

MAINE STATE LEGISLATURE

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Legislative Record

OF THE

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(First Special Session)

OF THE

STATE OF MAINE

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one. (H. P. 1895) (L. D. 2075) Leave to Withdraw.

Tabled — February 9, 1976 by Senator Speers of Kennebec.

Pending — Motion of Senator Conley of Cumberland to Accept the Leave to Withdraw Report.

(In the House — Report Rejected pursuant to Joint Rule 28)

The PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Speers.

Mr. SPEERS: Mr. President and Members of the Senate: I will make no motion with regard to this particular bill and note that the pending motion is the acceptance of the leave to withdraw report. I would like to note, however, that it has been the position of this body for some time in several sessions to further this item as an item of governmental reform and legislative reform, that this legislature has done a good deal with respect to legislative reform, and that the reduction of the size of the House of Representatives I consider to be the last remaining item for legislative reform to be considered in the future.

Mr. President, in making that statement I do not mean to imply that there are not other areas of improvement, because certainly there are, but this certainly has been the last major item to carry over from previous sessions.

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Merrill.

Mr. MERRILL: Mr. President, a parliamentary inquiry: has the Chair ruled on whether or not this violates Joint Rule 28?

The PRESIDENT: The Chair would reply in the negative, the Chair has not ruled.

Mr. MERRILL: I would request the Chair to make a ruling.

The PRESIDENT: The Chair would advise that in the opinion of the Chair this bill does violate the spirit of Rule 28.

Mr. MERRILL: The effect of that ruling then is that the matter is improperly before the body?

The PRESIDENT: The Chair would answer in the affirmative. Is it now the pleasure of the Senate to accept the leave to withdraw report of the committee?

The motion prevailed.

On motion by Mr. Speers of Kennebec, the Senate voted to take from the unassigned table the following:

Resolution, Proposing an Amendment to the Constitution to Assure Revenues for Bond Service and Prohibit State Bonding of Current Expenditures. (S. P. 698) (L. D. 2206)

Tabled — March 29, 1976 by Senator Speers of Kennebec.

Pending — Motion of Senator Corson of Somerset to Reconsider Final Passage.

(In the House — Finally Passed)

The PRESIDENT: The Chair recognizes the Senator from Aroostook, Senator Gahagan.

Mr. GAHAGAN: Mr. President, is a motion to indefinitely postpone in order at this time?

The PRESIDENT: The Chair would advise the Senator that the Senate must move to reconsider final passage before the motion to indefinitely postpone will be in order. The pending motion before the Senate at this time is the motion of the Senator from Somerset, Senator Corson, that the Senate reconsider final passage of this legislation.

The Chair recognizes the Senator from Kennebec, Senator Katz.

Mr. KATZ: Mr. President and Members of the Senate: I have in my possession a letter from the Attorney General which raises great questions about the extraordinary financial effects that this measure would have in its present form. It was my understanding that upon reconsideration there would be an attempt to put it in a more acceptable posture, so I would urge the Senate to go along with reconsideration.

The PRESIDENT: The Chair recognizes the Senator from Somerset, Senator Corson.

Mr. CORSON: Mr. President and Members of the Senate: As the sponsor of this amendment, I would heartily concur with the remarks of the good Senator from Kennebec, Senator Katz. To put this resolution in an acceptable form which would not wreak havoc upon our budget for the second year of this biennium, we are going to have to amend it. To do so, we are going to have to reconsider, so I would urge you to support the pending motion which is to reconsider final passage.

The PRESIDENT: A division has been requested. Will all those Senators in favor of reconsideration please rise in their places until counted. Those opposed will please rise in their places until counted.

A division was had, 29 having voted in the affirmative, and none having voted in the negative, the motion prevailed.

Mr. Gahagan of Aroostook then moved that the Bill and all accompanying papers be Indefinitely Postponed.

The PRESIDENT: The Senator has the floor.

Mr. GAHAGAN: Mr. President and Members of the Senate: I wonder how much each one of us thinks about high finance; that is, do we ask ourselves what is causing this incredible economic instability. We know intellectually that the instability comes from massive debt, but even if we know it in our innermost hearts, few men will say it is so. Now, I say it is so.

Guaranteeing first revenue, from whatever source derived, to the bondholder in the constitution, as this bill provides, does three things: First, it acknowledges the truth of our present and worsening financial instability. Second, it commits Maine revenues to the payment of debt at the deprivation of the very operating budget which today has so little buying power in relation to need. Third, it publicly declares the retreat of the Maine Legislature in the face of irresistible economic pressure stemming from out national public and private insolvency: evidence the cities.

We must recall that the only serious alternative is to be wise enough not to retreat. One backward step in an economy as unstable as ours commits us irrevocably to the next. We are so hard pressed that we are contemplating double bonding just to continue to roll over that state debt. We must take a stand today for ourselves and for all other Maine people and defeat this bill.

It is really a matter of taking the responsibility into our own hands. This will do the most to rebuild the public confidence, which is far more precious than our bond rating. Through great sacrifice we may restore our state bond rating, but without this stand we may never regain the confidence of the people of Maine.

The PRESIDENT: The Chair recognizes the Senator from Somerset, Senator Corson.

Mr. CORSON: Mr. President and Members of the Senate: I rise to oppose the motion to indefinitely postpone this resolution. I have listened to the remarks of the good Senator from Aroostook, Senator Gahagan, and quite frankly I don't understand what he is talking about. He says that he is opposed to double bonding, and I can assure you, gentlemen, I too am opposed to double bonding, and it was not I as a member of the Appropriations Committee who signed a report which advocated double bonding.

What this amendment would do, if you are as concerned as I am about the fact that the State of Maine may be getting in a little too far with bonding, what this amendment would do is state that we will not be bonding for current expenditures. In other words, we will not borrow money over a long term to meet current obligations.

The other thing this amendment will do is put

a little bit of extra guarantee behind all bonds. This is not an unusual step, and many states have done so. We are simply saying that if in the highly unlikely event the legislature fails to appropriate the funds necessary for debt service that the treasurer of the state will be directed to utilize revenue coming into the state to meet these bonded obligations. It is guaranteeing our bonds. It is saying that we, the State of Maine, will stand behind that money which we have borrowed. This should, if nothing else will, raise our bond rating from this AA rating we currently enjoy to an AAA rating. This should amount to a savings to the people of Maine of approximately \$325,000 per annum on those bonds that we do issue.

Now, I am not advocating bonding. I feel that bonding should be cut back. I certainly do not advocate bonding for current expenditures, and this is what this amendment would prohibit. So if you are concerned about fiscal responsibility, please vote against the motion to indefinitely postpone.

The PRESIDENT: The Chair recognizes the Senator from Aroostook, Senator Gahagan.

Mr. GAHAGAN: Mr. President and Members of the Senate: Right now, as I understand it, part of what the intent of this bill is to do is to provide that the bondholders are going to be paid by constitutional action; first come first served on all revenues coming into the state, should there be a problem paying off our bonds. Presently bondholders are paid back first by statute, and there is uneasiness in the bond houses as to whether or not a legislature in the future which ran into trouble would come in and change that provision whereby the bondholders would come up first. So by putting it into the constitution, we are guaranteeing in a much stronger way that bondholders will be paid before operating expenses of the state government. I don't think this is the way we should be going.

I don't offer any alternatives at the present time. I only feel as if it is wrong at the present time to put this provision into the constitution, because I am very uncomfortable about saying to the people of the State of Maine that if the bonds are likely to fail we are going to take money that we would be putting into ongoing state programs, with their great needs, and give it to the bondholders instead.

The PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Katz.

Mr. KATZ: Mr. President and Members of the Senate: The Senate might recall that it was I who expressed some uneasy feelings about this, and I took the advantage of some of the high paid legal talent that one finds in the corridors, particularly when the legislature is in session. I did not clearly understand what happens if the state gets into financial trouble and bonds apparently are going to go into default. I was concerned it was going to be a completely automatic process and that AFDC money would be skimmed off the top to pay for the bondholders and put them in an extraordinary position. I received assurance that this would not be the case, that if it looked like defaults were going to be occurring that there would be negotiation as to the time and delay of payment, and that the essential services of the state would not be in jeopardy.

I look upon this amendment in its form, or at least in the form it will be in as soon as the Senator from Somerset, Senator Corson, offers his amendment, as a conservative tool to make bonding an even more serious procedure, that the legislature will be considerably more reluctant to put out bonds, based upon their knowledge that this alternative is in the background.

I must confess that I have a feeling of — chagrin is not a good word, but perhaps a sense of shame that the legislature of the State of Maine has over the past two or three sessions

fallen into some absolutely disgraceful procedures with respect to bonding. I recall that I sponsored a constitutional amendment successfully which pledged the credit of the state behind student loans. The reason I did that was because I felt that at some future date if defaults occurred that we would out of current funds make good on the defaults. I was not aware of the fact until after the fact that we use bonding to pick up the cost of defaults, and such was never the intent of the legislature when the original constitutional amendment was passed. The amendment was passed only to avoid issuing bonds to use as seed money for student loans.

I feel very comfortable with this amendment as it presently is in place, and I think it might protect the legislature against intemperate acts in the future.

The PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Thomas.

Mr. THOMAS: Mr. President and Members of the Senate: I too am not in favor of the motion by the Senator from Aroostook, Senator Gahagan. I too talked to the state treasurer this afternoon, and he is very supportive of this particular measure as it will be amended. He stated that the underwriters, particularly the new underwriters in the New York market, always ask him where is this section in your constitution. And he has to reply that it isn't in the constitution of the State of Maine. He also stated that he could see the eyebrows going up over the telephone lines of the people in New York. He also stated that most of the states in the United States have this constitutional amendment now.

As I understand the amendment that is to be presented by the Senator from Somerset, Senator Corson, the date will be July 1, 1977, and by that time all presently scheduled bond issues will have been sold here in the State of Maine. The last scheduled bond issues are for next spring. The state treasurer also stated that this constitutional amendment will definitely help to restore the AAA rating here in the State of Maine.

The PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Speers.

Mr. SPEERS: Mr. President and Members of the Senate: I certainly concur with the two gentlemen who spoke previously, the two Senators from my county, Senator Katz and Senator Thomas. I would like to point out that this is indeed a tool for fiscal responsibility. I can agree with the Senator from Aroostook, Senator Gahagan, when he mentions that there is a very grave need to bring about fiscal responsibility and fiscal stability, and that is precisely what this tool is designed to do. We are stating unequivocally that the State of Maine will not use bonding procedures to fund current expenditures, that whatever is going to be spent is going to be raised through present tax resources. Now, that is a pretty fiscally responsible position to be in Mr. President. I dare say that if the City of Megalopolis to the south of us were in a similar position, or it had adopted a similar procedure much earlier, that they perhaps would not be facing the problem that they now face.

So the good Senator from Aroostook, Senator Gahagan, has expressed a desire for the state to endorse fiscal stability and fiscal responsibility and I am quite surprised. I am absolutely amazed, that making that statement in the same breath he comes out and makes the motion to indefinitely postpone this bill. I would oppose that motion and hope the Senate would go along in opposition to it.

The PRESIDENT: Is the Senate ready for the question? The pending question before the Senate is the motion by the Senator from Aroostook, Senator Gahagan, that the Senate indefinitely postpone L. D. 2206. The Chair will order a division. Will all those Senators in favor of the motion to indefinitely postpone please

rise in their places until counted. Those opposed will please rise in their places until counted.

A division was had. One having voted in the affirmative, and 28 having voted in the negative, the motion did not prevail.

Thereupon, on motion by Mr. Corson of Somerset, and under suspension of the rules, the Senate voted to reconsider its action whereby the resolution was Passed to be Engrossed.

The same Senator then presented Senate Amendment "B" and moved its Adoption.

Senate Amendment "B", Filing No. S-508, was Read and Adopted and the Bill, as Amended, Passed to be Engrossed in non-concurrence.

Sent down for concurrence.

On motion by Mrs. Cummings of Penobscot, Adjourned until 10 o'clock tomorrow morning.