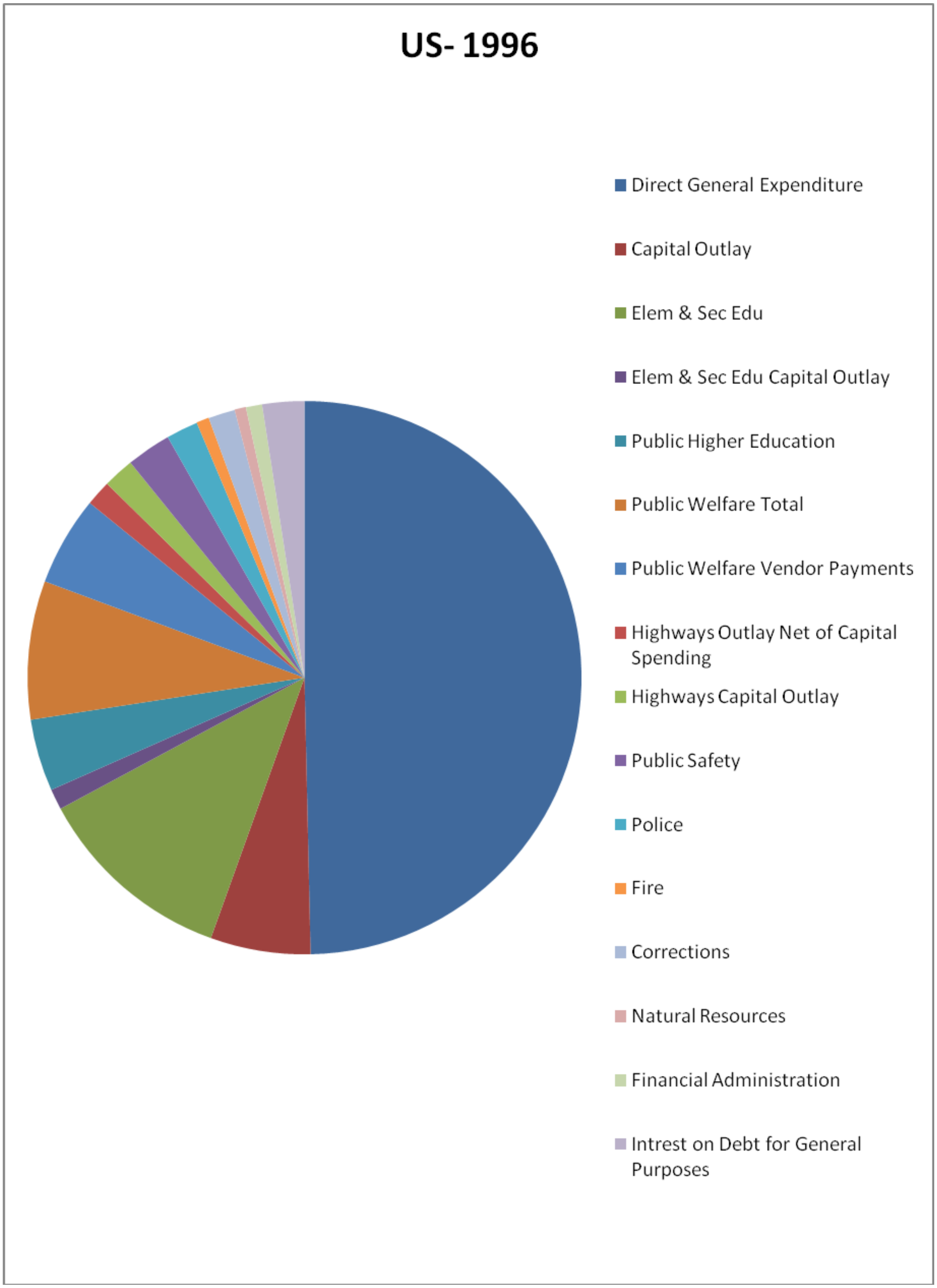
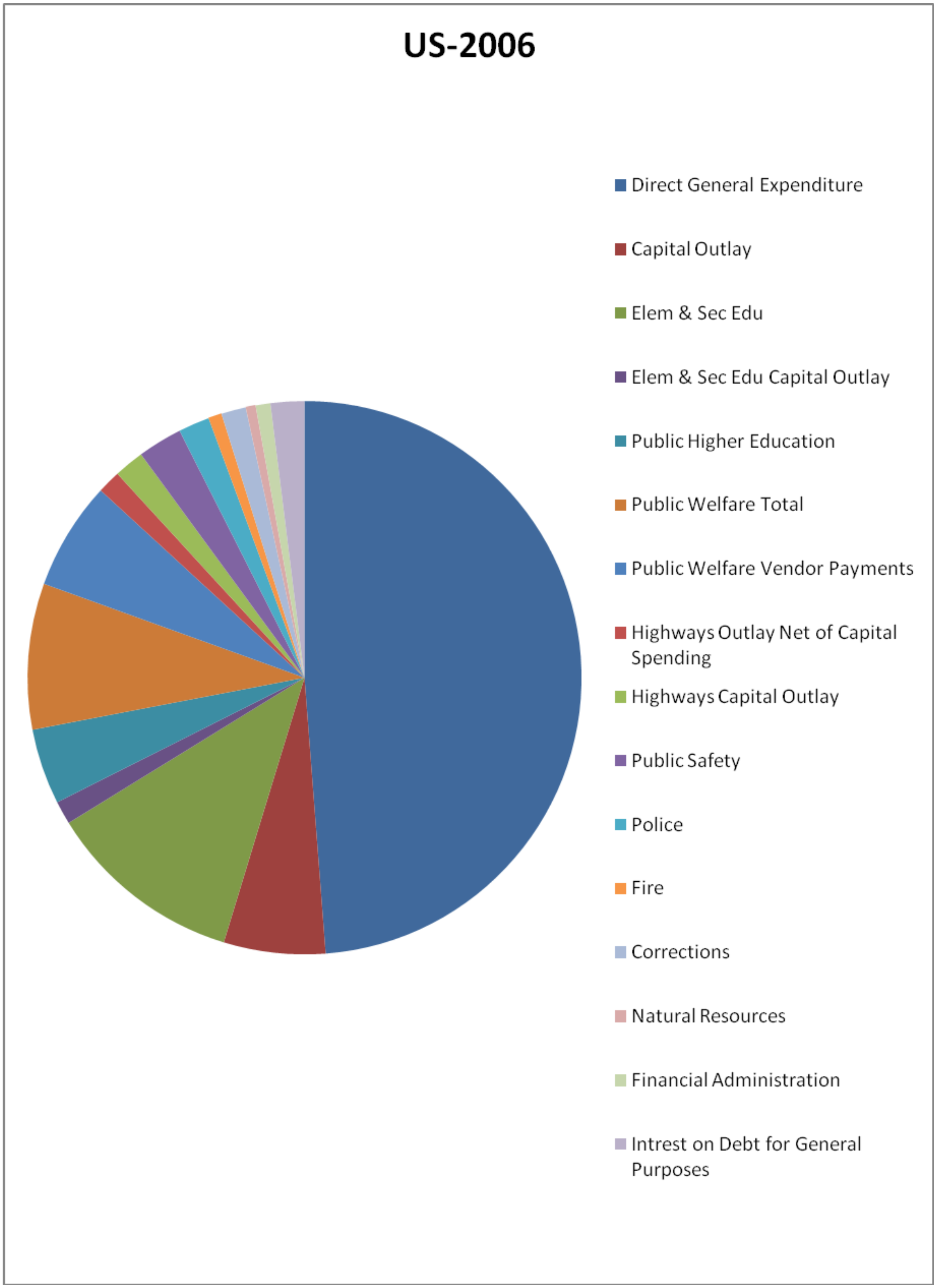
h 6- Reference Set Average Per Capita Spending in Major Components- Real Change 1996-2006



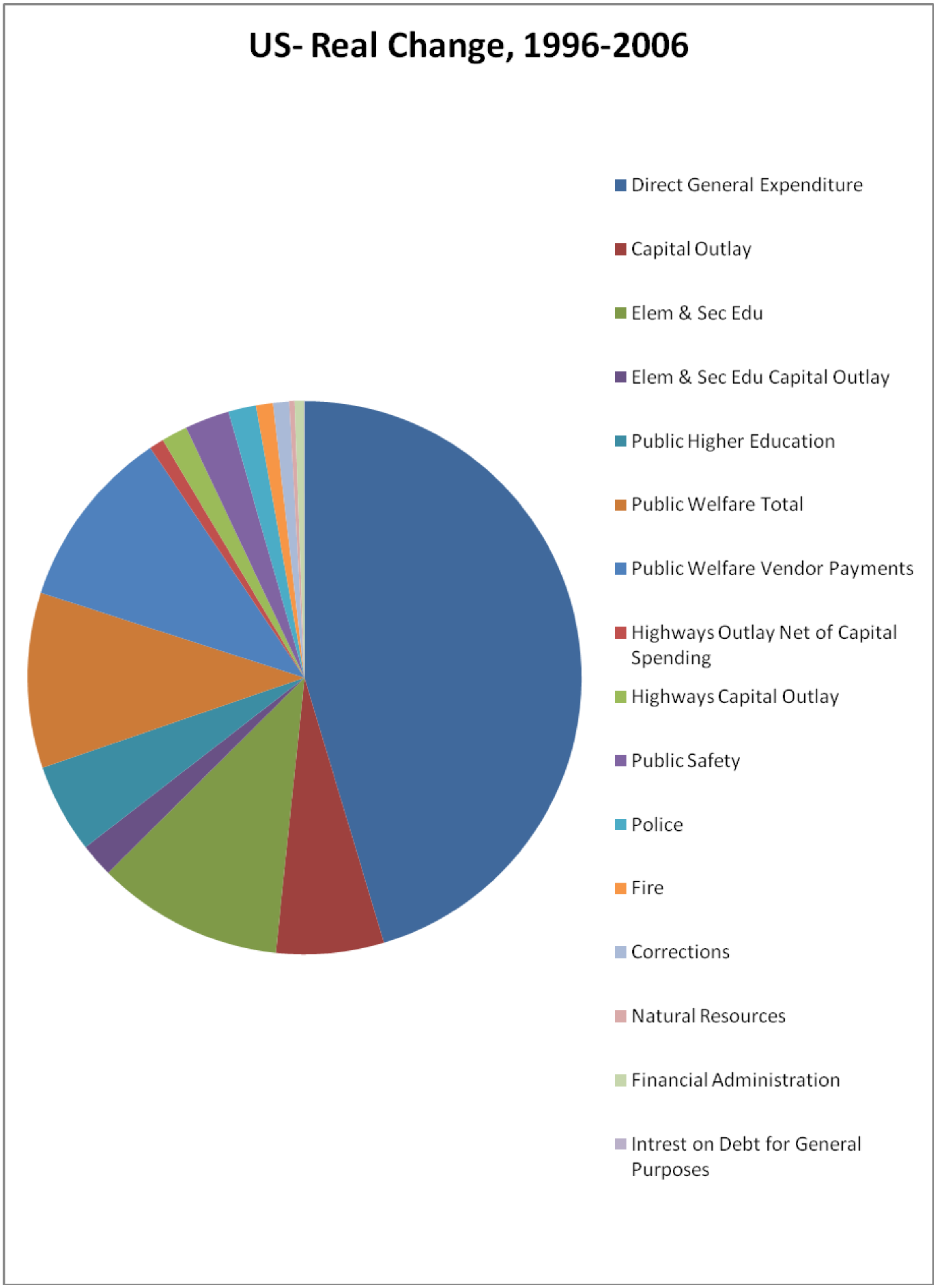
Graph 7- United States Per Capita Spending in Major Components- 1996



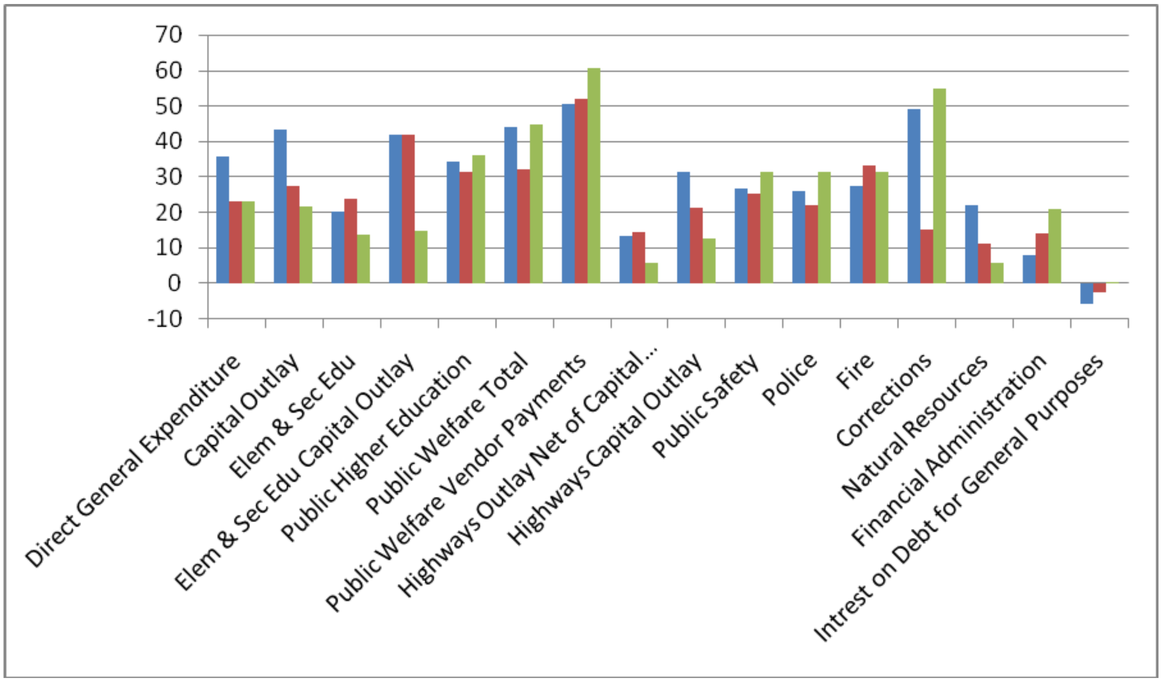
Graph 8- United States Per Capita Spending in Major Components-2006



Graph 9- United States Per Capita Spending in Major Components- Real Change 1996-2006

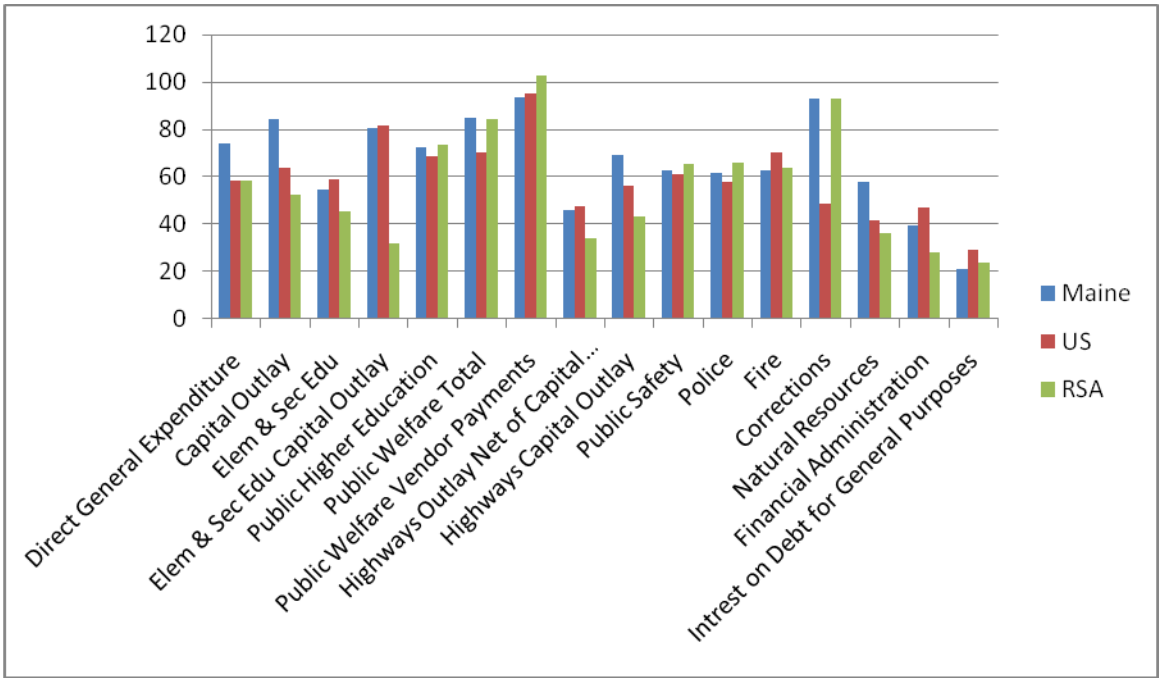


Graph 10- Percent Real Change 1996-2006 Per Capita Spending in Major Components

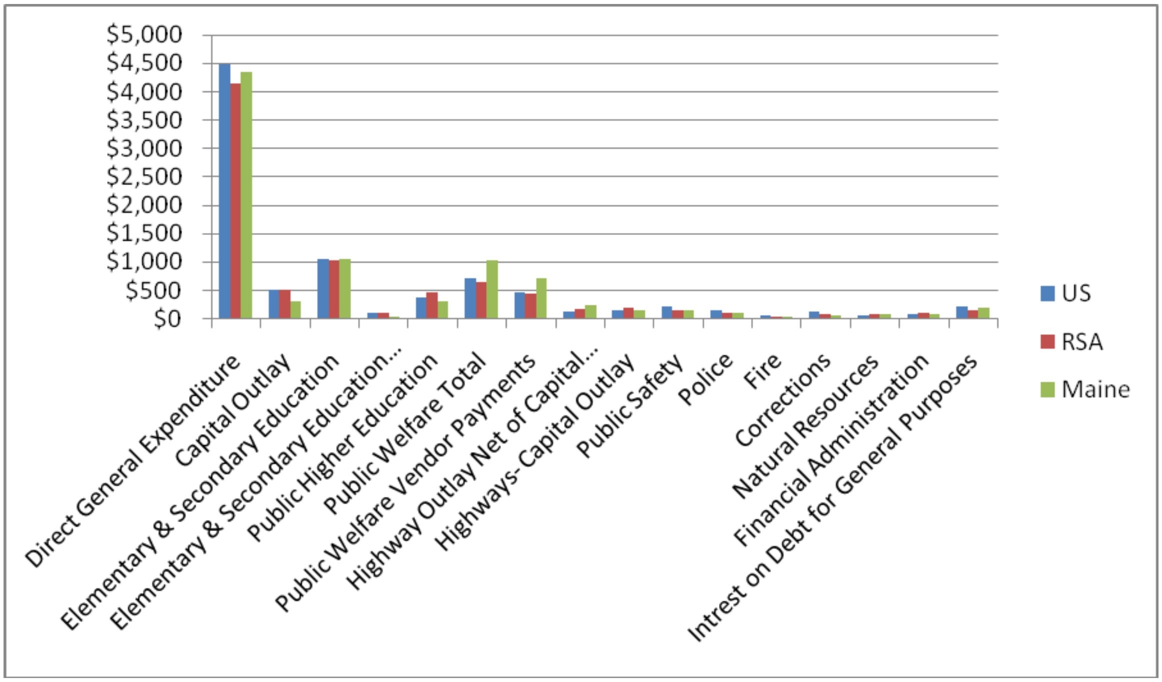


Graph 11- Percent Change (Non-Real Dollars) 1996-2006 Per Capita Spending in Major

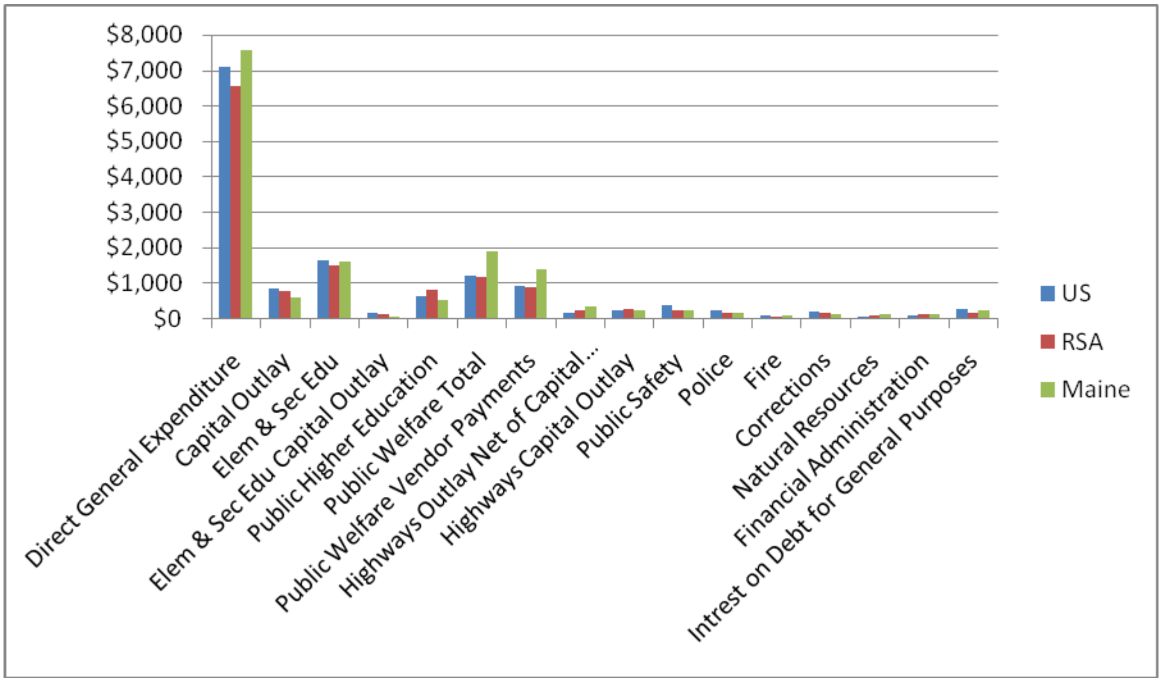
Components


120
100
80
60
40
20
0
Direct General Expenditure
Capital Outlay
Elem & Sec Edu
Elem & Sec Edu Capital Outlay
Public Higher Education
Public Welfare Total
Public Welfare Vendor Payments
Highways Outlay Net of Capital ...
Highways Capital Outlay
Public Safety
Police
Fire
Corrections
Natural Resources
Financial Administration
Intrest on Debt for General Purposes
Maine
US
RSA

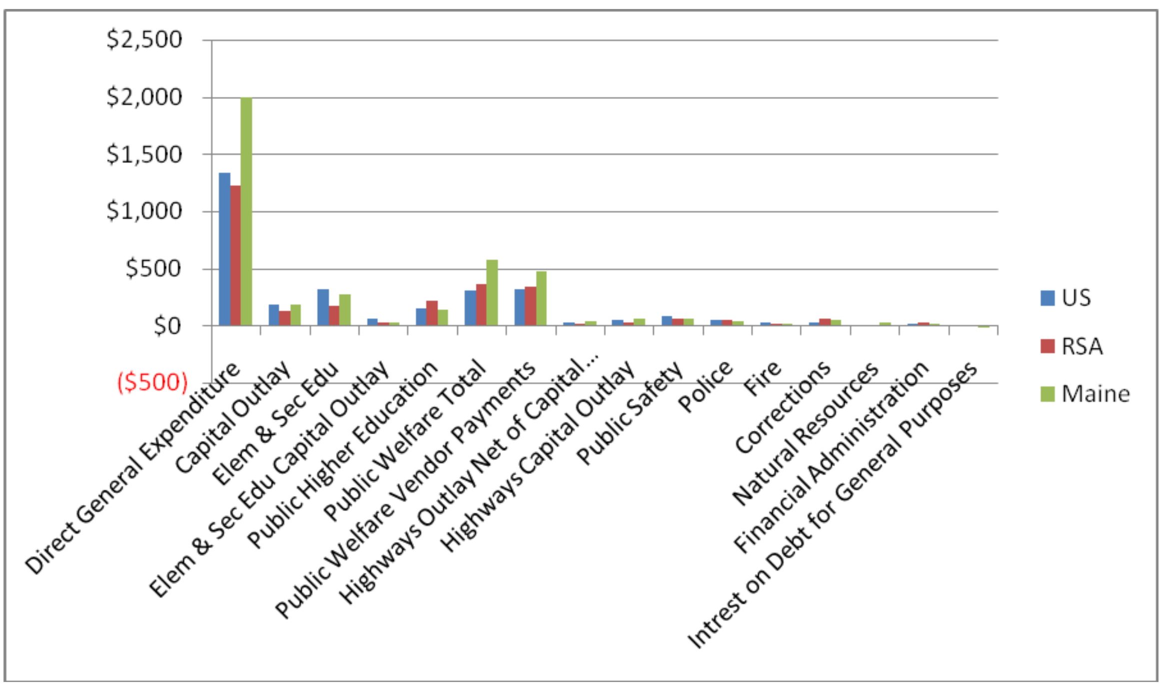
Graph 12- Per Capita Spending in Major Components 1996



Graph 13- 2006 Per Capita Spending in Major Components 2006



Graph 14- Per Capita Spending in Major Components Real Change 1996-2006



Notes from Introduction

James Fallows, The Atlantic, former Carter Administration official

"When I was a schoolboy in California in the 1950s and '60s, the freeways were new and big and smooth—like the new roads being built all across China. Today's California freeways are cracked and crowded and old. A Chinese student I knew in Shanghai who has recently entered graduate school at UC Berkeley sent me a note saying that the famous San Francisco Bay Area seemed "beautiful, but run down." I remember a similar reaction on arriving at graduate school in England in the 1970s and seeing the sad physical remnants—dimly lit museums, once-stately homes, public buildings overdue for repair—from at time when the society had bigger dreams and more resources than it could muster in the here and now. A Chinese friend who flew for the first time from Beijing to New York phoned soon after landing to complain about the potholed, traffic-jammed taxi ride from JFK to Manhattan. "When I was growing up, these bridges and roads and dams were a source of real national pride and achievement, " Stephen Flynn, the president of the Center for National Policy in Washington who was born in 1960, told me. "My daughter was 6 when the World Trade Center towers went down, 8 when lights went off on the East Coast, 10 when a major U.S. city drowned—I saw things built, and she's seen them fall apart.." America is supposed to be the permanent country of the New, but a lot of it just looks old."[i]

"After almost a century, the United States no long has the money," the economists J. Bradford DeLong and Stephen Cohen, both of Berkeley, write in their new book, The End of Influence. 'It is gone, and it is not likely to return in the foreseeable future…The American standard of living will decline relative to the rest of the industrialized and industrializing world…The United States will lose power and influence." [ii]

"So the question is: Are the fears of this moment our era's version of the "missile gap"? Are they anything more than a combination of the two staple ingredients of doom-and-darkness statements through the whole course of our history? One of those ingredients is exaggerated complaint by which group is out of political power—those who thought America should be spelled with a “k” under Nixon or Reagan, those who attended “tea bag” rallies against the Obama administration now. The other is what historians call the bracing ‘jeremiad’ tradition of harsh warnings that reveal a faith that America can be better than it its.”[iii]

“Every system strives toward durability, but as with human aging, longevity has a cost. The late economist Mancur Olson laid out the consequences of institutional aging in his 1982 book The Rise and Decline of Nations. Year by year, he said, special-interest groups inevitably take bite after tiny bite out of the total national wealth. They do through tax breaks, special appropriations, what we now call legislative ‘earmarks,’ and other favors that are all easier to initiate than to cut off. No single nibble is that dramatic or burdensome, but over the decades they threaten to convert any stable democracy into a big, inefficient, favor-ridden state. In 1994, Jonathan Rauch updated Olson’s analysis and called this enfeebling pattern ‘demosclerosis,” in a book of that name. He defined the problem as “government’s progressive loss of the ability to adapt,” a process “like hardening of the arteries, which builds up stealthily over many years.”[iv]

“Engineers don’t usually put things dramatically, but the alarm about infrastructure is real,” Stephen Flynn, of the Center for National Policy, told me. “Our forebears invested billions in these systems when they were relatively much poorer than we are. We won’t even pay to maintain them for our own use, let alone have anything to pass to our grandchildren.”[v]

“The conjunction of private and public abundance typified America throughout its 20th-century rise. We had big factories and the broad sidewalks, the stately mansions and the public parks. The private economy was stronger because of the public bulwarks provided by Social Security and Medicare. California is giving the first taste of how the public-private divorce will look—and its historian, Kevin Starr, says the private economy will soon suffer if the government is not repaired. “Through the country’s history, government has had to function correctly for the private sector to flourish,’ he said. ‘John Quincy Adams built the lighthouses and the highways. That’s not ‘socialist’ but ‘Whiggish.’ Now we need ports and highways and an educated populace.” In a nearly $1 trillion stimulus package, it should have been possible to build all those things, in a contemporary environmentally aware counterpart tot the interstate-highway plan. But it didn’t happen; we’ve spent the money, incurred the debt and done very little to repair what most needs fixing."[vi]

Thomas Friedman, *New York Times* Columnist

"But now it feels as if we are entering a new era, 'where the great task of government and of leadership is going to be about taking things away from people,' said the Johns Hopkins University foreign policy expert Michael Mandelbaum."[vii]

"Our parents were the Greatest Generation. We, alas, in too many ways, have been what the writer Kurt Andersen called 'The Grasshopper Generation.' Eating through the prosperity that was bequeathed us like hungry locusts. Now we and our kids together need to be "The Regeneration"—the generation that renews, refreshes, re-energizes and rebuilds America for the 21st century."[viii]

"To be sure taking over the presidency at the dawn of the lean years is no easy task. The president needs to persuade the country to invest in the future and pay for the past profligacy – all at the same time. We have to pay for more new schools and infrastructure than ever, while accepting more entitlement cuts than ever, when public trust in government is lower than ever."[ix]

"It comes back to us: We have to demand the truth from our politicians and be ready to accept it ourselves. We simply do not have another presidency to waste. There are no more fat years to eat through. If Obama fails, we all fail." [x]

Niall Ferguson, Historian

"The current economic challenges facing the Untied States are also often represented as long-term threats. It is the slow march of demographics—which is driving up the ratio of retirees to workers—and not current policy that condemns the public finances of the United States to sink deeper into the red. According to the Congressional Budget Office's 'alternative fiscal scenario,' which takes into account likely changes in government policy, public debt could rise from 44 percent before the financial crisis to a staggering 716 percent by 2080. In its 'extended-baseline scenario," which assumes current policies will remain the same, the figure is closer to 280 percent. It hardly seems to matter which number is correct. Is there a single member of Congress who is willing to cut entitlements or increase taxes in order to avert a crisis that will culminate only when today's babies are retirees?"[xi]

“First, debating the stages of decline may be a waste of time—it is a precipitous and unexpected fall that should most concern policy makers and citizens. Second, most imperial falls are associated with fiscal crises. All the above cases were marked by sharp imbalances between revenues and expenditures, as well as difficulties with financing public debt. Alarm bells should therefore be ringing very loudly, indeed, as the United States contemplates a deficit for 2009 of more than $1.4 trillion—about 11.2 percent of GDP the biggest deficit in 60 years—and another for 2010 that will not be much smaller. Public debt meanwhile, is set to more than double in the coming decade, from $5.8 trillion in 2008 to $14.3 trillion in 2019. Within the same time frame, interest payments on that debt are forecast to leap from eight percent of federal revenues to 17 percent.”[xii]

“Whether the canopy of a rain forest or the trading floor of Wall street, complex systems share certain characteristics. A small input to such a system can produce huge, often unanticipated changes—what scientists call “the amplifier effect.” A vaccine, for example, stimulates the immune system to become resistant to, say, measles or mumps. But administer too large a dose, and the patient dies. Meanwhile causal relationships are often nonlinear, which means that traditional methods of generalizing through observation (such as trend analysis and sampling) are or little use…When things go wrong in a complex system, the scale of disruption is nearly impossible to anticipate. There is no such thing as a typical forest fire, for example… Will there be a small fire or a huge one? It is very hard to say: a forest fire twice as large as last year’s is roughly four or eight times less likely to happen this year. This kind of pattern known as ‘power-law distribution”—is remarkably common in the natural world.”[xiii]

“…past alarm bells about the deficit seem overblown, and 2080—when the U.S. debt may reach staggering proportions—seems a long way off, leaving plenty of time to plug the fiscal hole. But one day, a seemingly random piece of bad news—perhaps a negative report by a rating agency –will make the headlines during an otherwise quiet news cycle. Suddenly, it will be not just a few policy wonks who worry about the sustainability of U.S. fiscal policy but also the public at large, not to mention investors abroad. It is this shift that is crucial: a complex adaptive system is in big trouble when its component parts lose faith in its viability.”[xiv]

Endnotes

[i] James Fallows. 2010. “How America Can Rise Again.” The Atlantic. January/ February. Page 40.

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