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Choppy Waters Ahead for Maine's Ship of State

By J Dwight , Populist Economics

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Maine's Ship of State has an unsound hull and a weakened engine, being steered by captain and crew on a course of charity, promises and hopes, rather than strong engineering and sound navigation.

The truth is Maine cannot pay all of its own bills.

The formerly proud and self-sufficient people of Maine have been reduced to being dependent on a spendthrift uncle, named Sam, to keep their boat afloat.

The difficult fiscal waters of 2008 and 2009 were navigated by using State cash reserves (from a lucky year) and money from Federal Government Stimulus Funds (spendthrift Uncle Sam).

Over the next several years Maine's legislature, and Maine's people are faced with difficult fiscal and financial facts.

In the immediate waters of 2010, two fiscal subs--revenue shortfalls and no cash reserves--lurk.

Two financial icebergs on the horizon--large pension fund liability payments in 2010, and the end of Federal Stimulus money in 2012--loom.

The Center for Budget and Policy Priorities, a liberal Washington, D.C. think-tank, noted in a November 19, 2009 report, Maine's shortfalls were estimated at $1 billion in 2010.

The mid-year 2010 gap is estimated at $384 million, as Governor Baldacci announced in his December 5th radio address.

Maine does not have the reserves or revenues to cover the expected $384 million deficit.

I hate to point out the comparison to our neighbor New Hampshire, but that state does not have a mid-year shortfall, according to the Center for Budget and Policy Priorities study sited above.

Their economy, though more cyclical, seems healthier and better able to adapt to and sustain through the business cycle than Maine's, because of fewer regulations and taxes and dependency programs.

General Purpose Aid to Education and Mainecare, are ready to be dumped overboard, by Captain Baldacci and crew during the upcoming legislative session.

Mutiny could be caused by offloading the toxic cargo to school boards and hospitals, by making cuts to General Purpose Aid to Education, or cutting reimbursements to Mainecare providers.

Captain Baldacci could help the ship by cutting crew (staff) or their 'grog' (benefits), but this captain doesn't have the stomach for it.

And, of course, counter measures like increasing fees, and taxes, or tax rates could be used to deter or drive off the lurking subs, but a it would be worthless gesture, as such will come too late, and miss their target.

State tax revenues (the fuel that runs the ship) have not met expectations since 2005.

And, because of the recession, tax revenues have declined to such an extent they are not likely to return to the previous high set in 2008 for four to six years (that is, 2014 to 2016), according to the Revenue Forecasting Committee and the Office of Fiscal and Program Review.

Yet, Captain and crew have ignored warnings of the passengers and people leaving for better lead and managed ships of state.

Worse, the pension iceberg awaits ahead, behind the subs.

The mid-year gap announced by the Captain, does not include a pension liability payment due June 30th, 2010 estimated at $200 to $400 million. The exact amount will not be known until after the legislative session is over.

Passengers should beware of an 'emergency session' in May or June to pass new bonds and issue bond anticipation notes to cover the pension fund liability, in order steer past the near 2010 iceberg.

The Demo-crew and Captain Baldacci can only hope for a fast recovery in the economy and revenues to buoy their boat into port by November 2010.

Or perhaps, minor budget cuts, and money from Uncle Sam's recently passed Federal Omnibus Spending Bill may coast the Ship past the deadly subs and perhaps the first iceberg.

In either course, Captain Baldacci and the Demo-crew will claim they 'rescued the people of Maine' and made difficult decisions while keeping a bold and fiscally responsible face for the media and the public to see.

But, in truth, the ship will just make it to port for Captain Baldacci's shore leave, and a rumored 'greener' pasture in the environmental or wind power industry.

The next governor-captain will be left to overhaul the ship, if he can contain potential mutiny.

J. Dwight is a SEC registered investment adviser and an advisory board member of the Maine Heritage Policy Center. He lives in Wilton. E-mail jdwight@gwi.net.