

MAINE STATE LEGISLATURE

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LEGISLATIVE RECORD
OF THE
One Hundred And Seventeenth Legislature
OF THE
State Of Maine

VOLUME V

FIRST REGULAR SESSION

Senate

June 19, 1995 to June 30, 1995

FIRST CONFIRMATION SESSION

September 14, 1995

FIRST SPECIAL SESSION

House of Representatives

November 28, 1995 to November 30, 1995

Senate

November 28, 1995 to November 30, 1995

SECOND READERS

The Committee on Bills in the Second Reading reported the following:

House As Amended

Resolve, to Establish a Pilot Project for Medicaid Reimbursement for Acupuncture Treatment of Substance Abuse

H.P. 105 L.D. 140
(C "A" H-464)

Bill "An Act to Authorize Department of Transportation Bond Issues in the Amount of \$51,900,000 to Match up to \$135,000,000 in Federal Funds for Improvements to Highways, State and Local Bridges, Airports and Ports"

H.P. 1133 L.D. 1577
(C "A" H-627)

Which were **READ A SECOND TIME** and **PASSED TO BE ENGROSSED, As Amended**, in concurrence.

Bill "An Act to Amend Laws Pertaining to On-premises Signs by Allowing for Changeable Signs"

H.P. 946 L.D. 1335
(S "A" S-349 to C "A" H-456)

Which was **READ A SECOND TIME** and **PASSED TO BE ENGROSSED, As Amended**, in **NON-CONCURRENCE**.

Sent down for concurrence.

Out of order and under suspension of the Rules, the Senate considered the following:

Resolve, to Reduce the Economic Impacts of the Clean Air Act on Maine's Citizens and Businesses (Emergency)

H.P. 459 L.D. 625
(C "A" H-608)

Recalled from the Engrossing Department, pursuant to Joint Order S.P. 598.)

In Senate, June 27, 1995, **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A"** (H-608), in concurrence.

On motion by Senator **BEGLEY** of Lincoln, the Senate **RECONSIDERED** its action whereby the Bill was **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A"** (H-608), in concurrence.

On further motion by the same Senator, Senate Amendment "A" (S-351) **READ** and **ADOPTED**.

Which was **PASSED TO BE ENGROSSED, As Amended**, in **NON-CONCURRENCE**.

Sent down for concurrence.

Under suspension of the Rules, all matters thus acted on, with the exception of those matters having been held, were ordered sent forthwith.

Senate at Ease

Senate called to order by the President.

Out of order and under suspension of the Rules, the Senate considered the following:

PAPER FROM THE HOUSE

Non-concurrent Matter

Bill "An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 1996 and June 30, 1997" (Emergency)

H.P. 516 L.D. 706
(C "B" H-387)

In Senate, June 12, 1995, **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "B"** (H-387), in **NON-CONCURRENCE**.

(Recalled from the Legislative Files pursuant to Joint Order H.P. 1142.)

Comes from the House **PASSED TO BE ENGROSSED AS AMENDED BY HOUSE AMENDMENT "A"** (H-628), in **NON-CONCURRENCE**.

On motion by Senator **HANLEY** of Oxford, the Senate **RECEDED** from its action whereby the Bill was **PASSED TO BE ENGROSSED AS AMENDED**, in **NON-CONCURRENCE**.

On further motion by the same Senator, the Senate **RECEDED** from its action whereby it **ADOPTED** Committee Amendment "B" (H-387).

On further motion by the same Senator, Committee Amendment "B" (H-387) **INDEFINITELY POSTPONED**.

House Amendment "A" (H-628) **READ**.

THE PRESIDENT: The Chair recognizes the Senator from Oxford, Senator Hanley.

Senator **HANLEY:** Thank you, Mr. President, Men and Women of the Senate. For a while there I thought this day would never come. After first having been given this budget by the Governor, at the first part of February, and having worked cooperatively with every joint standing committee within the Legislature, having heard back from every joint standing committee in the Legislature, as far as their own review of each departmental budget, let me first state that I am proud of the work of all members of the Legislature for their diligence in reviewing the budgets which were assigned to them in their area of jurisdiction. Let me also state I am proud of the additional twelve members who I serve with on the Appropriations Committee. When we first started this process they said the political spectrum on the Appropriations Committee was such that it was a recipe for disaster, that we had some of us who have been known as hard-line conservatives, others who have been known as moderates, and others who have been known as liberals. The entire spectrum was represented on this Committee, and I must admit, throughout the course of the first few months I wondered if it was possible. But, as I looked around the Committee, as we went from day to day, listening to testimony on every item within the budget, and hearing the questions which were posited by Representatives, Senators, Democrats and Republicans alike, that this truly was a change in the way the Appropriations process has worked. That members of the Committee weren't there to grandstand, they were there to do the people's work. No, they were not going to check the principles at the door. They were going to bring into that Committee room everything that they had campaigned for, and everything that their constituents had told them they wanted to see. Having said that, Men and Women of the Senate, does the budget before you now, which has had an overwhelming vote in the other body, does it have everything in it this Senator from Oxford wants? No. Does it have the one thing this Senator from Oxford wanted to see in this budget? The repeal of the 1% increase in the sales tax that would boost the economy for Oxford County, Cumberland County, York County directly? No, it doesn't. Does it have every other item, the first wishlist on every member of the Committee when they ran? No, it doesn't. Is it an amalgam of all the reports which have been brought before us? Is it a compromise on some very strong issues that people hold very near to their hearts? Yes, it is. I guess I would just state that when I have a half a dozen messages on my answering machine Friday night, having come home from the Committee and having a thirteen to zero vote, to have my kindred spirits in the legislature, those who call themselves conservatives, having them say, "Senator Hanley, we expected more of you. We didn't expect you to sell

us out. We had hoped for the tax cuts that this legislature promised." Did that hurt? Yes, it did. But this is my time to show leadership. So, as the Committee worked to fashion that compromise, to get thirteen votes in favor of this budget, it was time that the greater good of the State be put first, and not the singular agenda of one or two individuals. Men and Women of the Senate it was a powerful day in the Appropriations Committee to see thirteen hands go up in support of this budget. An event which I cannot recall in my decade of service here in Augusta, at least not in the most recent memory. To see the bipartisan cooperation, compromise, consensus building that was able to go on even though there were factions who tried to pull us away from that goal, factions within the legislature and from outside the legislature, who did not want to see a unanimous budget. Men and Women of the Senate, I think that this is a landmark day for the State of Maine. A landmark day in that we have fashioned a compromise when the naysayers said it couldn't be done. When they said with a Democratically controlled House, a Republican Senate, and an Independent Governor, there's no way that these three parties can get along and can promote a budget which not only addresses the gimmicks that have been utilized in the past, which pays bills that have gone unpaid for many years, which tries to maintain some of the promises which were made, promises to the sick men and women of our State in stating that they would not bear the full burden of the grandfather of all gimmicks which had gone bad. This budget addresses that. It repeals the sick tax. It requires this State to aggressively pursue the waivers necessary to help all of our hospitals. It provides an opportunity for us to send money back to the people of the State of Maine, because lest we forget, every dollar that we spend in this budget comes out of the pockets of the hardworking men and women of our State.

Another very key component of this budget, and for those of you who were not around in 1991 who saw this State government shut down, this budget ensures that the State employees, our State workforce, which acts as the safety net for our people, for our citizens, it ensures that this safety net will not be dropped. There will be the state workers holding up that safety net. It is true that in budgets past, state employees were not treated with the respect that they probably should have, and while some of us would disagree as far as the size and scope of state government, none of us would disagree that the men and women who work for the state should be paid a fair wage for their labors, and they should be paid on time. Men and Women of the Senate, this does that. This restores the cuts which were made on the work force. I think, in turn, it will restore some morale, morale for our workforce, morale for this legislature to adopt a budget which has met, maybe not all of our needs, but has followed our process of democracy full circle, has had an opportunity for the Governor to present for the public to testify, either in support or opposition, then allowed every member of this Legislature, serving on the joint standing committees, to give their input to the Appropriations Committee and then finally, it gave the Appropriations Committee an opportunity to find that middle ground. Men and Women of the Senate, this is not a perfect document. I readily admit that, and I think every member of the Committee would readily

admit that, but I guess I would ask, is there a perfect document or is the only perfect document the one that meets the needs of the people of the State of Maine, while also being able to work through the legislative process. Men and Women of the Senate, I ask, just as I ask myself, when it came time to vote, and when I knew that a sales tax cut would not be possible to include in the budget, I asked myself is it now time to be the Senator from Oxford County, to bring home that promise of a sales tax reduction, or is it time now to be a leader for the entire state? The answer was clear. It was time to be a leader for the entire state. To not put the state in a position where a shut down would be possible. Where the safety net for Maine's most fragile citizens would be dropped. Men and Women of the Senate, I think it's a time for leadership for all of us. Having had an opportunity to speak with most of you, I know that you do have concerns, that maybe there are items in this budget which don't address all of your concerns. I would just ask that you think of the entire state and leadership for the entire state so that we can go on to pass a budget and to have our state government restore faith, and respect to our citizenry and to not put in jeopardy the most fragile, the most dependent of our citizens. I ask your support as we adopt this budget and send it down to the other chamber. Thank you.

On motion by Senator O'DEA of Penobscot, Senate Amendment "D" (S-358) to House Amendment "A" (H-628) READ.

THE PRESIDENT: The Chair recognizes the Senator from Penobscot, Senator O'Dea.

Senator O'DEA: Thank you, Mr. President, Men and Women of the Senate. This amendment deals with the so-called income tax stabilization plan and basically in plain language, removes part VV from the budget document. Some time ago, probably six years or so ago, a friend of mine in the other chamber, Representative Jacques, from Waterville, told me that there were no new ideas in this place, only the same old ideas being kicked around with new names on them. This is an old idea that was most recently tried in the State of New Jersey, without great success. When a measure similar to this was adopted in the State of New Jersey residents found that state government had its hands tied behind its back and that the funds to provide the services that all of our constituents deliver couldn't come from state government, they came, instead, from local government. It had the effect of driving property taxes up through the roof. It only stands to reason that if we have a finite number of sources from where we can get state revenues, that if we take one of them away there is going to be additional pressures on the other revenue streams. Property taxes is the one where I believe this will have the greatest affect.

Secondly, the Governor has made his feeling on this matter known. At the very least publicly, and certainly to myself and to the members of my Caucus. He didn't mince any words when he said that he wasn't going to be signing a budget with this sort of gimmick in it. He made it very clear. In fact, I think his words to me were, "If people think that they want a Governor who will sign a budget with

something like this in it, then they can wait three years and maybe they will have a chance to have one, but it won't be me." This sort of measure artificially caps the stream of money coming into state government. If you don't think that it's a fiscal note, I would just ask you to indulge me and just look at the amendment S-358. Look down, on the fiscal note, and see that this bill is a gimmick. There is no net effect on general fund appropriations and revenue and a balanced budget is maintained for fiscal years 95/96 and 96/97. If that doesn't tell you that this has minimal real impact on the state in this biennium then what does. This amendment will tie the hands of future legislatures and it will encourage the increase of property taxes, while having no real effect on this biennial budget, the one that we are all laboring to pass in these closing hours of the session. So, I would ask you tonight to please adopt this measure, remove this provision from the budget so that we can get on with the budget that the Governor will finally sign so that we may all go on and commence our summer activities. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Oxford, Senator Hanley.

Senator HANLEY: Thank you, Mr. President, Men and Women of the Senate. For clarification sake the income tax stabilization would only hold constant one line of revenues coming into the state. It would not decrease that line. In fact, all other lines, sales tax, corporate tax, estate taxes, lottery, every other line in state government will continue to grow. The income tax line, however, will be held constant at \$676 million. That will be held constant. That money will still be available for the state to expend in its ordinary course of business. Yet what this will allow is an opportunity for us to reduce the income tax rates on the people of our state. I was speaking with the good Senator from Somerset, Senator Cianchette, as far as my in-laws. They are retired and are thinking about moving to Maine. I was suggesting that maybe they should do that, as my wife and I hope to start a family, to be close to their grandkids. Well, he thanked me, and he likes to come up to Maine and visit, but from a tax perspective it just doesn't wash. So, instead they moved to New Hampshire. Those are people who have retired, and would have income to spend in our state, build homes, buy refrigerators, buy cars, go see doctors, go see other service industries. What we need to do is attract those people to our state and we need to do so in a positive manner. Let me read to you from an article by Malcolm Forbes, Editor-in-Chief of Forbes magazine, one of the leading financial magazine in our country. He says, "Those who doubt that properly structured tax cuts can stimulate economic activity should take a look at New Jersey. For the first time in years the Garden State's economy is creating more jobs than its neighbors or the nation. Since Governor Whitman took office job creation is at a record level. In fact, in a reversal of recent trends, people are moving to the state because of its robustness, which, ironically, keeps the unemployment rate high, because so many new people are seeking work. Traditionally, New Jersey's economy has led the nation, but when the previous Governor nearly doubled the state's income tax and increased other levies five years ago, the economy dropped like a stone, becoming one of the

country's weakest over night. Yet many still don't see the connection between what the Governor has done and how the state is performing. As this quote from New Jersey's largest newspaper underscores, 'Rutgers economics professor James Hughes, says that continued job growth is "hard to explain" in the face of the national downturn.' There are different philosophies that we can follow here in Augusta. There is a philosophy that if take a proactive approach in stimulating the economy that will benefit all of the people of the state. That's what this one portion of the budget intends to do. As I pointed out, this is a compromise budget, having garnered thirteen votes out of the Appropriations Committee. I would trust that we, as members of the Senate, can view it as such, as a compromise document, not addressing every single concern that you have, but being one that will keep the state moving and will keep the people of our state protected. Because of the fragility of the compromise, and because of the necessity for us to pass a budget and not to go to a state shut down, I would move the Indefinite Postponement of this amendment. Thank you.

Senator HANLEY of Oxford moved that the Senate **INDEFINITELY POSTPONE** Senate Amendment "D" (S-358) to House Amendment "A" (H-628).

THE PRESIDENT: The Chair recognizes the Senator from Penobscot, Senator Ruhlin.

Senator RUHLIN: Thank you, Mr. President, Honorable Senators of the State of Maine. First of all, I want to start out by thanking the Chair of the Appropriations Committee and his entire Committee. I have watched them since January work long and hard, arduous hours trying to come to an agreement with which we all could live. I think you have done us proud. We appreciate that service. I know it has not been easy. In your opening comments, I would say to the good gentleman from Oxford, that you told us that this is not a perfect document. When I look it over, I fear that you are, indeed, correct. I guess my great fear is that not only is it not a perfect document, Ladies and Gentleman, but fiscally it is an imperfect document, more importantly. For within this document is a very poison pill of fiscal irresponsibility for our future. A tax cap, and that's the only thing it can be called, an income tax cap on the fairest, most equitable form of taxation that we have in our society at this time, is a recipe for disaster for our future. For our children, for our grandchildren, and for the 118th Legislature and the Legislatures that will follow it. For when you take and cap one form of taxation, without capping spending at the same time, you, in fact, increase pressures on the other forms of taxation, such as the property tax, such as the sales tax. We all know that the sales tax is very susceptible to cycles of recession. So, the most stable one is the property tax, so that is the one that shall have to bear the burden of any income tax cap. The property tax, Ladies and Gentlemen, was a tax that was maybe fair and equitable in 1850, in the year 1995 it is a regressive, unfair, inequitable, the most despised form of taxation within our state. To cap the income tax in the manner that is proposed within this budget is to guarantee an increase in the property tax pressure within our state. If I heard anything in the previous year it has been that the people of the

State of Maine do not want a property tax increase. They want some relief from that pressure. So, I feel that with this, what I call the mother of all gimmicks, at a time when we are trying to get rid of gimmicks, I know the Committee that we just talked about that worked so hard, so well I might add, with the budget that was proposed to it, I think somewhere, and I may be corrected on the amount that I use, but I believe that somewhere around \$140 million worth of gimmicks that they have gotten rid of, which was fiscally irresponsible of our past, to replace that with this debt in the future, this IOU on our children, this IOU on the 118th Legislature, is to yes, correct the mistakes of the past but guarantee those mistakes to the future. I will have no part of it. I will not vote for this budget. I will not vote for any budget that has an income tax cap on it. I would ask all of you in this chamber to stand solid with us, the true fiscal conservatives. If you want to do something fiscally responsible, something fiscally conservative for your State tonight and for the future, accept the plan that will cap spending. Take that goal, which the Committee worked so hard to come up with, which I think is a very equitable goal, of \$676 million, put a cap on that. Say "We will spend no more than that in the future. We will not spend more than \$676 million on Part A or Part B of the future budgets. We will take any revenues that come in from the income taxes beyond that point and we will apply them to the unfunded liability of the Retirement System, we will do it to our infrastructure, we will do it to some capital improvement costs. We will be fiscally conservative. We will not spend that money, but we will pay our bills on time." So, with that in mind, I ask that you support this amendment that does, in fact, remove the poison pill from this otherwise hard worked, greatly fought for, and cared for piece of legislation. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Lincoln, Senator Begley.

Senator BEGLEY: Thank you, Mr. President. I hope you will vote for the motion to Indefinitely Postpone this amendment. The argument insofar as this being a gimmick, in my estimation, is not a valid one. We are, if we pass this, giving the legislature two years in which to take a very close look at what they plan on doing for the benefit of the state. If you want a lesson in history, please take the comptroller's book on the expenditures of state and look at the history in the last ten or twenty years, where we have listened to, time after time, "We will give you a tax cut after we handle this. Give us good times and we will take care of that and then we will give you a tax cut." We had excellent times, we didn't get a tax cut. We had other proposals and were told to put it off and we will give you one later. It seems to me that this proposal in this budget says to future legislatures you've got two years to fulfill a promise that you have tried for years to give back some money to the taxpayer. Maine is one of the highest taxed states, and it is up to us to accept this challenge, to meet that position, and follow through by simply saying please, give back some money to the taxpayers so if he gets it back, as it has been proven many times, the economy could improve. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Carey.

Senator **CAREY:** Thank you, Mr. President. The good Senator from Oxford, Senator Hanley, quotes Money Magazine, which in turn quotes the New Jersey Governor, Governor Whitman. I may give you a couple of quotes from Money Magazine as well. By Frank Lally, of Money Magazine, "This income tax versus property tax trade-off" and this is all about New Jersey, "is bad medicine, lousy politics and questionable social policy." In yet another quote from him, "In some counties taxpayers, alarmed at the prospect of watching the quality of their local schools decline while their property taxes soar, are already protesting to school boards and vowing never to vote for Whitman again." They may not get the chance, she may run for Vice President or President. As a whole, state property taxes increased in New Jersey by \$526 million in 1994. It was the largest increase since 1990. In 1994 the average income tax savings, which we are talking about coming down the pike two years from now, was \$50, but the average property tax increase was \$176, not exactly a good trade off. Some of the quotes from Money Magazine have been haunting us for some time. How we were the fourth highest taxed state in the country. If somebody read very closely, what the article was all about, they would have found that that was based on a \$75,000 individual taxable income. Over 95% of the people in Maine don't quite reach that level. So, we are talking about a very small minority in the long run, which might have been served otherwise. Fortunately, during a compromise, we were able to lower that so that people in the \$100,000 bracket simply, as is my understanding, will not qualify for any of the tax breaks of \$30,000 for a single individual, \$45,000 for a head of household, and \$60,000 is the upper limit for the couple filing jointly. Unfortunately, the wording in there says "taxable income" and not "gross income", so we are including a lot more people who might not really need the money anywhere near as badly as some of those people at the lower level, and therefore, they would be somewhat cheated in that what money was available had to be spread over a much larger group. We may end up with less than \$20 or \$30 as a benefit. We studied this bill, as presented by President Butland when he came before the Taxation Committee, and the report of the Taxation Committee was seven to six ought not to pass. It has found its way into the budget document and it is no better today than it was when it was before the Taxation Committee.

THE PRESIDENT: The Chair recognizes the Senator from Knox, Senator Pingree.

Senator **PINGREE:** Thank you, Mr. President. I had a great phone call this afternoon from one of my constituents in St. George. He started out by saying that he wanted us to stop the partisan bickering, that he was frustrated that we haven't passed a budget, and that it was about time that we did the sensible thing and passed a budget. He went on to discuss some of the issues and then finally he said, "You are a Democrat, aren't you?" I said, yes. He said, "Well, I hate to say this." I said, "Go ahead, say it." He said, "I have voted Republican all my life, but the fact is the Democrats are doing the right thing here. It is time we paid the bills

before we give people a tax break. I don't want this tax break. I don't want any tax breaks until you guarantee me that you have paid the bills and you have put the fiscal house in order." That's what this amendment would do. It would take away a tax break that we can't currently afford. I think we have dealt with some tax issues in the budget. We have worked in some language about getting rid of the hospital tax, which all of us feel was an unfortunate tax and something we shouldn't have done. We are giving more back with the property tax with the circuit breaker program that we are increasing. I'm glad to see us doing that, but we don't need to do anything else. I think this is fiscally irresponsible and we can't do it. We all know what happened over the last few years. We maxed out the credit card and we didn't pay the phone bill, we didn't pay our obligation on general purpose aid to education, we continued to borrow from the retirement fund, people's retirement savings, and we're not paying it back. We reamortized the debt and now we should be thinking about paying that back before we have a \$4 billion bill to send onto our children and grandchildren. This is one-third of our revenues in the State of Maine. We all talk about all the things we would like to do in the future, make sure that we take care of patients with Alzheimers and dementia in our nursing homes, make sure we do all these things and we say when the economy grows and things are good again we will do that. Well, now what do we say when the economy grows? Sorry, we can't pay our bills. We can't even pay for the hospital tax that we want to pay back because we are going to have a cap. This is an irresponsible thing to do, and all for what? Maybe to give people \$50. We've done it before, it didn't do anything. We give everybody a little teeny rebate and we don't pay our bills. In a state where we know it will be a shift to some other tax, in a state where we are the eleventh most dependent in the country on property taxes, where we know it's the most burdensome tax, where it costs our educational system, where it costs our elderly, people on fixed incomes, it's not a good thing to do. I encourage you to vote against this amendment. Do the fiscally responsible thing. If we are going to cap a tax, this is not the right thing to do. Vote against the motion to Indefinitely Postpone because this is a good amendment and it makes this a good budget that we can all support.

THE PRESIDENT: The Chair recognizes the Senator from Androscoggin, Senator Berube.

Senator **BERUBE:** Thank you, Mr. President, Ladies and Gentlemen of the Senate. You know, the easiest thing to do would have been to acquiesce everybody's wish list and we would have passed a budget with no hassle, no criticism, it would have been wonderful. But that's not what we did simply because there is not enough money in the till and the taxpayer's pocket is not a bottomless pit. What we did do, however, was consider the needs of the people we represent. We prioritized the necessary versus the needs of those issues that were less than priority. This is the budget we have come up with. To those who fear that passage of this budget, which includes an income tax reduction for those persons earning \$30,000 or less, would indeed be a detriment later on to the property tax structure at the local level, I would remind them that I trust our municipal

officials to be as diligent as we have been here when we address the budget expenditures and revenues. I would also say that the income eligibility would not include those who are earning \$90,000 and \$100,000 because, it is my understanding, that if you earn \$100,000 or more, you are not eligible for exemptions, for instance, and it would be very difficult for you to bring your expenses down to the point where you would qualify for a \$30,000 income eligibility. The budget increases funding for social needs for the citizens who need it. It addresses the shortfalls of the past. We have addressed, as you heard a moment ago, the property tax reduction by increasing the income eligibility. We have also included a very good point and that is that those elderly who are not on the low-cost drug program, who fall into the cracks, is they earn \$40 or \$100 more than the income eligibility allowed for the low-cost drug program, would be allowed, if their income was not greater than 25% of the income eligibility, and if their prescription drugs were above \$400 a year, they would be eligible for the low-cost drug program. That in itself is a wonderful point. Yes, we dared give a tax break to those working men and women who earn \$30,000 or less. They are the ones who fund our entire budget, not necessarily just the ones who earn less than \$30,000, but it's a little something we have given them. They might have a few dollars left in their paycheck at the end of the week more than they have now.

There will never be enough money to fulfill the wishes of everyone, but I believe that for the most part we have addressed the true needs of our people and the citizens will be well served. I would ask, in view of the fact that the Appropriations Committee unanimously endorsed this budget, bear in mind that we are made up of thirteen people with diverse opinions and divergent views, that we managed to come together and fashion a budget that I believe will be very helpful to the people of our State. I ask that we leave it in tact and that you vote against the amendment, and subsequently vote for passage of the budget. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from York, Senator Hathaway.

Senator **HATHAWAY:** Thank you, Mr. President, Ladies and Gentlemen of the Senate. It's difficult to follow the good Senator from Androscoggin, who I have come to respect and admire so much this year. I want to thank her for her words that I know are deeply felt and come from long experience and great wisdom. But, I do want to respond to the good Senator from Knox, Senator Pingree, who's Republican friend called her. I represent the City of Biddeford, which is 10% Republican, so of the thousands of people I have talked to in that city in the last year most are Democrats. I asked them two questions. Do you think that your government spends enough money? They all agree that we do. I asked them, do you think that the people of the State of Maine, who work hard for their money, pay enough taxes? They all agree that we do. All we are trying to do is let the people of Maine, who work hard for their money, have the chance to spend it, rather than to have their government continue to waste it. To call it a gimmick when we finally put some money back into the hands of real Maine people, which is where

it belongs because it is their money, goes beyond reason. I hope we all remember that the people do not serve the government, but we, in government, serve the people. So, please allow them to keep some of the money that they have worked so hard to earn. We have enough here in Augusta to spend. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Waldo, Senator Longley.

Senator **LONGLEY:** Thank you, Mr. President, Colleagues in the Senate. I think Maine people who are listening tonight know politalk when they hear it. I think we are really close to arriving at a budget and making everybody happy, or at least arriving at something that we can all live with. On my campaign trail and since, I hear about property tax relief and I hear about school funding needs. I agree with Governor King, we have a lot of bills that we haven't paid. Let's pay our bills and then let's address property tax. I think the income tax piece that's being presented, that I will be voting against, I'll be voting against it because it's the wrong focus. The focus, in my opinion, is property tax relief. I think we are close and I think I would be willing to go with a cap over which that excess money goes towards paying past bills. We have got \$240,300,000 in past bills to pay. Every Mainer understands the telephone bill that didn't get paid. It's now been compromised down to only \$3.5 million. We've got furloughs for \$15 million, payroll push for almost \$10 million, child protection issues for \$9 million, state police funding for \$5.9 million. These are the millions of dollars in overdue bills that we have to pay. I honestly think that \$240 million plus in overdue bills is more important and we have to address that first. Yes, I would like to put an extra \$50 in every Maine person's pocket, but I think we have to face our bills and then address the issues that Maine people are talking about all of the time, which is property tax relief and school funding issues. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Hancock, Senator Goldthwait.

Senator **GOLDTHWAIT:** Thank you, Mr. President, Ladies and Gentlemen of the Senate. I, too, want to add my congratulations to the Appropriations Committee. I think they have done a tremendous service to the State of Maine, both in the budget they have put before us and in the manner that they went about that task. I also want to say that my respect and admiration for the partisans among us, meaning all of the rest of you, has grown considerably over the course of the last four months. I have come to admire your dedication to your beliefs, the tremendous persistence in trying to put those into effect, and the fact that with all those differences we are this close on the most important matter facing the State of Maine right now. I can't resist commenting on the New Jersey part. Having lived in the State of Maine for seventeen years, and having gotten seventeen years worth of grief about my roots in the Garden State, I find it quite astounding that we are sitting here tonight saying New Jersey is doing it so it must be a great idea. This is a major breakthrough in international relations. I know New Jersey, and Maine, you're no New Jersey. Putting a few dollars

into the pockets of people in Maine is far different than putting a few dollars into the pockets of one of the most densely populated states in the United States. One could expect a significant economic kick from doing it in New Jersey. In Maine we just don't have the density to get that benefit from these few dollars. My objections to the income tax stabilization plan are not because I want more money to spend, it's because I desperately want to see this State's credibility restored among the people of this State and I believe we can only do that by paying our debts. As the debate went on, often in caucuses, I decided to enlarge my own scope of understanding of this issue. I had a conversation with a team member in the State House who is a silent partner, if you will. The person that puts this Chamber to rights everyday when we leave, so that when we come in in the morning we face an orderly and pleasant work environment. I said to her, "Do you think we ought to be cutting taxes?" She looked at me without hesitation and said, "No, do you?" I found that that response was the same one that I got from anyone that I talked to who is not a part of this body or the other body, who is simply looking at it from the perspective of the common sense average person's point of view. The top priority for all of us in our homes and in our personal lives is to provide some order, to show some fiscal responsibility there. It should be the top priority for the State as well. I urge you to reconsider this effort, which I think was perfectly well intentioned, perfectly well meant, but is of only symbolic value. It's important for our sake, and for the sake of the State, to get beyond symbols. We have been doing it that way too long. We need to get to substance. Substance means paying off our bills and I urge you to defeat the motion to Indefinitely Postpone. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Androscoggin Senator Cleveland.

Senator **CLEVELAND:** Thank you, Mr. President, Men and Women of the Senate. I have gotten a number of calls from my constituents back home, urging me not to shut down the state one more time. I have assured them that neither I, nor any of my colleagues, wish to do that. That is not an acceptable operating mode for this government any longer. That ought to be taken off the table and we ought to find the common ground. I explained to them that we have compromised on many issues and that many items, in fact most items, in this budget we have come to an agreement on. We found that common ground. I explained to them what that one item is that we haven't come to an agreement on and what it is intended to do. They say to me, we have elected you to use your good judgement and your common sense for what you believe is best for the people of Maine, and I understand why you take that position. That we ought not to purchase compromise at the cost of hundreds of millions of dollars for the people of this State, simply because we want to purchase a solution and buy this budget at any price. That one item that would require us to do that is the proposed income tax cap that is in this budget. It would require us to pay hundreds of millions of dollars so that we could have a budget tonight. I think that would require us to cast aside our good judgement and our common sense, simply to find that common ground. I think it's too high a price for the people of this State to pay. It would

cap income taxes arbitrarily, it would shift the cost to the other revenue sources, and in particular to local property taxes, which are the most regressive form of taxation. I have no doubt that it would do that. It has done it in other states where they have tried this measure, simply for the political purpose of returning a check on average of \$50 to individuals. They said we remember when the government did that before and it was a joke. Why do it again? What is the purpose? I also am concerned because I don't think we are being totally fiscally honest with this proposal. Because the proposal really doesn't take effect until three years from now. Only a very small portion in the last quarter takes effect. So we are not honestly saying here is how we are going to cut the budget to meet the reduced revenues. We are going to put that off to future years. We are not going to tell you that part of the story. We only want to tell you that we are going to send you a \$50 check. Because we are not willing to do the hard work of identifying where those cuts are, we could do it in this budget, we could do it this year. All we have to do is do it, but we don't. But somehow, magically, in three years we are going to know how to do this. I think that if the money is there, and we can afford the tax cuts, who doesn't want to do them? We'll do them in two years, but let's come back and honestly identify how we will pay for them and what we will give up for it for the greater benefit of a tax cut. Let's not be dishonest and say we are going to give your something in three years when we don't know where it's going to come from. I'm also disturbed by the fact that some of my colleagues suggest to me that it's okay to vote for it now, in two years we'll all vote to repeal it anyway. I don't work that way. If I say I am going to give you something, I'm going to stick by it. I can't find today where we are going to have the dollars to do that in three years. So, if we are not going to be honest enough to stick by what we say we are going to do, then let's not lose any more credibility with folks, because I'm telling you I am not going to support this because I don't know where the dollars are and I'm not going to come back and tell you in two years that I am going to try and repeal something because I dislike it in two years and we can't find the dollars to do it. Let's pay our bills first. Let's get our fiscal house in order. Let's not shift this cost to the local property tax payers. When we can do that, then I can find a budget that I can support, but not before then. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Somerset, Senator Cianchette.

Senator **CIANCHETTE:** Thank you, Mr. President. About two years ago I was in this body and I went along to pass the budget, doing something that didn't feel right. That is when we wanted to save \$100 million and not fund the State Retirement account. So, we figured out that we could save \$100 million the first year by reamortizing the \$2.6 or \$2.8 billion unfunded liability to the State Retirement fund. We were told at the time that that was going to be at a cost, over thirty-five years, of something like \$2.1 billion. Well, we now have the actuaries real report of what that move is going to cost us. It's not \$2.1 billion, for the privilege of extending that amortization an extra ten years, we are going

to put onto some of your children, and my grandchildren, \$4.5 billion for the privilege of extending that debt out ten more years. That's big bucks folks. I wish I hadn't voted for it, but I wanted to be a good guy and go along. I see this tax cap in the same situation. The tax cap is going to reduce revenues. I have seen bumper stickers saying "We mean business", I don't know of any business that can survive saying, "I'm going to reduce revenues and increase my debt." I don't know how any business can survive doing that. I commend the Appropriations Committee for having done a wonderful job of pulling this thing together, I say that very sincerely. This is one piece of a huge budget that, in my opinion, is very wrong. I would like to see the proponents of that income tax cap change that to what the Senator from Penobscot, Senator Ruhlin said, change that to a spending cap. Limit the legislature from spending more than that level of money, and take that surplus and put it into an early paydown of that unfunded liability and help save those billions of dollars of interest that we are going to be putting on your children and my grandchildren. I believe that can be done very easily. I think that it would serve lots of purposes. It would, in lieu of giving this tax cap, it would do several things. The bond agents that set the bond rates, that we are going to sell bonds in the State of Maine and how much we pay on our bonds, and that is big bucks, are going to look at this revenue decrease unfavorably. You can bet your bottom dollar that if we do this tax cap thing, we will get some increase in our bond rate in this State. But, if we say we are going to increase our revenues, we are going to cap our spending, and we are going to pay down our debt, you can bet your bottom dollar that they will reduce the bonding rates for the State of Maine. We will be a much better bargain. Any lender would love to have that kind of a creditor. It makes all kinds of sense. I think the people of the State of Maine would be proud of this legislature by putting a spending cap on and saying we are not going to spend any more of your income tax dollars on operating costs of the State, we are going to use that surplus that we can pull out to pay down the bills and the debts that we have built up, because I have heard no other plans to pay down that huge interest expense that we are accruing, and that grows every year. Out a few years, twenty-five or twenty-six years down the road, we are going to be paying four, five, six, seven, and almost eight hundred million dollars a year, which will be only interest that we will have accrued. I say we need to pay attention to that, and I would love to see this Senate understand that, do something good for the State of Maine, and turn this piece of the budget around to something that would really help the State of Maine. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Androscoggin, Senator Berube.

Senator **BERUBE:** Thank you, Mr. President, Ladies and Gentlemen of the Senate. I may have heard incorrectly, but I thought I heard a previous speaker say that this income tax reduction would be hundreds of millions of dollars. I hope I heard wrong, and I know it must have been an error when the gentleman said so, but I checked for the figures this noon, and it was going to be approximately \$38 million for this tax reduction, so that we can have our working men

and women have a little more left in their paycheck at the end of the week. There was also a previous speaker who mentioned that we should be paying our bills. Well, indeed, the budget is approximately \$240 million greater than it was last year, but \$140 million of that is to repay the bills, like the telephone of \$3.5 million, the state troopers have been addressed, the payroll push has been addressed, there will never be anymore of that, we have addressed the deferral to the tune of \$7.5 million, we addressed the shutdown days. I think the budget is the result of a great deal of thoughtful work and we took suggestions from everyone that we could see, and this is the result. I think the people of Maine would be very happy to have us pass this budget in tact. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Pendexter.

Senator **PENDEXTER:** Thank you, Mr. President, Men and Women of the Senate. This amuses me to sit here and Senators stand up and talk about we have to cut spending. I have been here five years, and the first year I came here I was ready to cut spending. Legislators in these halls didn't even believe we were in a recession, they didn't even believe the budget numbers. They didn't believe we were a billion dollars in the hole. So we didn't cut spending, because people didn't believe we were there. We raised taxes and we did gimmicks, and we did this for three more years. I haven't voted for a budget since 1991 because I have wanted to cut spending, but the majority of the people in these halls just can't do it. You cannot do it. We all went through the exercises in our Committee, because the first task that was asked of us in Appropriations was to do level funding. That's not even cutting. That's doing level funding. We couldn't do it. If you look at the charts, state spending goes up, up, up every year. So, I'm willing to try something different. I'm going to start turning the faucet off because we have an appetite in this place to spend every red cent that comes to us. I'm convinced, after being here for five years, because we have to agree to budgets that are consensus and compromises, that we will never be able to cut spending even though everybody wants to stand up and talk about how we should cut spending. It's not going to happen. You know, we talk a lot about economic development, attracting jobs, getting businesses to come here, and in the last four or five years, when businesses have entertained the thought of coming to Maine, and they decided to settle elsewhere, they were given an exit interview. Why didn't you stay here, why didn't you settle here? One of the big things they say over and over and over is that your income tax is too high. So, it makes sense to me, to at least start addressing that concern. If we are concerned and serious about attracting business and having industry settle here, let's start working on the number one problem that they have told us is the issue. This is not the way I would like to do it, but it's the only thing we can get for now. It's moving in the right direction. It's cutting revenues, because I'm convinced we will never cut spending in this place as long as we have money to spend. So, I'm willing to try this new scenario. You know, cutting taxes is saving taxpayer money. I don't see how any of us can be against that. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Oxford, Senator Hanley.

Senator **HANLEY:** Thank you, Mr. President, Men and Women of the Senate. I just wanted to stand and ever so briefly let the Senate Chamber know that I am proud to be a member of this Senate Chamber tonight more than any other night as a member of the Legislature. I came into the legislature in 1986 and why I am more proud tonight than any other night is because it's June 27, and it's the beginning of a new fiscal year, a new biennium, and for the first time this Chamber is not talking about what taxes to increase, we're fighting about which taxes to cut. I feel like I'm at a summer tent revival for fiscal conservatives, and it's a wonderful feeling. I say that with all sincerity because I think we have turned the corner. I think we have collectively turned the corner and we are now going to proceed on a path which is not only going to make the people of the State of Maine proud, but we're going to make our neighbors to the west, New Hampshire, stand up and say wait a second, maybe Maine actually is on the move, and maybe we're going to have to start competing for those jobs, for those businesses who want to expand, for those businesses who want to move into the state. But, while we are on this path, let's make absolutely sure that everyone is totally aware of the issues we are dealing with. There has been some discussion as far as this income tax and it's a cap at \$676 million, only until we can reduce the tax rate by 20%, then it's off. So, it's not like some people are thinking of this, as a continuation, that this tax cap is going to continue on ad infinitum. No, this is a booster shot for the people of the state, for the businesses of our state. Some members of this chamber have said that in doing so, we will adversely impact the property tax. Let me state right here and now, the budget before you spends \$16 million more for property tax relief for the people of the State of Maine. For those of you who want to provide the property tax relief, this is the vehicle, \$16 million above what the Governor had earmarked, \$42 million in total for property tax relief. Some members have said well where are we going to find the dollars for this income tax stabilization program. You won't have to find \$676 million, because it's going to be there until the 20% reduction is achieved. As far as whether or not that is going to be passed on to the property tax payers, you only have to look at yourselves, and those members who will fill those seats in the years to come, whether or not that will happen, because it is in our hands. We will determine whether or not there will be an offset onto the property tax. Some members have said we haven't paid the bills. I would echo the comments of the good Senator from Androscoggin, yes we have, and we have a proposal to address all of them. We have taken care of almost all of the gimmicks in the budget, not all of them. The gross receipts is still there, the sick tax is on to a certain extent, but we are working and this is a positive step in the right direction. I cannot agree more wholeheartedly with those who have said the unfunded liability on the Retirement System is going to have a \$4 billion impact. If we see the amortization schedule out for the full thirty-two years. Some have said there is no other plan. I would differ. I would only ask the

members of the Senate to take a look at our current statutorily set Rainy Day Fund, a fund which is supposed to help us out in those times when our revenues don't meet the projected estimates. That fund, which only has statutory protection, has been used for its statutorily defined purpose once, but yet has been raided over three dozen times for other reasons. So, for those who espouse fiscal conservatism, I'm sorry that I can't put a constitutional amendment in the budget. The Attorney General's office has advised us that's not possible. There is another plan, in fact I have two other plans which have come out of Committee. You will have an opportunity, so if that's what's holding you back tonight, I would implore you, do not shut state government down because we have other options available for you. If we combine together in this congenial atmosphere that I feel now as far as we do want to do what is right, that we don't want to spend the cupboard dry, but that we also recognize the importance of returning some of the money to the hard earned taxpayers of our State. Let me correct another misperception. Some people, I'm not sure where they got the figures as far as the \$50 average to the taxpayers, well, that's incorrect. We have had our analyst run the figures, and as far as into the second year in the tax cap, the average in the second year would be \$163, that's in the second year. As we continue to decrease the tax rate, that \$163 will grow for the average taxpayer. I'm not talking the high end. I'm talking the average taxpayer, for my brother the carpenter in Auburn, as I have told you before, that would take him through quite a few diapers. He could use that money. That's not a trip to the movies, that's not seven trips to the movies, that's half a year's worth of diapers. Those are the essentials that the people of the State of Maine need. Those dollars they work hard for every single day. So, it's important that we give them an opportunity to keep a few more of those dollars. We don't imperil the state, as the good Senator from Androscoggin pointed out, in FY 98 that would be \$38 million, not \$100 million, not hundreds of millions. Nor will this be the fiasco that the Senator from Androscoggin, Senator Cleveland, pointed out as far as sending checks back. No, let's make it quite clear. They will take a look at their income tax return for FY 97, they will take a look at the rate and they will say okay, if I'm earning a taxable income of \$28,000, I will be taxed at this rate, and that rate will be reduced by whatever growth we had in that line. The State won't be sending a specific check back, they just won't be paying as much in their income tax. Will the State still take in the \$676 million? Yes, it will, and it will continue to take that in until we achieve the 20% reduction. This is a reasonable proposal, and for the fiscal conservatives, and I join you in your ranks, there are two other vehicles for us to embrace. I look forward to working with you on that but the issue before us today is are we going to pass a budget and concur with the other chamber and keep Maine moving forward and not shut state government down. That's what I am working for, that's the pledge I have made and that's the pledge I intend to keep.

THE PRESIDENT: The Chair recognizes the Senator from Aroostook, Senator Paradis.

Senator **PARADIS**: Thank you, Mr. President, Men and Women of the Senate. Many, many times I would sit in this Chamber and hear people talk about too much government in my life. So, I made a statement one evening on the floor of the Senate and said that if people really had too much government in their lives to move up to Aroostook County. I could guarantee them they could go for weeks, months, whatever, and see very little, or no, government at all. This evening I hear that there has been this incredible governmental largesse that went out to certain districts where people got tons of money, to the point where now their constituents are saying cut it off, we are getting so much. I cannot believe that we have been, in the County, tightening our belts, doing without forever and ever and a day, and there are some people here in this Chamber whose areas have been inundated with cash that is beyond the beyond. We, in the Transportation Department, know that year after year after year we have been raiding the transportation budget, the highway fund, to balance the budget of the State of Maine. So, the highway system that we still don't have in 1995, from Houlton to the Valley, a reduced highway system, any type of a system that still does not exist, is not about to exist because I'm hearing now that we have blown the money all over the State of Maine, you never got it and you never will, because it's not fair anymore. The people who have been getting this money, it's too late. I'm going back north, and I have to tell them, again, there is not a dime for any of this, but I am hearing this evening that somehow, when the going was great, when the bucks were being handed out, we never got any, for whatever reason. Now, the spigot is turned off, it's still not our turn, and never will be our turn, even when we know that the economic evolution, or development of the County, is predicated on the highway system. In the meantime there is a brain drain. You don't have to worry too much about welfare in the County because people leave. We have a missing generation of children, our beautiful kids that are, luckily, populating a lot of southern Maine communities, and serving southern Maine communities very well. But, I cannot believe that I am hearing that, again, we are going to be doing this and insuring that any type of a highway system, any type of a way to get into the County, is forever being precluded from happening, because we have decided that you all have had plenty of money and now it's time to turn it off.

THE PRESIDENT: The Chair recognizes the Senator from York, Senator Hathaway.

Senator **HATHAWAY**: Thank you, Mr. President, Ladies and Gentlemen of the Senate. I would just like to respond to a couple of comments that I heard. The good Senator from Somerset said that he doesn't know of any businesses that have succeeded when they can't pay their bills. Well, I will say that I have never known a business to succeed when it continues, year after year, to spend more than it takes in. That is exactly what our government does year after year. This year our budget came in with hundreds of millions of dollars of new spending. Thirty-six out of forty agencies has increases in their spending. DEP had a 33% increase. He asked, do we mean business? I would assure the good Senator from Somerset, let there be no doubt, that we do mean business. Tonight will mean a new direction for the

State of Maine. We will, from this point forward, cut spending and cut taxes. To say that the people of Maine will have to pay for these tax cuts could not be any more wrong. It is the people's money. The people will keep their money this year. It is not our money to spend. I would like to say that, as we have heard in past years about tax cuts, particularly of the temporary nature, as I read something from two years ago when it's talking about the temporary tax cuts, asking legislators, would you vote to continue them. We need those dollars so that the property taxes will not increase. Deja vu all over again. It was felt that after two years, things would get better. I would just like to ask the good Senators who responded to this questionnaire, who answered would you vote to continue these taxes, their answer was no. I am sure that Senator Amero, Senator Butland, Senator Carpenter, Senator Hall, Senator Hanley, Senator Harriman, Senator Kieffer will keep their promise. Tonight I would ask Senator Lawrence, Senator Esty, Senator Pingree, Senator Paradis, will you keep your promise?

THE PRESIDENT: The Chair recognizes the Senator from York, Senator Lawrence.

Senator **LAWRENCE**: Thank you, Mr. President. I would ask the President to instruct the Chamber on section 124 of Masons Manual.

THE PRESIDENT: The Chair would direct the Senator from York, Senator Hathaway, to refocus his comments towards the pending motion.

Senator **HATHAWAY**: My apologies, Mr. President, and to my good colleagues in the Senate. But my point is simple. Perhaps there are past bills that have to be paid. I want to remind you that there are past promises that have to be kept. I think those are more important. Thank you.

On motion by Senator **LAWRENCE** of York, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

THE PRESIDENT: The pending question before the Senate is the motion of Senator **HANLEY** by Oxford, that the Senate **INDEFINITELY POSTPONE** Senate Amendment "D" (S-358) to House Amendment "A" (H-628).

A vote of Yes will be in favor of **INDEFINITE POSTPONEMENT**.

A vote of No will be opposed.

Is the Senate ready for the question?

The Doorkeepers will secure the Chamber.

The Secretary will call the Roll.

ROLL CALL

YEAS: Senators: ABROMSON, AMERO, BEGLEY, BENOIT, BERUBE, CARPENTER, CASSIDY, FERGUSON, HALL, HANLEY, HARRIMAN, HATHAWAY, KIEFFER, MILLS, PENDEXTER, SMALL, STEVENS, and the PRESIDENT, Senator BUTLAND

NAYS: Senators: BUSTIN, CAREY, CIANCHETTE,
CLEVELAND, ESTY, FAIRCLOTH,
GOLDTHWAIT, LAWRENCE, LONGLEY,
LORD, McCORMICK, MICHAUD, O'DEA,
PARADIS, PINGREE, RAND, RUHLIN

18 Senators having voted in the affirmative and 17 Senators having voted in the negative, the motion by Senator HANLEY of Oxford to INDEFINITELY POSTPONE Senate Amendment "D" (S-358) to House Amendment "A" (H-628), PREVAILED.

On motion by Senator CASSIDY of Washington, Senate Amendment "C" (S-356) to House Amendment "A" (H-628) READ.

THE PRESIDENT: The Chair recognizes the Senator from Washington, Senator Cassidy.

Senator CASSIDY: Thank you, Mr. President. Good evening Men and Women of the Senate. This amendment that I offered, unlike the previous vote that we just took, does change the funding in this proposed budget, but it doesn't change it by one cent as far as adding or taking away. What this amendment does, it refers to the school funding formula, which is part of your budget package. What my amendment does, it offers the minority amendment to this budget that we are going to be voting on this evening. I hope that I won't need to stand and talk to you as long as we heard the last hour and half debate, so I will try to summarize my thoughts a little quicker, so that you won't be totally tired of sitting here listening to all of us. Mostly, what this amendment does, on the proposal that you saw before you on the majority report out of the Committee, what happens to the funding this particular time is that the funding is shifted to a small percentage of the schools. I think probably the best way to explain it is I went through both proposals, both the majority and the minority proposal, and I noticed that twenty-four Senate districts, and you know who you are, in this minority report, would receive more money than in the majority report. So, I assume then that there must be twelve people in the majority who are going to receive more money than the other twenty-four. Also, on this minority report, if you look at the numbers, you can see that even in some of the schools that are going to gain, rather than gaining 29%, for example, this year they may gain 22% or something along those lines. Obviously, we all look at our own districts, but on education it's a little different situation than just looking at my district. What we are looking at here is a fair and equitable education for all children in the State of Maine. We, in this country, and in our state and in our communities, have put education as the number one priority that we fund to educate our children. We decided that this is the most important thing to us by virtue of the money that we raised in our budgets to do that. As you know, if we who have children, and are educating them, we are paying taxes and our kids are receiving an education, but you folks who have never had children, or who already have your children grown, you're going to continue to pay for education, unfortunately, until the day you die, as we all will. This is kind of a commitment we have all made to our children in this country. As I look at my

district, especially on the majority report on the educational formula, our area, and I represent District four, and as I was talking in Caucus the other day, I looked at Cumberland and York, and I saw that we have eleven Senators between those two counties. I said I'm the only act in town in Washington County. I don't really have a lot of support here, but if you look at the minority report, that particular report was listed by district. I have thirty-eight schools in my district. I use a page and two on the next. None of you even come close to that, even the good Senator from Aroostook, Senator Paradis, although she has a lot of trees up there, I don't think she has as many schools at least. All of those schools in my district are going to lose money again this year. They are going to lose money again next year. They lost money last year. We are looking at cuts in our area where we are going to be losing possibly an art teacher, or maybe a phys ed teacher. When we lose an art teacher we are losing an art program in those small schools. We don't have five art teachers or two phys ed teachers in middle schools. I could go on and on with a lot of examples, but what I am going to do instead is ask you to support this amendment, that we go with the minority report on this funding formula, be fair and equitable to all of the children throughout this State, and I think it would go well to make this budget work and be proud to have a vote on it. Thank you for your time.

THE PRESIDENT: The Chair recognizes the Senator from Oxford, Senator Hanley.

Senator HANLEY: Thank you, Mr. President, Men and Women of the Senate. I rise with some trepidation to speak against the motion that my good friend from Washington County, Senator Cassidy, has proposed, because I do have a great deal of respect for Senator Cassidy and his years of experience in the field of education. I don't think anyone in this chamber has any question as far as his commitment, not only to the students that he has taught, but for all of the students across the state. If I was just to use the printouts that were provided, I should probably go along with the good Senator from Washington, because I am one of those twenty-four Senate districts which would benefit by this proposed amendment. But, as I stated earlier, and I don't wish to belabor this point too long, this is a compromise that has been crafted through the legislative process. As one member of the Committee who has worked to find that compromise, to support this risks putting the \$44 million of additional money for education, nearly a quarter of all additional spending in this budget, has been earmarked towards education. Everyone in this chamber can be proud of the fact that we have put kids first and we have put education first. While this amendment will garner some support from just a dollar viewpoint, I view it in a greater vision, as far as for the entirety of the budget process. There are some who are concerned that if we don't include the school funding formula in the budget, that we will not have these dollars sent forward to our school districts, and that they will continue to be questioning as far as how it's to be distributed and when and if they will receive it. We have to put faith in the legislative process. While we may not get everything we want, hopefully, in the final

analysis, we'll get what's in the best interest of all of the people of our state. For that reason, I move the Indefinite Postponement of this amendment.

Senator HANLEY of Oxford moved that Senate Amendment "C" (S-356) to House Amendment "A" (H-628) be **INDEFINITELY POSTPONED**.

THE PRESIDENT: The Chair recognizes the Senator from Sagadahoc, Senator Small.

Senator SMALL: Thank you, Mr. President, Men and Women of the Senate. I hope you will support the Indefinite Postponement of Senate Amendment "C". The Education Committee worked, I don't know if as long and hard as the Appropriations Committee did, to come up with an agreement, but we did work many hours and we spent days and days going over different variations of the funding. We spent a couple of months just getting familiar, for some of the new members, with how the funding formula works. Then we spent a couple of months talking about what we wanted to see in the new funding formula, and then we went through a process of trying to come together and at least get a majority, if not unanimous, to go along with a new funding proposal. When the Education Committee approached the task of a new funding formula we agreed on a couple of basic principles. We wanted pupil equity, and that was tied very directly to taxpayer equity. This focus tied to the ability to pay, not the willingness to pay, which runs the gamut across the state, but the ability to pay. The old formula used only property valuation to determine a community's wealth. Our new formula will add income and cost of living as additional determinates in a community's ability to pay for their children's education. With the help of the Governor and a facilitator, the committee, representing diverse regions of the State, agreed on income and COLA being introduced into the formula. We compromised by increasing the local mills required for operating costs to be increased from 4.93 to 6.06 mills. This doesn't sound very significant to the rank and file, but it increased the amount of education dollars that go through the formula, and it favored the low property value districts, which are the high receivers. So, the low valuation communities got an increase in the required local mill rate, and the high property value communities got a 15% weight for income and COLA. It is important to understand in the majority report, income and COLA are combined. COLA is not part of the minority report. We had an expert come in from Market Decisions to come in and speak to our Committee about the affect of that income without cost of living. This is the major difference between the two reports. Mark Ayerman's main point about income and cost of living adjustments is that neither is effective without the other. The income factor measures taxpayer resources available for all funding needs. The COLA factor measures taxpayer cost of living in different areas of the State. The net of the two produces a more accurate picture of taxpayer resources available to fund education than income alone or property valuation alone. He also made it clear that income without the cost of living adjustment is untrustworthy. He advised the Committee not to use income alone and added that pure property valuation, though flawed, would be preferable to property value and income only. Even

though the Committee agreed to introduce income and COLA into the formula for future years, we still had to overcome the dilemma of how to distribute next years dollars. Here it is, June 27, most local budgets have been set and voted on, and the legislature is still deliberating over how the source of distribution method. The Commissioner of Education sent out proposed allocations in February that were based on current statutes at the proposed funding levels, which included Governor King's 2% and 3% increases for fiscal year 96/97. The majority of the Committee finally decided, eleven members, the best and most reasonable course of action was to use the budgeted amounts and try to push in those hardest hit by reductions from last years subsidy. So, the majority report phases in income and COLA, and allows next year's subsidy, the one probably already voted on in your local budget, to remain as anticipated, except for districts that lose more than 3% of their budget from last year. We added \$2 million more to the formula to cushion any school district losing over 3% of their budget from fiscal year 1995 to 1996, and that are making at least a seven mill effort. The majority felt if you are making under a seven mill effort, which is below the State average, you can afford to make up the loss between the two years. But if you were losing, say 5% of your allocation from last year, and you were already making a seven mill or greater effort, we will provide additional dollars and cushion the loss to no more than 3%. We also took \$1.5 million off the top and put it into transportation costs to help the rural school districts who rely on busing of their students.

Some will argue you are still losing money next year from this year, and for some cases that is very true. If you look at the printout you received that is labeled Plan 8 - Fiscal Year 96, and I know you had a hundred printouts that came by, but this was one of the long ones, it had a column four, which showed the pupil loss or increase over last year to this year. In column five it shows the valuation increase or decrease. If you lost students and gained valuation, you lost money. That's how the formula works. Many districts were cushioned from this loss in the previous two years by cushions the legislature passed. The fifty-fifty cushion in 1994, and the sixty-forty cushion in 1995 helped districts experience the loss to make plans for the decrease, or to make the necessary cuts or tax increases over a number of years, instead of just one. But the time has come to accept the changing conditions. An increase in local valuation means a decrease in State aid. Likewise, a drop in local valuation means an increase in State aid. Even with the income and the COLA the major determining factor in the amount of school subsidies school districts receive, will still be local valuation and number of students. The addition of the 15% on income and COLA will help stabilize the amount districts receive and lessen the swings we saw in the eighties and early nineties, as valuations soared and plummeted. You may wonder, you may ask, is this the perfect funding plan? My answer will be, no, there is no perfect plan that helps everyone. At least not with our present funding levels. But it does direct some aid to the schools that are bearing the greatest burden and local property tax dollars. There are communities where the median income taxpayers in that community pay as little as one half of one percent of their income for

education, and there are other communities that must raise five percent of their income for education. This new funding formula will lessen the gap in local support for education. It will not bring parity. Our work is still ahead of us to convince local districts that education funding is a priority for them, as well as the State, but we also need to assist those who have borne the burden to the point they can no longer afford to pay. I hope you will accept the majority compromise report and reject the minority amendment. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Washington, Senator Cassidy.

Senator **CASSIDY:** Thank you, Mr. President. I would like permission to pose a question through the Chair. I was just wondering if the good Senator had any idea what community the expert that was brought in resided in.

THE PRESIDENT: The Senator from Washington, Senator Cassidy, has posed a question through the Chair to any Senator who may care to respond. The Chair recognizes the Senator from Sagadahoc, Senator Small.

Senator **SMALL:** I do not.

On motion by Senator **CASSIDY** of Washington, supported by a Division of one-fifth of the members present and voting, a Roll Call was ordered.

THE PRESIDENT: The Chair recognizes the Senator from Waldo, Senator Longley.

Senator **LONGLEY:** Thank you, Mr. President, Colleagues in the Senate. For those members in this Chamber who were on the Education Committee, I have been noticing how hard you have been working and there is no place I would have rather been this session than there with you. This is my best attempt at shaping the policy around education funding. The history of education funding has been a tug-of-war, it seems to me, between equity for students and equity for taxpayers. I think both deserve attention. What I don't understand is when I'm in southern Maine, visiting family and friends, and as I drive north, it certainly seems to me that the ability to pay seems to decrease with each mile. You just look around you and you realize the differences. I don't understand how Waldo County, where there is a lot of trailers and shacks, and I invite every one of you to the schools in Waldo, the town of Waldo, and what it is those parents and kids have had to give up. I invite you to come and see, and how we come up with a so-called equitable formula, that hits us in the gut to a tune of over half a million dollars, a \$517,000 difference. We were all excited about income being factored in, the average income is \$18,000, 22% of our children live in poverty. We factor in income, we don't have a lot of property wealth, and we end up losing over half a million more in the process? I applaud your attempt, but I question the results. For that reason, I will be supporting the amendment. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Penobscot, Senator O'Dea.

Senator **O'DEA:** Thank you, Mr. President, Men and Women of the Senate. I would begin my brief remarks by congratulating the Senator from Sagadahoc, Senator Small, for the work that she, and the rest of her Committee, did on the school funding issue this year. As the former Chair of the Committee, I, too, spent a few hours embroiled in that topic and can tell you that it is a thankless task. The worst part about it, and probably the most thankless part of all, is bringing a Committee's report to the floor and to try to get any substantial number of people up to speed on what is contained in the document, and to try to get legislators to focus on the real issue, which is the formula and the public policy behind the numbers. I was sitting here, over the course of the past couple of days, and the Senator from Washington, Senator Cassidy, and a couple of others have been walking around trying to figure out what to do with this issue. I was trying to explain it to a colleague of mine just how I saw it. They asked me about equity. I looked at the two plans and I realized that both plans are quite equitable. They really are. But they are striving towards slightly different ends. While neither is perfect, and both reflect a great deal of work, it's important to recognize that the ends they are striving for are not maybe the ends that are most apparent on their face. The Committee report, and I don't wish to take anything away from it, because the Committee really did a good job of bringing some new factors into the formula that haven't been considered before. The Committee report takes another step towards achieving taxpayer equity, something that has been wanting in our school funding formula for a number of years. When presented with the choice tonight between the majority report and the minority report, I would ask you to think about a different kind of equity, student equity. I would just ask you to look at the printout on the minority report, only because it breaks down by geographical region, rather than by letters of the alphabet, the affect of the minority and majority reports. As you page through this, and look at what happens in the counties of Aroostook and Piscataquis and Penobscot and Washington and Oxford and others, you will see that what this majority report represents is a further acceleration of the shift of school funding money to the southern part of the state. Before my good friend from Cumberland, Senator Rand, jumps to her feet, I will tell you that there is a reason for that, and it's legitimate, and they have some very legitimate taxpayer issues and student equity issues in the southern part of the state. But let's look at where the money is coming from. It is largely coming from those communities that are the least affluent in our State. If you look at the fourth page of the minority report, and look at SAD 77, East Machias, one of the least affluent communities in our state. They have been hammered year after year after year. In communities in Aroostook and Piscataquis it's the same story. Education funding, many times, comes down to a battle between the north and the south. Two years ago I sat on the Education Committee as we dealt with the school funding issue. This session I sat on the Committee on Criminal Justice. They got to deal with what are, in many ways, the failures of our educational system. The children that are affected by the decision that we will make tonight, are citizens of our state and we will either enjoy their success or we will suffer through their failures. If

you look around this state at what are the least affluent communities, and the resources that those communities have to educate their children with, I think that you may come to the same conclusion that I have, which is that we cannot afford to send more dollars to the more affluent communities. This is probably one of those times when property taxpayer equity can, should, and must take a backseat to student equity, I would ask you to support the Senator from Washington in his effort tonight. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Piscataquis, Senator Hall.

Senator **HALL:** Thank you, Mr. President, Ladies and Gentlemen of the Senate. If I stumble tonight it is because I am tired. I am extremely tired this evening. These long days are catching up with all of us. I can only echo what the Senator from Penobscot and the Senator from Washington said. I watched very intently this spring as the Education Committee met and asked almost daily what the progress was, because back in Piscataquis County and western Penobscot, times have been very tough for the last few years. Every year they have taken more and more cuts. The calls at home, the letters that come, the people on the street, the people that come to my house say "Senator, what can you do? Don't they realize in Augusta what they are doing to us up here? Don't they realize that our children are not getting the same quality education that they are getting in other parts of the state?" I said I think they do. I tell them. Yes, we will all stand here and beat for our own districts, \$44 million more going into the educational funding. It was mentioned that we should be very proud. I guess so. But, I go home, we're not getting any of that. As a matter of fact we are going to take another cut of over \$1 million. A cut that we can't take. We can't go up on our property taxes because the people can't afford to pay them. They can't afford what their taxes are now. Go talk with the Town Manager in Milo, see how many tax liens there are on property in that small town. We reached the end of our rope last time. We have fallen off the rope this time. I don't know what to tell them anymore. Please vote against the pending motion of Indefinite Postponement. Think about it, think about it long and hard before you vote.

THE PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator McCormick.

Senator **MCCORMICK:** Thank you, Mr. President, Men and Women of the Senate. I really appreciate Senator Hall passing out this yellow sheet, but I believe that the discussion that we are having tonight, which compares the majority report and the minority report to each other, is invidious at best, and that what we should be looking at, after two months of negotiations that I also followed carefully, by the very diverse group of people that were sitting on the Education Committee, and I appreciate what must have gone on in that room, what we should be looking at is column 2A, under the majority report. Those of you who have it, if you were to flip through this and look, increase from column 2A, which is increase from what Superintendents thought they were going to be getting. If you flip through that it is almost an increase or zero for every town, and very rarely is

it a hit for any town, and usually those are Plantations that get a lot of other money. So, I think we are looking at the wrong thing. We have a hard fought compromise. We have a compromise that gives a needed amount of money to southern Maine. I am a high receiver district. I represent every single town as a high receiver district, I want you all to hear that. I would do better under the minority report probably, but I look at the make-up of the people on the Education Committee, and I know, from being through this discussion before, that that's the hardest argument that we have here. Thank you.

THE PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Esty.

Senator **ESTY:** Thank you, Mr. President. Our goal, on the Education Committee, was to develop a fair plan to distribute the education funding dollars that were available this biennium and into the future, as well. We wanted to bring everyone together to again create one Maine and to avoid the brutal bloodbaths and deviousness of the past. We were able to do that. We worked hard and fought hard for four months. In the end we had a plan, we met our goal and we avoided the historic battles of the past. We developed a plan supported by Committee members from the north, Committee members from the south, Committee members from the east, and Committee members from the west. That consensus determined that it was fair and it was based upon our goals and principles. This amendment destroys that agreement. This amendment pits one individual need against another. It's an incomplete piece of work based on satisfying individual interests. Let's avoid creating two Maines again, by defeating this amendment. Thank you.

On motion by Senator **KIEFFER** of Aroostook, Tabled until Later in Today's Session, pending the motion by Senator **HANLEY** of Oxford that Senate Amendment "C" (S-356) to House Amendment "A" (H-628) be **INDEFINITELY POSTPONED**.

Senator **KIEFFER** of Aroostook moved to **SUSPEND THE RULES** to **EXTEND** until 9:30 o'clock this evening.

THE PRESIDENT: Pursuant to Joint Rule 12, the affirmative vote of two-thirds of the members present and voting is necessary to transact business after 9 o'clock p.m.

The Chair ordered a Division.

Will all those in favor please rise in their places and remain standing until counted.

Will all those opposed please rise in their places and remain standing until counted.

31 Senators having voted in the affirmative and No Senator having voted in the negative, and 31 being more than two-thirds of the membership present and voting, the Rules were suspended and the following proceedings were conducted after 9 o'clock p.m.