

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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postponed. Will all those Senators in favor of reconsideration of the vote on this item will please say "Yes"; those opposed will say "No".

A viva voce vote being taken, the motion did not prevail.

Emergency

An Act to Revise the Laws Relating to Funding of Public Schools. (H. P. 2020) (L. D. 2196)

Mr. Clifford of Androscoggin requested that the vote be taken by a roll call.

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

Mr. GAHAGAN: Mr. President and Members of the Senate: Leadership in a time of economic trouble can take many forms, but the best leadership we can provide must go to the root of the problem. Before I vote against final enactment of this Educational Funding Bill, I want to offer you my suggestion for how we might accomplish this. There is an approach to this problem which we are not considering, and I am placing this approach before you today.

I stated on Monday that the people of Maine have given to us, both the power and authority to control spending and taxation. It is our first duty to do this, because this is the foundation of our state and federal constitution. Even if times are hard and money is losing its value, we still must control spending and taxation.

How can this be done? In a few minutes I will offer a Joint Order which I believe will start us in the right direction. First, though, let me share with you my reasoning in doing this. Functionally, what is our approach to government today; and what has gone wrong with this approach? A little recent economic history will be very helpful as we try to answer this question.

We are now in a cyclical "boom and bust" economic situation which has its roots in massive promises to pay, at the federal, state, and local level. The current level of this debt, public and private, at these three levels, is three billion. A promise to pay is just that, a financial commitment. It can only be avoided by bankruptcy, or at the highest level of government by a devaluation of the currency. This massive debt is forcing money to move in our economic system at an ever-accelerating rate as the insatiable demand for dollars to finance and refinance grows and grows. The smallest and weakest perish under these conditions. In economic terms, there are now only the quick and the dead. The biggest financial entities survive, principally because they have assets and the clout to borrow, and because they wisely are tapped into scarce natural resources, literally so in the case of oil. This leaves most, if not all, of the rest of us totally dependent upon what we can get for the visible manifestation of this promise to pay: the U.S. paper dollar.

Last night, as I prepared for today's session, I took a one dollar bill out of my pocket and looked at it for what was in one sense the first time. It had "Federal Reserve Note" at the top, as they all do today, and over the serial number and to the left of George Washington's picture was a little seal which said "Federal Reserve Bank of Philadelphia, Pennsylvania." This, as we are all aware, is not a government note; it is a bank note, a bank's promise to pay.

We have put ourselves in such a position that the Department of the Treasury of the

United States of America prints paper money on the say-so of the private banks which are loaning us money and transacting our U.S. treasury bills. We gave this power to these banks in 1913, and to this day most people think the federal reserve note is a government currency rather than a currency the government prints on a private bank's promise to pay. We all tend to think, that as long as this method works, it is all right to use it.

This view does us a real disservice. If we look again at that dollar, above the bank seal we can read the following fine print "This Note Is Legal Tender For All Debts, Public and Private." This makes our situation in life and state government much clearer. If we are going to use this paper instrument, we can only use it for the payment of debts. In many ways, Jack got a better deal for his cow because he got some beans. Our situation is that we might get some beans; but we are going to have to dicker our abundant paper for an exasperatingly finite quantity of beans.

If the State of Maine was like the fortunate few who have oil wells or abundant grain to bargain, we would be in much better shape; but, alas we are not. Here in Maine most of us put our pants on one leg at a time, and most of us use paper dollars in one form or another.

We all know the value of money is failing. It was a poignant moment Monday when Senator Katz cited a 4.5% increase in educational spending, last year to this. Let's look at this as I did on Monday; as \$173.3 million worth of goods and services, or beans, is \$89.3 million in goods and services lost since 1973. Maine people have said "The hurrier I go, the behinder I get" for generations. The words were never truer than they are today. I am as sorry to say them as you are to hear them, but they are true words. Let's be as clear about what we are really doing as we possibly can; We are taxing ourselves harder and harder to stay right in the same place or slide agonizingly backward. It is the hard reality of "all debts, public and private" which is forcing us to do this.

In our recent history, perhaps from 1960 until the beginning of 1975, as a state and country, we have borrowed and spent vast sums of money trying to do every good thing. Few had the wisdom then to see that the monetary system could not possibly sustain this amount of borrowing; But it can be seen today, and readily. It is a testament to the benevolence and good will of the American people that they paid their taxes for what they conceived as worthy ends, but lest we get too misty-eyed about this, the financial consequences of this of this borrowing were not widespread knowledge during that period. I have developed this topic rather fully, but I believe this will make it possible for us to discuss this educational funding compromise in its proper context.

It is a mistake to say that this compromise gives control of educational spending back to the legislature. State spending is out of control because we are in the regrettable position of increasing taxes just to purchase existing levels of goods and services for state government and this is not controlled in any way by this compromise.

We have done our best in the 107th Legislature to eliminate waste, but I now realize that the only real way to control spending is to make sacrifices to do so. I do not believe we are compromising in a spirit of sacrifice for two basic reasons:

First, individual school units are each

desperately trying to get as much as they can from this bill; and second, this compromise has been treated as a stumbling block to be overcome before we proceed to the rest of the state's financial problems.

These two conditions prevent us from looking at state government as a whole, forcing education to make sacrifices before the other parts of state government and raising taxes piecemeal for this one program only. I oppose this approach today as I did on Monday. It is a grave mistake to raise taxes one program at a time. No part of state government, education or otherwise, can really feel it has been fairly considered if we allow ourselves to be forced to do this in this piecemeal fashion. Just yesterday, appropriations heard MSEA, MTA, and AFSCME ask for a tax increase to fund wage increases; they are desperate also.

I am deeply troubled that Senator Merrill would amend the House Income Tax Proposal using Representative Ingegneri's Bill before it had even received its public hearing. How quickly we forget the recent history of our state and country, or perhaps how little we learn from it. We forget or have not known that our nation has been following the recommendations of the Public Administration Clearing House for Administrative and Taxation Reform very aggressively since 1968. Our State of Maine has been following their state-level programs since 1966. Few of us have read the book we received entitled *The Curtis Years: 1967-1974*, but it is not really about Governor Curtis. It is about the administrative and taxation reforms, including educational funding and its fiscal engine, the uniform property tax. We may have been very unwise as a state and as a nation to accept recommendations from the public administration lobby which directly enhance their own power and employment. This is not the time to discuss that, even though I regret to say that our own tax dollars give this lobby its financial backing. It is enough to say that in the face of the economic problem, their formula for economic and political planning is not working. It is being destroyed by the cyclings of boom-and-bust in our economy.

In this context, the word "reform" means, literally, to "form again", but into what shape? The word "progressive" means literally "movement forward", but in what direction?

The word "flexible" means most basically "capable of bending without breaking," and that is a very tenuous assumption when we are dealing with a dollar which has a psychological, rather than guaranteed, value in the bidding process I have described.

When will it end? It will end when there is no more middle class; the same middle class people say the tax burdens at the local, state, and federal levels. Our income tax reforms won't even touch the truly wealthy who seldom, if ever, pay taxes under the present system. We are continuing to tax the middle class taxpayer into impotence; not because we want to, but because a degenerating currency and a fluctuating boom-and-bust economy is forcing us to do it.

I am presenting a joint order today to start us in what I believe is the right direction. Unless something miraculous has happened between the time I prepared to speak today and this moment in which I

speak, the Senate will enact this measure. I will not vote for it for the reasons I have given. If Governor Longley vetos this measure as he has promised to do, perhaps we can use the intervening time before we undertake to override to reflect on the deeper meaning of what we are doing here today.

The PRESIDENT: The Chair recognizes the Senator from Hancock, Senator McNally.

Mr. McNALLY: Mr. President, I wish to go on record with a few little things that I have been running over in my mind.

Back on June 21, 1973, the majority floor leader of the body that I was then in warned us that this was an expensive reform and that the State of Maryland had found a similar bill so expensive that they had called a special session and repealed the law. Now, shortly thereafter a former legislator from Houlton stated that his bill, L. D. 1974, which was replaced by 1994, was written by Sawin Millett, John Salisbury, and Asa Gordon, that they had collaborated on it after many hearings and a great deal of work, and it was a good vehicle. He said that I think we should pass it with a firm background that implicit in it is a necessity for us to find additional sources for funding it at the state level.

I must agree with the editorial in the Bangor Daily News. It is Maine's unrestrained financial commitment to education, not welfare, that has brought us to the brink of state insolvency. The school funding law has funneled the flow of control over public education to the State Department of Education, and this is because of the uniform state property tax; namely, the state sets the tax rate, collects the taxes, and distributes the education money back to the towns according to their fair formula.

Now, I had hoped that there would be information given to us before this bill was passed that would give what cuts could be made in low priority mandated educational items, and that we would be able to use some of these cuts and other monies that were saved for other things that will have to be done also and funded besides for education.

Now, I come from a place where 34 towns have employed an attorney, and I have been, ever since this special session of the legislature has been in session, nearly every week, and in the last two weeks nearly every day, to hearings that we have set up among the coastal members trying to figure out what is the best thing to do, what are we going to do. And all this time the attorney that has been hired has been advising us. Then I got to looking at the calendar and I saw that this is the last week of the month, and I know that back down home they are going into town meetings. So I have tried to think and learn, if I could, what would be the best for the people down my way.

Well, it looks like we are not going to hear anything about cutting anything. It is going to be a case of how much can you get. And if this is all that we can do, this bill is far better than what the old one was, and there is no question in my mind, if this is all we can have — and I am advised that that is probably all we are going to get — I shall probably see one little gleam of light out of the whole deal whereby the fine working Senator from the Taxation Committee submitted his amendment, which at least shows that we have had some attendance from the Taxation Committee that the bill should have been heard before in the first place, and due to

the fact that I think it is the best thing for the people that I have at home, it is about the only thing that they are going to get, I probably will support this bill.

The PRESIDENT: The Chair recognizes the Senator from Androscoggin, Senator Clifford.

Mr. CLIFFORD: Mr. President, I am going to reluctantly vote against the bill for three reasons.

No. 1, I feel that the funding of education is somewhat higher than it has to be in these times of economic austerity, and somewhat higher than the education community can live with. I say this without fear of great contradiction by many of the supporters of this bill.

The second reason why I am reluctantly opposed to this bill is that it encompasses a substantial change not only in the income tax rate but also in the nature of the income tax. And although I probably would end up favoring such a change, I think such a substantial change requires or should require, at the very minimum, a hearing so that the public of the State of Maine could have an input as to the impact of this change.

The third reason why I am going to vote against this measure is because, as I understand the measure, it raises on a permanent basis more money than is needed to fund the education bill which is the purpose for the tax being imposed.

For those three reasons, which I think are substantial ones, and which I think could be worked around to get a bill which would get more universal support than this one has, and especially more acceptance by the public of the State of Maine than this one has is going to receive, I am going to vote against this bill. Thank you, Mr. President.

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

Mr. BERRY: Mr. President and Members of the Senate: I have one prime reason that I am going to vote against the bill, and that is that we are trying to solve our problem by increased spending, and historically this has always been the case in the legislature.

I was reading with a great deal of interest the debate in this body seven years ago when we passed the income tax, and it is almost a mirror image of what has been said by the good Senator from Kennebec, Senator Katz, and myself seven years ago and what is being said now.

We are making absolutely no attempt to use our priority budget program which was set up by the last legislature to evaluate and eliminate programs. In other words, we are solving our problem by spending more, not by making any attempt, however difficult it might be to make that attempt, by making no attempt whatsoever to eliminate unneeded and outgrown services. I would hope that the Governor would share this viewpoint and veto the bill, until the legislature can grapple with the problem and handle the whole thing at one time.

The education problem here alone, as Senator Clifford has said, is being solved. What about the state employees? What about the University of Maine? What about several other very, very needy and desired items? These problems are not being solved. So we are taking a shotgun approach to a very, very delicate situation that should be thoroughly discussed.

I think that the legislature must face up to this problem of the elimination of needless expenditures. This can be done

without prolonging the session even one day. This was why I favored Senator Wyman's order, because this would give us a chance to evaluate this. To vote for a 5 million dollar give or take item like we are doing today, representing, as I said previously, a 48 percent increase in the personal income tax, I think is a mistake and an injustice to the people.

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

Mr. KATZ: Mr. President, the good Senator from Cumberland, Senator Berry, and I are soul mates on the question of program review, and I share his concern that the Maine Legislature is not presently in that posture. But I would like to single out that the education measure as a shining light in program review.

I want it clearly understood that the measure you are being asked to vote for today represents for the first time in my legislative career a cut-back in the level of education funding from one bill to another. L.D. 1452 called for a 272 million dollar expenditure, and this bill is 262.6 million, a cut-back of almost 10 million dollars. I have never seen it done before, and I suspect it may not be the last time I will see it.

Next, I share the concern that there has been little motivation for controlling expenditures at the local level. This legislature, by the enactment of this bill, will create back in every community in the state the mechanism for evaluating local expenditures in transportation, in special education, and in vocational education. And by funding at such a low level as 262 million dollars, it is going to force every community in the state to make some very, very hard local decisions as to whether or not they are going to be putting additional burdens on the local property tax to finance deficiencies which may occur, in some people's eyes, at the local level. I think, without any question at all, it was the most stringent, tight, and deficit proof bill that I have ever been involved with in the Maine Legislature with respect to school funding.

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

Mr. SPEERS: Mr. President, I request the "Yeas" and "Nays".

The PRESIDENT: A roll call has previously been requested. The pending question is the enactment of Item 8-5, L. D. 2196, An Act to Revise the Laws Relating to Funding of Public Schools. A roll call has been requested. In order for the Chair to order a roll call, it must be the expressed desire of one-fifth of those Senators present and voting. Will all those Senators in favor of a roll call please rise in their places until counted.

Obviously more than one-fifth having arisen, a roll call is ordered. The pending question is on the enactment of L. D. 2196. A "Yes" vote will be in favor of enactment; a "No" vote will be opposed.

The Secretary will call the roll.

ROLL CALL

YEAS: Senators Berry, E.; Cianchette, Collins, Conley, Corson, Cummings, Curtis, Cyr, Danton, Graffam, Graham, Greeley, Hichens, Huber, Johnston, Katz, Marcotte, McNally, Merrill, O'Leary, Pray, Reeves, Roberts, Speers, Thomas, Trotzky, Sewall.

NAYS: Senators Berry, R.; Carbonneau, Clifford, Gahagan, Jackson, Wyman.

A roll call was had. 27 Senators having voted in the affirmative, and six Senators

having voted in the negative, the Bill was Passed to be Enacted and, having been signed by the President, was by the Secretary presented to the Governor for his approval.

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

Mr. SPEERS: Mr. President, having voted with the majority, I move that the Senate reconsider its action whereby this bill was passed to be enacted.

The PRESIDENT: The Senator from Kennebec, Senator Speers, moves that the Senate reconsider its action whereby this bill was passed to be enacted.

The Chair recognizes the same Senator.

Thereupon, on motion by Mr. Speers of Kennebec, tabled pending the motion to Reconsider.

Mr. Merrill of Cumberland was granted unanimous consent to address the Senate.

Mr. MERRILL: Mr. President and Members of the Senate: So that everyone may be completely and precisely informed as to where we are with the legislation we have just considered, I would like to explain in just a few sentences, if I could, the special errors and inconsistencies bill that will be offered tomorrow to make one small adjustment.

When this amendment was drafted, inadvertently language from the original House "O" was adopted in it that would have made this a self-expiring tax in a year. It was ambiguous but it could be interpreted in that way, and it was taken from "O" inadvertently. The effect of this legislation as we passed it wouldn't be that it would raise extra money, but it would be that, if we were consistent with the intent as we stated it as we passed the bill, it would raise extra money. In other words, when we make this bill continuous, as we intended to do - and for that reason we put on the Collins amendment - at that time, if we don't make an interim step on this, it would raise more money than we needed.

The leadership is anxious to see that the bill we finally pass is consistent with the way it has been described and voted on, and that it is consistent with the idea that it be a tax shift and not a tax increase. Therefore, tomorrow a bill will be offered which will really be an errors and inconsistencies bill to deal with just this one problem. So the precise statement isn't that this bill raises too much money, but that it isn't consistent with the intent as it was manifested as it went through both bodies, and it will be made so tomorrow by a special bill for that special purpose.

Order

Out of Order and under suspension of the rules, on motion by Mr. Gahagan of Aroostook,

WHEREAS, the People of Maine have established the authority delegated by the Constitution of Maine; and

WHEREAS, the People of Maine have delegated to the Legislature the power to control spending and taxation; and

WHEREAS, the Members of the Maine Legislature are both entitled and obligated to perform that task; and

WHEREAS, a state and national financial crisis exists which, through inflation has seriously curtailed the purchasing power of State Government; and

WHEREAS, existing services exceed the ability of Maine people to support them financially; and

WHEREAS, a comprehensive review of existing and pending state and federal mandates and initiatives is an essential first step in controlling this financial crisis; and

WHEREAS, this crisis is most essentially a financial matter, now, therefore, be it

ORDERED, the House, concurring, that the Joint Standing Committee on Appropriations and Financial Affairs be directed forthwith to make a comprehensive review and evaluation in order to establish the State's degree of fiscal commitment and to make such recommendations for the elimination of programs on a priority basis which the State can no longer financially sustain; and be it further

ORDERED, that the Honorable James B. Longley, Governor of the State of Maine, be respectfully requested to personally assist the committee in said survey and development of recommendations for legislative consideration in order to prevent any duplication of effort and to achieve the best possible coordination of effort upon final implementation of such recommendations; and be it further

ORDERED, that the study of any subject or matter adjudged by the committee to be relevant or germane to the subject of this Order shall be deemed within the scope of the committee's inquiry; and be it further

ORDERED, that the committee report its findings and recommendations, including any suggested legislation, to the next special or regular session of the Legislature. (S. P. 727)

Which was Read.

On motion by Mr. Speers of Kennebec, tabled and tomorrow assigned, pending Passage.

Order

Out of order and under suspension of the rules, on order by Mr. Pray of Penobscot,

ORDERED, the House concurring, that the Joint Standing Committee on Education be directed to report out a Bill to create a Commission on Education Financing. (S. P. 728)

Which was Read.

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

Mr. GAHAGAN: Mr. President and Members of the Senate: I would like to oppose the passage of this order today for the reasons that I stated earlier in my remarks on the education funding measure. I do not think in this State of Maine that it is necessary for us to engage in any more commissions and supplementary study committees and any kind of activity outside of the legislature itself. I think this is a matter which is appropriately handled by the joint standing committee on education, and I think it is well in time that this committee undertake this kind of study itself.

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

Thereupon, on motion by Mr. Conley of Cumberland, tabled and tomorrow assigned, pending Passage.

On motion by Mrs. Cummings of Penobscot,

Adjourned until 9 o'clock tomorrow morning.