

# MAINE STATE LEGISLATURE

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One Hundred and Twenty-Fifth Legislature

State of Maine

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

**REPORTS OF COMMITTEES**

**House**

**Ought to Pass As Amended**

The Committee on **APPROPRIATIONS AND FINANCIAL AFFAIRS** on 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, 2012 and June 30, 2013" (EMERGENCY)

H.P. 778 L.D. 1043

Reported that the same **Ought to Pass as Amended by Committee Amendment "A" (H-620)**.

Comes from the House with the Report **READ** and **ACCEPTED** and the Bill **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (H-620) AS AMENDED BY HOUSE AMENDMENT "A" (H-636)** thereto.

Report **READ** and **ACCEPTED**, in concurrence.

**READ ONCE.**

Committee Amendment "A" (H-620) **READ**.

House Amendment "A" (H-636) to Committee Amendment "A" (H-620) **READ** and **ADOPTED**, in concurrence.

On motion by Senator **ROSEN** of Hancock, Senate Amendment "H" (S-324) to Committee Amendment "A" (H-620) **READ**.

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

Senator **ROSEN:** Thank you Mr. President. Men and women of the Senate, this amendment is a technical correction. This was caught by our friends in the Fiscal Office downstairs. It makes a couple of technical adjustments to the bill. One, if there is a provision in the Committee Amendment that talks about a date specific for teacher retirement and it uses the phrase "on or" as it relates to this particular date, this amendment removed the "on or" because, if left in, it would force people to act a month earlier than was intended in the bill. It is simply a correction there. The other two components of this deal with the proper administration and treatment of bonus depreciation and capital investment credit. I ask for your support for these technical adjustments to the bill.

On motion by Senator **ROSEN** of Hancock, Senate Amendment "H" (S-324) to Committee Amendment "A" (H-620) **ADOPTED**.

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

Senator **ROSEN:** Thank you Mr. President. Men and women of the Senate, I would just like to say a few words before we begin our discussion of the Committee Amendment as amended by the two technical amendments, one from the other Body and one from this Chamber. There is an old English proverb that says, "Smooth seas do not make skilled sailors." Ladies and gentlemen of the Senate, after the past few months of budget work, I can assure you that we have an Appropriations Committee that is ready to win the America's Cup. While I want to focus today on the key components of the budget, I would be remiss if I did not begin with a sincere thank you to my colleagues in the Senate, the Senator from York, Senator Hill, and the Senator from Kennebec, Senator Katz. Working together with a truly remarkable group of members from the other Body, we were able to craft a budget, let me rephrase that, we were able to craft a unanimous budget in the most difficult of times. For that, I express my sincere thanks. I also want to express my sincerest gratitude to the staff who corralled that chaos we created and delivered it packaged to our desks. My thanks to Carol, our clerk, Maureen our analyst, the proofreaders, the bill techs and the attorneys in the Revisor's Office, and our own partisan staff who was there with us night after night, as well as the Governor's staff and a group of first rate commissioners who helped us navigate some extremely difficult times. However, I know I speak for the entire committee in expressing my sincerest thanks to the folks in the Fiscal Office. In short, they have been our compass. Grant Pennoyer and his team are truly remarkable. We are indeed lucky to have such dedicated and talented staff. I sincerely thank them.

Without decisive action, today we are poised to face a looming \$900 million shortfall in the next biennium if we take no action. In my view, the shortfall was caused by four drivers. A significant increase in our public pension costs. The loss of hundreds of millions of dollars of one-time federal dollars used to plug the last budget. Record high enrollment and use of our social safety net programs and stubbornly high unemployment from a tepid and slow economic recovery. In February, the Chief Executive presented a budget proposal full of policy initiatives, which challenged all of us, pushed up against conventional norms, and forced us to examine problems we have struggled with for years. I believe the committee process was open and transparent. We held five weeks of public hearings, listening to 110 hours of testimony from hundreds of citizens. This budget, for me and I know for many of you sitting here today, needed to accomplish four fundamental things. First, to confront our debts and obligations in a way that lifts these fiscal woes from future generations. Second, to provide real tax relief to job creators and working families. Third, to reward hard work and personal responsibility while protecting and funding and improving the safety net for Maine's most vulnerable. Fifth, to fulfill the fundamental obligations of government.

When this budget becomes law every person sitting in this Chamber will be able to look their constituents in the eye and say we have placed the state in a stronger position. This priority was shared by all. There was no partisan divide on this issue. Over the next 17 short years, the State is obligated to retire an unfunded liability in our pension system of \$4.1 billion in current dollars. The pension savings proposed in the Committee Amendment will reduce our unfunded actuarial liability from \$4.1 billion to \$2.4 billion while maintaining the current benefit design. We do propose a three year COLA freeze and a future COLA cap of 3% on the first \$20,000 of retirement income. To help off set

the freeze, we include a provision for a direct payment for an ADHOC COLA for the years 2012, 2013, and 2014 directly from the budget. In addition, this proposal does not rely on even one State shut-down day and does not propose any additional employee contributions towards retirement costs.

It's not enough to simply shape a budget that fixes problems in the future. There are a lot of folks in Maine right now that need incentives to create jobs or to simply reduce the tax burden so that they can keep a little more of their paycheck each week. I'm sure that it will come as no surprise to any of you that, once again, there really wasn't a partisan divide on the issue. The exact amount and how we paid for it required a significant amount of give and take, but we succeeded. When we head home after we adjourn, hopefully very soon, the message to your constituents will be clear. We lowered taxes for all Mainers and we created incentives for Maine businesses to keep the jobs we have as well as to create new jobs. I think one of the most difficult parts of the budget surrounded this notion of personal responsibility and making sure that Maine families have a safety net when they need it most. I should note that there was never any doubt that protecting the safety net was critical. The struggle for the committee came when we had to choose, or I should say define, "needy." In the end we agreed to restore many cuts, but not without restrictions. In short, we redefined "most needy" so that it also included an element of personal responsibility. It is important to note that this budget back-fills hundreds of millions of dollars of one-time federal money used to temporarily fund Maine's Medicaid program in the last budget.

Let me close by once again thanking my colleagues, Senator Katz and Senator Hill. Frankly, this process has been one of the highlights of my legislative experience and, as I serve in my final term in the Maine Senate, I'm very proud to have been part of this budget process and, of course, a unanimous committee report. I'd like to close by directing my comments to my colleagues who are not term limited and will, hopefully, be returning for another term. There is a saying, "To whom much is given, much is expected." For those of you returning, you have a budget that reduces one of our largest and most oppressive liabilities while protecting future generations. You have been presented with a budget that lowers the tax burden for all Maine people. You have a budget that keeps Maine's commitment to protecting our most vulnerable, but also asks them to take on more personal responsibility for the services that they receive. Finally, remember that in voting for the budget you are being asked not just to push the green light, you are being asked to push the reset button and to put Maine in a stronger position for the future. Thank you, Mr. President.

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

**Senator HILL:** Thank you Mr. President. Ladies and gentlemen of the Senate, it seemed like this day would never come, so I'm very glad it's here and I'm so glad to have a chance to speak to you. I have been truly privileged this year to serve as the Democratic Senate Lead on Appropriations and I thank leadership for that. This gave me the opportunity to do the people's work alongside some of the finest and most hard working legislators. First and foremost, I cannot say enough about the thoughtful and the professional manner in which the good Senator from Hancock, Senator Rosen, conducted himself as Senate Chair. He was unflappable and he made the difficult

task of creating a budget a fair one. I thank him for that. The good Senator Katz, he was my seatmate and an absolute pleasure to work with and he embraced his duties and his fellow committee members with all the talents that he brought to the process. For that I thank you Senator Katz. Our House colleagues were always committed. They impressed me daily with the hours they labored and the respect they showed for the public. In particular, the House Chair, Representative Flood, and the House Lead, Representative Rotundo, had such passion for the budget process and the goals of their caucuses that they inspired us all to have the same. Our work was built upon a collaboration of effort, knowledge, and support of the wonderful staff of OFPR, our fantastic committee analyst, and our clerk. No less important or valuable were the heads of the departments and the agencies and their staff that made themselves available around the clock to answer our gazillion questions and concerns. Finally, there is a whole group of unsung heroes who, though not on the Appropriations Committee, were so dedicated to their own committee's concerns and issues that they worked side by side with us day, night, and weekends to build a budget that was sensitive as best as possible to the needs of all Maine people. Six hundred and thirty-seven pages and two thousand line items later, here we present to you the 2012 and 2013 biennial budget.

Four months ago a budget document came down from the Governor's Office, and we have to thank him and his staff for their hard work to present us, the Legislature, with a starting point. Since then, this complex document, after weeks of public hearings and input from the public through hearings, letters, e-mails, and phone calls, morphed many, many times. Today the fact is that it is everybody's document and it's going to guide us over the next two years. This is a budget of compromises and it does some of the following. It takes care of our most needy; the sick, the disabled, and the poverty stricken. It helps transportation. It keeps funding for our treasured MPBN. It honors our education system with additional funding and expansion of our successful community college system and the creation of a school for at-risk students. It increases our safety systems with additional State Troopers, drug enforcement officers, and court personnel and programs. Very importantly, it thanks our State employees for their part in helping us through some of the most difficult times by restoring them the furlough days we had taken and by funding many of them who have new reclassified positions. It provides a sustainable path for the State pension system while at the same time it eliminated the original proposal of a 2% employee contribution and the need for retirees to pay for their health insurance. It also maintains general assistance to our municipalities and it restores revenue sharing to its original formula after the next two years. It also does so much more and, as you've heard from the good Senator Rosen, it's a long and complex budget with many moving parts. All of this presents us today with a budget that was built on consensus between Republicans and Democrats. I really have to thank the Republicans for treating us as equals at the table. There were only five us and there were eight of you, but we never felt the numbers. My fellow Democrats, those in this Chamber and those listening, I want to tell you, don't you make any mistake about it, there is a huge, huge Democratic handprint on this budget. Nonetheless, there are parts of this budget that people are just completely not pleased with. The second floor is not completely pleased. The other Chamber is not fully pleased. This Chamber is not fully pleased. The Republicans are not fully pleased and the Democrats are not fully pleased. Given that this is a budget

resulting from much give and take, not being fully pleased is fully expected. I thank you for your time. I thank you for your support over the months. I encourage you to vote for this budget. Thank you, Mr. President.

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

Senator **KATZ:** Thank you Mr. President. Men and women of the Senate, how lucky am I? I get to spend hundreds of hours sitting between Senator Hill and Senator Rosen. This was my first biennial budget as a freshman member of this Body and it was my honor to serve on this committee. I thank the good President for that opportunity. I'm working on my term paper; what I learned on my winter vacation in Appropriations. Here's what I learned. The first thing is that in order to reach a consensus on a \$6 billion General Fund Budget, nothing gets done without great leadership. I sat between two great leaders; between Senator Rosen of Hancock and Senator Hill of York. In our final days, Mr. President, I learned that significant budgets don't get passed without the assistance of leadership of the Senate; both you, Mr. President, and the good Senator from York, Senator Courtney, as well as the esteemed leaders of the Minority, the Senator from York, Senator Hobbins, and the Senator from Cumberland, Senator Alford. In thinking about this, I realized that three of those people are from York County. I'm not sure what's to be drawn from that. Also, nothing gets done without the great staff that we had assisting us, as the good Senators have already pointed out. The leadership did not attempt to insinuate themselves in the process of our committee, but yet were there to offer guidance and assistance in a very helpful way on both sides. I also learned about the vast scope of state government; everything from State Police to our laboratories and everything in between, and that well over half our state government operations are not funded by General Fund dollars, but by federal dollars and other revenue sources. I also learned that a good budget starts with the Chief Executive and it continues with the thoughtful input of all the subject matter committees that are represented in this Chamber who go through their portions of the budget line by line by line and report back to us with their priorities and their thoughts. I can assure you that all of those were taken very, very seriously by the Appropriations Committee. It also takes, on the Appropriations Committee, people of good will from each party. Here one sees the playing out for weeks of the tensions all of us feel from time to time between fighting for what we believe are our core values and our core principles, at the end of the day realizing that compromise is not a four letter word, either literally or figuratively. There are 184 of us here on this floor and very little can happen without compromise.

A couple of days ago we had to be exposed to the unfortunate references of the Senator from Aroostook, Senator Jackson, about Ozzie Osborne, which conjured up images of a performer's unspeakable behavior on the state. I was looking for some other analogy for this evening. I thought of a kinder and softer image of Goldilocks and the Three Bears. Like Goldilocks, some will find this budget too hot, that may be there should have been more money for general assistance for schools or more revenue for revenue sharing or more money for highways and less money on other things. Maybe some will find it too cold, that we didn't do enough to cut state spending or we didn't do enough to bring down the unfunded liability in our pension system. Thirteen of us, plus eight from leadership, found that, individually

for each of us, that maybe it needed a little more salt, maybe it needed a little less pepper, but you know what, it's just about right. Each of us in this room ran for office and knocked on doors. Whether we are Republicans or Democrats, I think we heard the same thing. People weren't happy with the direction our state is headed in, that being the oldest state in the country was not something we were proud of, that having one of the worst business climates in the country was not something that we were proud of, and that was not going to continue if we were to have any chance of keeping our children and our grandchildren here. This budget, as the good Senator from Hancock, Senator Rosen, the good Senator from York, Senator Hill, have pointed out, makes some significant policy changes. These are not Republican changes. These are not Democratic changes. These are bi-partisan changes. I urge everybody's support of this budget this evening. Thank you, Mr. President.

On motion by Senator **WOODBURY** of Cumberland, Senate Amendment "C" (S-316) to Committee Amendment "A" (H-620) **READ.**

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

Senator **WOODBURY:** Thank you Mr. President. It was quite heartwarming and moving to hear about the wonderful work done in Appropriations. I watched a lot of it and appreciated a lot of it and know that all of the members of the committee compromised, and I appreciate the compromises that they were able to make to get to this point. I want to talk about some general thoughts about the budget, some remaining concerns that I have, and where this amendment that I've presented helps to address them. Early in the session, before we directed our attention to the next biennium, we had a supplemental budget for the previous biennium. That supplemental budget was made possible by a reprojection of revenues to the State that said we were going to have \$116 million more than we thought we were going to have for the current fiscal year that we're just finishing. The supplemental budget that was presented to us said we need to get ourselves out of the significant debt that we're in. It allocated almost the entire \$116 million to addressing the hospital debt, a debt that, clearly, we made to hospitals and wanted to get out from under that debt. I can't remember if it was entirely unanimous, but I think it was at least close to unanimous, that we all agreed that was a good thing to do here. That brought us to or that set the stage, I think, for our beginning to evaluate the budget for this coming biennium. The framework of the budget proposal that was brought to us was one which highlighted another very large piece of our debt, again trying to get us out of the hole, to fix and to make our budgets more sustainable for the long term. That, of course, was our pension debt. What differed about the proposal for the pension debt was it was not a proposal to indisciplinately pay off the debt, but rather to redefine it in a way that, in fact, said the debt was smaller. It did so not just by talking about changing the pension system for work that people would be doing from today going forward, but also going back, retroactively, and saying that we're going to treat past work in a way that is different than we said we were going to. It was a different approach to dealing with a debt problem than we had used when we were talking about the hospital debt. Here we are today with a budget agreement that allocates spending across the competing needs of government in a way that the 13 members of the

Appropriations Committee and party leaders found to be reasonable. I so honor the collaborative process and the sense of compromise that brought us to this point.

Here's my but and the reason for my amendment. The but is that this budget, as has been expressed already, is not just a allocation of the budget, but a major policy reform document in at least two policy areas; that's the pension system and taxes. I realize that hearing a floor amendment when we're about to pass the budget, I'm not going to substantially change pension policy or tax policy with an amendment here. This amendment is really a smaller piece, but I'd like to advance it nonetheless. Let me begin with the pension aspect of my amendment and my concerns with the pension policy changes that, at this point, are in the budget proposal. Let me say at the outset that I have been an enormous advocate for pension reform. This is something that I would say about the Social Security system, about private employer plans, and about the State plans. We cannot, as a country, continue to think that age 62 is the normal retirement age. It's not a sustainable retirement age when life expectancy at age 62 is more than 20 years. I absolutely believe that we need changes to our pension system going forward. The principles that I would have advanced for pension reform have three key aspects, none of which are in the current plan and part of the reason for my amendment. Principle number one, I think there needs to be a very bright line between how we treat years of service that people have performed for work they've done all the way up to today versus the way we treat years of service and work going forward and making that bright line different, I think, is a very important aspect of pension reform. Second, I think that, to the extent that we are taking away something, we're going to have a less generous pension policy, I would like to allocate the burden of the change incrementally more heavily to those who are incrementally further away from having to retire. Those, for example, who are in retirement or on the eve of retirement, I would rather not impose a lot of harm on that population, but the further you are away from that, the younger and younger you are, I think you can be affected less dramatically by reforms because you have more time to plan and change your behaviors and so forth. That is the second principle. The third principle recognizes the importance of cost of living adjustments in the design of a pension plan. Remember that the plan that we have in place for State employees and teachers in Maine is instead of Social Security. The large majority of the workforce nationwide has a Social Security benefit which is fully inflation adjusted. We, in Maine, have chosen to have a system that is outside of Social Security and that makes the presence of a cost of living adjustment particularly important. As you know, with a COLA the buying power of a pension gradually erodes over time as inflation in prices takes place and that erosion is most significant for people who live a long time. It's a compounding in the erosion of the buying power. I would argue that in a reform you want to preserve the COLA almost more than the baseline level of the benefit because people can plan to work to the appropriate time to have a baseline level that is appropriate, but once they are retired that's when you want the insurance and the COLA is providing the insurance. The reform that is in the budget is a reform that really does just the reverse of what I would have envisioned from these three principles in that it puts the greatest burden on those who are already retired or on those who are on the eve of retirement. It does that because it really quite dramatically reduces the COLA amounts. Everybody in the Chamber, I'm sure, has been briefed on the details of what the

COLA changes are. There is a three year freeze at the beginning, a 4% maximum adjustment in current laws reduced to 3%, and it's applied only to the first \$20,000 of income. Together these changes make quite a big impact, again, that affects most of those who are already retired or on the eve of retirement.

To just help myself in trying to figure out how important this was and the magnitude this was, I put together the handout that went around a little while ago that looked at somebody retiring at age 62 today and what their pension would be under current law versus under the reforms that are in the pension system. You will see it's a lot less. For example, a person who retires with a pension that is \$20,000 today by age 70 the amount they would be getting annually is about \$2,500 less under the proposed change than it would be under current law. This is somebody who's been in the system and was sort of expecting one policy and it's being changed. This corresponds to a decrease in the buying power of the pension by age 70 of 90%. The decreases, of course, are much larger if you're beginning pension is more than \$20,000 because only \$20,000 is subject to inflation adjustment under the new system. Perhaps even more importantly, if the future levels of inflation turn out to be higher than we project, higher than the 3% average that we've had for some time, where we go to a 4% average, the erosion of buying power would be much more dramatic. My amendment is far less than the comprehensive sort of pension reform than I envisioned, but the amendment would simply raise the amount of income that is allowed to be adjusted for the COLA from \$20,000 to \$25,000. That's a piece of it. Again, it's a small step towards what I think would be a better policy, a better policy that I feel would focus much more heavily on the years of service going forward for people who are still working rather than focused on the retirees, but this is at least a small step towards restoring that.

Let me return now to the second major area of policy that the budget addresses, and that is tax policy. Again, this is an area where I have been eagerly involved in thinking about how a reformed tax system should look like. The absolute biggest piece, I guess there are two things, but the absolute biggest thing that I would advocate for, and I've done so again and again, is lowering the top income tax rate. Our income tax rate of 8.5%, I think, is a seriously bad signal for the success of our economy. I've also suggested that reducing spending, reducing overall spending, alone cannot get very far in lowering that top rate. What we really need is a reweighted system that down-weights the amount of revenues that we take from income tax and makes up for it through consumption taxes. There are lots of reasons why I think a State tax code is better with that kind of a reweighting. Here we are with a reform that is a tax policy reform that, once implemented, will have a revenue loss of nearly \$200 million per year. With that, all we've accomplished on this important goal of reforming the system is lowering the top rate from 8.5% to 7.95%. Part of my concern is just a missed opportunity. If we are going to put in place a \$200 million a year tax cut let's at least use that tax cut to leverage a reweighting of the system that gets us a lot lower than 7.95%. I've worked on many proposals that have 4% income tax rates by reweighting the system that don't even inject that extra \$200 million of tax cuts. With the \$200 million of tax cuts, I am absolutely sure we could have a reform that would lower our income taxes to something like in the 4% or lower range rather than the 7.95% range. I'm just troubled that we're doing this as the reform.

What does my amendment do? My amendment just puts off a little piece of the tax reforms that are proposed in the budget.

My amendment retains the lowering of the top rate from 8.5% to 7.95%. It retains the conforming to the federal exemption and the conforming to the federal standard deductions. What it takes out is the rate reforms in the middle. It puts back in our current rate structure of 2%, 4.5%, and 7% instead of this new flat 6.5% rate. With the idea that the reform discussion really should be conducted in a more global way, rather than kind of advancing this semi-reform, I'd really like to use the opportunity to look at a much more substantial reform. These two pieces together, the pension piece raising the amount of pension income that is eligible for cost of living adjustments from \$20,000 to \$25,000, has a cost to the biennium budget of about \$26 million. Removing the tax reform piece that eliminates our 2%, 4.5%, and 7% rates and does move ahead to the 6.5% saves \$37 million. My amendment has a net positive \$11 million for the biennium budget, which I know can be put to good use either with other tax reductions or things on the table or other needs that we may have as a state. That's my amendment and I encourage you to adopt it. Thank you very much.

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "C" (S-316) to Committee Amendment "A" (H-620).

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

Senator **ROSEN:** Thank you Mr. President. First of all, I want to make perfectly clear the enormous level of respect that I hold for the expertise of the Senator from Cumberland, Senator Woodbury, in a whole range of matters, but in particular in matters that relate to economics, tax policy, and pension policy. I know these are issues that the Senator has actively been involved in during his service in both this and the other Chamber. I wouldn't, for a minute, begin to diminish his expertise in these areas or his sincere desire to make improvements. I am, however, compelled to remind folks that, as we have gone through this process in the committee to develop the final product that is before you, we started with a proposal that we spent a tremendous amount time examining, both in the tax and pension and health benefit arena and came to the final product, which makes modifications and changes. I'd just like you to realize that the proposal that is before you, first of all in terms of the pension benefit, we do not propose any changes in the benefit design itself. We spent a tremendous amount of time in committee with the experts from the retirement system, learning more and more of the different components that make up the actual design of the pension benefit. It was our determination that we would not go there and we would not, in fact, change the elements of the components of how the actual benefit is designed. As you've seen, the effects of the proposal that's before you does reduce the amount of the adjustment on a go forward basis when looking at cost of living. Our impact is a reduction of the increase as opposed to a redesign of the current benefit. I think that's important to point out. It's also important to mention that the comprehensive nature of the proposals that we received allowed us to get a sense from people that appeared before the committee and communicated with us of the priorities. The original proposal from the Chief Executive, for instance, called for individuals retiring before Medicare eligibility age, age 65, in effect they would no longer receive health insurance until they reached age 65. That was probably the number one issue that we heard

from both the active workforce and even the retired workforce in terms of objections. We responded to that and that was removed from the proposal. There were objections to increased participation in premiums for retirees with the health benefit. That was removed. There was strenuous objection that we heard as we examined a proposal to increase the employee contribution by 2%, the active employee contribution. That was also removed from the proposal. I think the work of the committee has been careful and has meant to reflect the priorities of the populations that are directly impacted and those members in the workforce that look to the future.

In terms of the tax package, again we have a piece of work that is produced from both hours of compromise, examination, and a thorough review in the Taxation Committee, the policy committee itself, and then within our own committee to, once again, come up with what we saw as a comprehensive negotiated package. It's very difficult, at this point, to begin to pull pieces out of that. I would say there is certain logic in terms of how we reached some of the numbers that are before you. For instance, we know that the average retirement benefit in the State system is \$19,000. We wanted to be sure that the amount of retirement income subject to a COLA adjustment did cover that average retiree's level of reimbursement. We also made adjustments in the budget to make sure that there was a direct payment, as I mentioned earlier, during the years when we freeze the COLA. Even though there is a freeze in the COLA system to generate savings in the UL, there is \$15 million set aside each year of the budget to make available an ADHOC payment. Once the COLA is reestablished at the end of the three year freeze, it does build into the base amount and is adjusted upwards thereafter. I hope that you will support the motion to Indefinitely Postpone this amendment and go on to support the Committee Amendment.

On motion by Senator **ROSEN** of Hancock, Senate Amendment "C" (S-316) to Committee Amendment "A" (H-620) **INDEFINITELY POSTPONED.**

On motion by Senator **BARTLETT** of Cumberland, Senate Amendment "A" (S-312) to Committee Amendment "A" (H-620) **READ.**

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

Senator **BARTLETT:** Thank you Mr. President. This amendment is designed to deal with a problem that I've heard a lot about, and probably you have, from State retirees. Currently, when the cost of living adjustment goes back into effect it will only affect the first \$20,000 of the retiree's benefit. This proposal seeks to raise that to \$25,000 so we can capture a lot more retirees. To fund that, we had asked that an additional \$26,000 be set aside from the State's wholesale liquor contract. That would be a total of \$46 million they would be taking from a down payment on the liquor contract. To put in context, in 2005 we took \$120 million as a down payment from those liquor contracts. What we are talking about is only a fraction of that amount and we certainly expect now that down payment to be well upwards of \$120 million that was seen in 2005. It is for that reason I think we should fully support this option.

The question is; why is it so important to raise this cap from \$20,000 to \$25,000? Currently 38% of teachers and 55% of State workers have a pension at \$20,000 or below. If we simply

raise the cap to \$25,000 it would cover the full pension of 55% of teachers and 70% of State workers and retired law enforcement. This is extraordinarily important, particularly in the context of recognizing that they don't get Social Security or the automatic cost of living increases that are included with Social Security. This is their sole retirement. If inflation rises quickly, Maine seniors, their retirees, will be left behind with catastrophic consequences for themselves and their families, but also for Maine's economy as their purchasing power declines precipitously. We often get trapped into thinking that the way things are today is the way they will always be. The fact that we've had pretty low inflation over the last two years, we tend to think we won't see a big jump over time. We know from history that there are periods where the run up from inflation can have catastrophic consequences if your income isn't also affected by that. With retirees, we could find ourselves in a very difficult position with thousands and thousands of retirees left behind if we were to see the kind of inflation we've seen just in the periods of the last 20 years. I hope that you will adopt this amendment. It's self funding as funded through the proposal I've offered. It is well worth the investment to protect Maine people. Thank you.

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "A" (S-312) to Committee Amendment "A" (H-620).

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

Senator **ROSEN:** Thank you Mr. President. I'd just like to make two points. With regards to the 3%, it is certainly true that none of us can predict the future and what the future will hold, but again I want to make sure that the members of the Senate realize that we did look at this very carefully. We did examine the 30 year history and the average over the last 30 years of the actual COLA awards in the system has been 2.8%. Looking at that history and realizing that there is certainly up and down years, as a matter of fact we happen to be in a flat year this year, I think if you look at the Social Security system's adjust for this year, there is a zero increase in terms of any CPI, that's the current calculation that fits into Social Security this year. Our average has been, over the last 30 years, 2.8% and I think the 3% gives us a historic benchmark to rely upon. As far as increasing the amount of money or prepayment related to the liquor contract, the committees were very concerned that we did not want to repeat the experience that, again, the State leaned on the first time the wholesale liquor business was put out for contract. That was to depend on a larger up front and a smaller future revenue stream. We very much, in terms of the policy that the committee is putting forward, wanted to only seek a very modest up front payment to be sure that we would have a much larger on going future revenue stream and have made provisions in the bill to make sure that a portion of that revenue stream helps with many of the chronically unfunded areas, or under funded areas; particularly transportation, water and sewer infrastructure, and our reserves. It was a forward looking view to make sure that there was a steady revenue stream in the future and we would prefer that that not be diminished.

On motion by Senator **ROSEN** of Hancock, 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 Penobscot, Senator Schneider.

Senator **SCHNEIDER:** Thank you Mr. President. Men and women of the Senate, first I just want to take an opportunity as a member of this Body to thank the hard work of all the members of the Appropriations Committee. I know it's not really a great job when you don't have any money to spend. I know that they work long and hard hours. It's greatly appreciated. I just want to extend my thanks. Also my congratulations for being able to come forward with a unanimous committee report. Given the conditions, I think it's exceptional and I'm very happy with the results.

With that said, I feel that it's my responsibility to stand in favor of this amendment because I've heard from so many people, especially educators who really deserve, I think, recognition through their benefits plan that we don't shirk our responsibilities in this fashion towards their retirement. If we raise the level up to the amendment level, I believe we reach about 80% of our retirees' maximum amount on their retirement. That's why I speak against the pending motion, but in favor of the amendment, especially given the fact that in this budget there is close to a \$400 million push out tail of essentially money that we'll have to pay later on down the line. I think that people who have banked and planned for their retirement deserve better and I think it's my responsibility to speak as their voice here from the people who have contacted me within my Senate District, but also statewide. Please join me in defeating the Indefinite Postponement. Thank you very much, Mr. President.

**THE PRESIDENT:** The pending question before the Senate is the motion by the Senator from Hancock, Senator Rosen to Indefinitely Postpone Senate Amendment "A" (S-312) to Committee Amendment "A" (H-620). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

#### ROLL CALL (#257)

**YEAS:** Senators: ALFOND, COLLINS, COURTNEY, DIAMOND, FARNHAM, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, MCCORMICK, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SHERMAN, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, WOODBURY, THE PRESIDENT - KEVIN L. RAYE

**NAYS:** Senators: BARTLETT, BRANNIGAN, CRAVEN, DILL, GERZOFISKY, GOODALL, JACKSON, PATRICK, SCHNEIDER, SULLIVAN

25 Senators having voted in the affirmative and 10 Senators having voted in the negative, the motion by Senator **ROSEN** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "A" (S-312) to Committee Amendment "A" (H-620), **PREVAILED**.



On motion by Senator **SCHNEIDER** of Penobscot, Senate Amendment "D" (S-319) to Committee Amendment "A" (H-620) **READ.**

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

Senator **SCHNEIDER:** Thank you Mr. President. Men and women of the Senate, what I originally wanted to do with this amendment was to have the cap disappear in 2014, the \$20,000 cap on the retirement amount. However, that didn't really work out because that would create a massive fiscal note. What I did was a much more simplified amendment which says that the committee of jurisdiction will have a look at the cap and examine that and then have the ability to report out a bill to address this. The reason is that I don't think that this should just go on forever because the financial situation, hopefully, and the economy will improve. I think that it is our responsibility to really go back and look at this and meet those responsibilities that we had promised. This is not a big amendment. I understand that, but it is a gesture for us to say we're doing this. We're in dire straights, financially. We recognize that what we're doing here is not perfect and we're asking in 2014 for the Appropriations Committee to go back and review this component of this and then, perhaps, move forward.

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

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "D" (S-319) to Committee Amendment "A" (H-620).

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

Senator **ROSEN:** Thank you Mr. President. First of all, I want to assure the Senator from Penobscot that her concerns are heard by the members of the committee and we have a provision in the budget document where we direct the retirement system to conduct a more comprehensive view and report back to the Appropriations Committee in January of next year to take a broader look at converting the State's system to a Social Security based system by the year 2015. We're particularly interested. We understand that this has been looked at in years past and hasn't moved forward. We understand all of the challenges associated with that, but we think now is the time, when people are ready to commit themselves to that idea. We have a proposal in the budget. The director of the retirement system chairs the working group that includes members of organized labor, both within the State system and in public education. It sets a date certain. It also makes references to an examination to both the rolling average recovery of loss related to the constitutional amendment and to the 2028 date itself. We're very much interested in examining and putting forward reforms related to the entire system. I would also like to assure the Senator that the members of the committee did express the willingness, the intent, and the desire to revisit this issue as well. We have established a mechanism in the budget to come back to us with a substantial, I believe it would be substantial, and comprehensive report and it does include date certain.

On motion by Senator **ROSEN** of Hancock, 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 by the Senator from Hancock, Senator Rosen to Indefinitely Postpone Senate Amendment "D" (S-319) to Committee Amendment "A" (H-620). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

#### ROLL CALL (#258)

**YEAS:** Senators: ALFOND, COLLINS, COURTNEY, DIAMOND, FARNHAM, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, MCCORMICK, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SHERMAN, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, THE PRESIDENT - KEVIN L. RAYE

**NAYS:** Senators: BARTLETT, BRANNIGAN, CRAVEN, DILL, GERZOFKY, GOODALL, JACKSON, PATRICK, SCHNEIDER, SULLIVAN, WOODBURY

24 Senators having voted in the affirmative and 11 Senators having voted in the negative, the motion by Senator **ROSEN** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "D" (S-319) to Committee Amendment "A" (H-620), **PREVAILED.**

On motion by Senator **BARTLETT** of Cumberland, Senate Amendment "E" (S-321) to Committee Amendment "A" (H-620) **READ.**

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

Senator **BARTLETT:** Thank you Mr. President. This amendment eliminates two important areas that I think should never have been included in the budget in the first place. The first is that it eliminates all of the changes to the retirement system with the exception of two items. It leaves in place a one-year freeze on the COLA and it imposes a cap of 3% of the maximum annual increase in that adjustment. Otherwise all changes to the retirement system are removed from this budget. The second major change is removing all of the tax proposals from this budget. The reason for doing that is simple. These two policy areas are extraordinary policy changes that, in my view, should not be buried in a budget document, but should be considered separately, on their own merits. I also think it's improper to pair these two significant policy changes together

I think from the time I first started digging into the budget I was deeply concerned that we appear to be funding tax cuts through changes to the retirement system. It didn't seem to jive with a second line of criticism that I've been hearing about the retirement system, and that is it was in crisis and that if we didn't do something quickly the whole system was in jeopardy. If it is true that the retirement system is truly in crisis then any changes that we are making to our retirement system and any savings

generated should be put back into shoring up the retirement system. If you have a system in crisis, let's make the changes we need to make and put the money back in to pay the unfunded liability and to make sure that we are protecting that retirement system. Unfortunately, this proposal doesn't do it. It makes changes and then turns around and gives extraordinary tax cuts at the same time. In my view, this bill, this budget, at best, with respect to these policy areas, trades one problem for another. One perceived crisis in the retirement system traded for a huge structural gap in the next biennium. It will cost about \$300 million to pay for this tax cut in the next biennium. That is just a punt. We're kicking the problem down the road, in terms of how to pay for it. If you look at the fiscal note, you will see that my proposal, pulling out the retirement changes and getting rid of the tax cuts, has a net savings of just under \$4 million in 2011-2012, a little over \$45 million in the next year, and then once you get out to the tail that has been put on these proposals you see that in 2013 it is \$138 million and in 2014 it is \$155 million. That's an extraordinary structural gap we're creating.

I'm not sure why we would want to do that in a budget document, which is designed to be balancing our budget and putting us in a better place going forward. If this budget is about putting our financial house in order, let's do it. Let's not add a huge new problem going down the road. We've often heard that if you make tax cuts you'll end up with more revenue in the end. It's trickle down economics. It's been tried over and over again with a zero effect. Every time it has been tried it has failed. We know we're going to have a huge gap coming two years from now. What are we going to do then? Why are we rushing these changes through the budget? If we want to have a really serious talk about tax reform, let's have that conversation and let's put forward a package that will survive the long term. The same thing with pension reform. Let's talk about the ins and outs. Let's talk about how savings generated can be used to add life to the retirement system, to shore it up, and make sure that we are protecting people who have committed so much of their lives to serving the State of Maine. Thank you, Mr. President.

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "E" (S-321) to Committee Amendment "A" (H-620).

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

Senator **ROSEN:** Thank you Mr. President. I would just like to touch on three points. First of all, the future income growth, even with the proposals that are in this budget, the committee spent a fair amount of time looking at the long term revenue forecast from the most recent forecast. If you recall, we have a brand new economic forecasting commission. They came in with a more conservative economic forecast than our previous forecasting commission last November. That resulted in a downward adjustment in our revenue forecast going forward, reducing revenue in the next biennium by \$140 million. We wanted to examine the out-year revenue and look at the proposals that are in the budget and see where we end up. It was interesting. We discovered, from that analysis, that we still see revenue growth, net revenue growth, coming into the next biennium and the next biennium beyond, even with the proposals that are in this budget that relate to taxes. Secondly, the pension obligation was mentioned. If we do nothing, we are poised now to have a bill for

the next biennium from the pension systems increase \$300 million over the biennium that we're leaving. The increases are real. The increases coming from the pension system, because we're facing the 2028 deadline and because we're paying for recoveries from the market losses in 2008, are, in fact, significant and if we do not make modifications we do, in fact, face a major crowd out. Finally, this amendment is a complete and total rewrite of the budget. To present this argument on June 15<sup>th</sup> after what I believe to be a very open and transparent process, is a little late in the day. We would have been more than happy to listen to this argument a few months ago. It's a little late to see it now.

On motion by Senator **ROSEN** of Hancock, 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 York, Senator Sullivan.

Senator **SULLIVAN:** Thank you Mr. President. Men and women of the Senate, I can count and I understand what's going to happen. I've listened to a lot in the last couple of weeks about pensions and how important teachers are. I was a little upset that we didn't get a chance to at least vote for one earlier amendment or have a chance to express it. I am one of those people, as you well know, that is retiring. Back when I was silly and first out of college, or even before that, because women didn't go to college that often when I was in school, I was asked if I would like to be a nurse or a teacher. Couldn't stand the sight of blood, so decided to become a teacher instead. I didn't know I'd see so much blood shed as I got to be 62. I've listened to everybody about how caring they are. Well, I need to tell you, this does affect me and hundreds of people who are retiring. Graduation is tonight and I should have been there, by the way. We call it promotion now in the 8<sup>th</sup> grade. My concern is that I listened in January to the State of the State Address by the Chief Executive. No more gimmicks. Pay for things up front. Yet I see a tax break here that doesn't come due until 2013 - 2014. Almost \$400,000. I'm going to have a couple of tax bills come before that. Retired people are. I also chose to live in the state of Maine, which is one of 15 states that has the Social Security off set, even though I worked through high school and through college to pay for my college. It was a lot cheaper than, but wages were a lot lower. I've changed twice a plan based on things that happened to my husband, like a textile mill in Biddeford, those big mills, it's not only Millinocket, Biddeford too that went belly up. We changed again a plan. I've done everything in my power to arrange for retirement. We're going to give a tax break and it doesn't come due until 2013 - 2014. Pay for things up front and no more gimmicks and no more mirrors. Those are the things I heard. Do you know what? I cheered him. I started in the Legislature under an Independent Governor. All these seemed to have wanted to do some type of mirrors. This one is a mirror game. I don't know what to do about it. You're right. It's too late. I don't get involved in the Appropriations. I knew there were no bonds. Okay, that's fine. I think it's time to realize there are real faces on the people that are involved and trying to make a living and paying for the heat and living in Maine, that have stayed here and haven't gone south, haven't done the other things when they retire. We stuck it out. I gave up for the benefit of the city of Saco in teaching, for the state of Maine, and we gave it our best. We have a huge structural gap

that we are creating to give a tax credit. We are the oldest state in the union. Downeast, all of them talk about the graying of Maine. We have balanced this on the back of the retirees. Actually we did fairly well by the working State workers right now. I agree, people coming in now understand what's happening. Now there is more talk than ever. We will do annuities and we have. That all came too late for me and people around my age. It's hard for you that are in private companies, private law firms, and private companies and have been able to collect your Social Security. Maybe you've been in the military. For people who have chosen to give to Maine students, for people who have chosen to plow your roads as a State worker, or to pick up the dead animals off the roads, and they are still 62 or 63 and working, I could have retired at 60, I'm 62, I worked another two years trying to figure out how I could make this work. We give a tax credit with about \$400,000 after we leave here. I'm having a hard time understanding that. A really hard time. I'm disappointed, but I know the numbers and I have no amendments in. When you go home and you talk to your teachers and talk to the people that have stayed here, worked their lives, paid their taxes. I've paid every tax bill, I've never had a lien against my house, I have struggled, we've taken on separate things. You've balanced on the back of retirement to give something that's a tax credit two years from now. It's not what the Chief Executive promised us in January. I sat in the other Chamber and listened to that State of the State Address. There is a problem. It is smoke and mirrors. It's been going on for a long time. Nothing's changed. Just who sits on this side of the aisle and who sits on that side of the aisle. There's no amending it because I understand how the game works. Don't you doubt for a minute what you've done to retired people, who are retiring now. Thank you.

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

**Senator KATZ:** Thank you Mr. President. Men and women of the Senate, the tax cuts that the good Senator from York talks about are tax cuts for all Mainers. Tax cuts that relieve about 7,000 current tax payers of any obligation to pay income taxes. Tax cuts that finally will spur the kind of capital investment in the state that we all know we need if we're going to have jobs. Tax cuts that were the unanimous agreement of 13 members of the Appropriations Committee; Republican and Democrat. This amendment, Mr. President, is one of several being offered with the same goal in mind in terms of the pension proposals. It's an amendment for which I have great sympathy. Being the State Senator from Augusta makes me different in a couple of ways. One, I have a shorter drive to home than anyone in this Chamber. The second is that I represent more State employees than any of you, by far. For me, dealing with issues surrounding our State retirement system has been the most difficult for me in this session. I won't spend 45 minutes describing the complexity of this issue as I have come to understand it over the last six months, but trust me, it is complicated. I will say that the time and the place we have found ourselves demanded that we take strong and bi-partisan action. That's what we did. It doesn't get more bi-partisan than 13 - 0. It's got nothing to do with who's what side of the aisle. If we did nothing, if we just kicked the can down the road, the increasing payments to the retirement system, every single year as required by the constitutional amendment, would have crowded out every single program that each of you in this

Chamber finds important, whether it's social services, whether it's aid to education, or whether it's fixing our roads and bridges. It would continue to go up and up and up and crowd out our ability to fund any kind of a sensible State budget going forward. I take no pleasure in telling my constituents we have to make any changes in the retirement system. These people work hard. They have worked hard. The fact that we have this problem is not their fault. It's our collective problem. Yet to do nothing is irresponsible.

To those railing against this unanimous bi-partisan committee report, I'd remind all of us that we have come a long way since the initial budget proposal was made back in January when the original budget was presented to us, a proposal that would have forced all employees to decide between now and January 1 whether to retire or not or face having to pay their entire health care premium themselves out of their own pocket until they turned 65. That is gone. A 2% additional assessment on each and every State employee's pay to go to the retirement system, that is gone. A 2% cost of living increase cap, that is gone. The shut down days that we've all come to hate, they are gone. The idea that retirees were going to have to pay anything for their health insurance, that's gone. This was a compromise and, I emphasize, a bi-partisan compromise. The provision in question is the COLA limit of 3% to apply to the first \$20,000 of retirement income. You've heard why those numbers were chosen. I'm not happy with them either. The reason they were chosen is because the 3% is the average, actually a little over the average, of the last 30 years of what cost of living has been and \$20,000 is about the average that State employee retirees are receiving.

Two more things that Senator Rosen mentioned that are part of this bill and I think are important. One, we are going to have a plan to get off this rollercoaster we are on where the health of our retirement system depends on not what we do here as much as it does what happens on Wall Street. We're going to get to a Social Security contribution plan and we should. Secondly, Senator Rosen also mentioned that there are those of us who think we ought to take a second look at that constitutional amendment that artificially says we have to pay this whole unfunded liability off by 2028 and its accompanying provision that says that losses, like the huge ones we suffered in 2008, have to be made up within 10 years. This amendment, for which I have great empathy, doesn't stand alone. If you pull one thread from the pension proposal, a delicately negotiated compromise falls apart because you're not only affecting the budget number of how much the State's going to have to pay this year, but, perhaps more importantly, you affect the unfunded actuarial liability number. This is one of those provisions that helps knock down the unfunded liability by about \$1,000,700. On a more broad basis, this entire budget is the result of compromise and trust. This piece fits with that piece which fits with this piece which fits with another piece. If you pull a thread and the whole thing begins to change and fall apart. These pension changes are not Republican changes or Democratic changes. They are unanimous bi-partisan changes. I'm probably not any happier about than anyone in this room, but it's a compromise reached after hours of debate and discussion and compromise. I hope that at some point we will be in a position to do a better job for our hard working State employees and retirees, but this is a compromise. We had to make it and it has nothing to do with where that aisle is. It was 13 - 0 and I hope that everyone will vote in support of the pending motion. Thank you.

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

**Senator SCHNEIDER:** Thank you Mr. President. Men and women of the Senate, I rise because I wanted to speak about the bi-partisan work that was done first and say that we acknowledge that that a good body of work and it was a difficult situation. I think why I am going to vote against the Indefinite Postponement of this amendment really talks to how we are paying for the tax refund or, I should say, tax reduction for people. It seems to me, and I think to a lot of people, that even though you said it's a complicated situation, for a lot of the State employees I don't think it's complicated at all. What they see is a change to a promise that was made, a pulling out of a rug from under their feet. To them it is speaking volumes when, at a time when we really cannot afford a tax reduction, we are doing it. This has been something, I don't want to be disrespectful, that a lot of people have said to me that this is a real gimmick. It's taking from, going back to the old phrase, robbing Peter to pay Paul. It's taking from the State employees and teachers and educators in order to pay for a tax reduction at a time when we really can't afford one. As somebody who has gotten, I'm sure just like many of you, including the last speaker, many e-mails on this issue and many communications by people who are just absolutely stunned by the fact that we would allow this to happen, given a promise that was made to the State employees. There were people who suggested to me that we at least raise up the amount to \$25,000 or \$26,000 because at least you would cover something like 80% of the employees, but we have failed in that way as well. We've often heard these shift and shaft phrases and taking away from one to give to another. To a lot of people, they feel like it's the reverse Robin Hood. This is why these amendments come forward, because they speak to our values and what we believe in our heart of hearts is the right thing to do, to be a voice for those people who don't have the opportunity to stand on the Senate floor and say this is egregiously wrong and we deserve better. I'm standing for those people. I recognize that a compromise was struck and that's a very difficult thing given what was presented to the Legislature. I understand that and I appreciate it, but I think that these amendments really call out for attention because we are voicing those people who really think that this not a complicated situation at all, but something that is very disheartening to them. I would hope that you would defeat the pending motion and go along with addressing going back to our promises that we have made for so many people who have worked so hard for so many years and fulfilling that promise to them and not giving a tax break to people who have not been anticipating that. Thank you very much, Mr. President.

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

**Senator PATRICK:** Thank you Mr. President. Ladies and gentlemen of the Senate, colleagues and friends, hopefully I can be fairly brief. Where did the budget come from? The blueprint for the budget comes from the Chief Executive and he hands it over to the Legislature. The problem with the tax break, in my mind, started on the second floor. The robbing Peter to pay Paul, to me, was a great analogy as far as I'm concerned. I would like to correct one issue from the Senator from York. It's not \$400,000 at the end of the tail; it's going to be \$400 million at the end of the tail, which is significantly higher. We hear about the

tax breaks and it sounds to me like it's almost like this tax break is venture capital for the State of Maine. From what my understanding is, it's a couple of hundred dollars for the poor people on the bottom end of the spectrum and it's going to be several thousands dollars for the more fortunate at the top end of the thing. One of the things that bothers me the most about this whole thing is having the opportunity to sit here, and given the ability by the citizens of Senate District 14, I can rail at anything I want to as long as it's not too bad and as long as I don't skate across the line. That being said, from this very Chamber I've heard numerous people say we have a moral obligation, a moral obligation to pay our bills, to pay the hospitals. We had no problem paying the hospital and the hospital happens to be a business. Yes, do we have to have a moral obligation to pay our bills? Absolutely, folks. I remember one time after someone said we have a moral obligation I got up and said, "Well I hope and pray that you will join me when the time comes that we must pay our moral obligation to the benefits that have already been earned by our teachers and State workers." It's hard to believe that the Senator from York and I are on the same page. It seems like we're always on the opposite sides of issues, but this time she's absolutely right. The promises that were made to our teachers and to our State workers are not going to be met with this budget and I feel bad that it's not going to happen. I have a daughter who wants to get in to become a teacher. She is one of the most beautiful people I've met in my whole life. Really compassionate. Wants to get into teaching. I'm saying to myself, or saying to Emily, "Boy, I think you're making a wrong mistake because the shift and shaft is going to happen more and more down the road." We look down 2013 - 2014, that economy is going to start percolating, as they say. I'll tell you one thing right now, my cup used to be half full. Knowing the bond situation within the country, just yesterday I heard the municipal bond, there is going to be a huge crisis with that. I can't see where the American economy is going to pick up very much because all we're doing is giving tax breaks to big businesses and finding ways for them to develop more wealth. With that I'll just say I likewise know the numbers and stuff, but I'm going to get up for thousands telephone calls, thousands of e-mails, the opportunity for me to go to the schools and talk to the teachers and State workers, that I will be voting against the Indefinite Postponement. Thank you, Mr. President.

**THE PRESIDENT:** The pending question before the Senate is the motion by the Senator from Hancock, Senator Rosen to Indefinitely Postpone Senate Amendment "E" (S-321) to Committee Amendment "A" (H-620). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

#### ROLL CALL (#259)

YEAS: Senators: ALFOND, COLLINS, COURTNEY, DIAMOND, FARNHAM, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, MCCORMICK, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SHERMAN, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, THE PRESIDENT - KEVIN L. RAYE

**NAYS:** Senators: BARTLETT, BRANNIGAN, CRAVEN, DILL, GERZOFSKY, GOODALL, JACKSON, PATRICK, SCHNEIDER, SULLIVAN, WOODBURY

24 Senators having voted in the affirmative and 11 Senators having voted in the negative, the motion by Senator **ROSEN** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "E" (S-321) to Committee Amendment "A" (H-620), **PREVAILED**.

On motion by Senator **JACKSON** of Aroostook, Senate Amendment "F" (S-322) to Committee Amendment "A" (H-620) **READ**.

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

Senator **JACKSON:** Thank you Mr. President. Ladies and gentlemen of the Senate, this amendment is somewhat similar to the good Senator from Cumberland, Senator Bartlett's amendment where it goes to move the cap from \$20,000 to \$25,000. Where it differs is that it restores the circuit breaker and it also fully restores the revenue sharing. It pays for it all out of the liquor contract. I think that is a good thing because the revenue sharing is certainly going to affect all of our residents, all of our constituents, when they are screaming about their property tax, which we all hear. This is money going back to those towns to lower the property tax and the circuit breaker. We've heard where we don't want to encumber the liquor contract, which I understand the reason behind that, but I think is a good thing to encumber it with. I think that giving property tax relief to our constituents, which this truly will do, there is no doubt about it, it's going to lower property taxes, I think that's a good reason to do it. The good Senator talked about all the things we could use it for and this is certainly something that we could use it for. Property tax relief would be huge. I want to say before I start into all of it that, I want to thank the good Senator Rosen, I want to thank the good Senator Hill, and I want to thank the good Senator Katz, despite his not liking my choice of music. I know that they did work very hard and I realize that tremendously. I understand what a tough job it was and they did make the budget better. They truly did make it better. For that, I do thank you. I think, and I don't know, you were kind of hamstrung by parameters that could work with, maybe the liquor contract being one of them. I don't know, but I think that it could have been made even better, more palatable for the people in the state of Maine. I don't know if it would have taken more time or what. I remember last week a debate that we have in here where the good Senator from Waldo, Senator Thibodeau, spoke about people in this Body being a product of their environment, of their district. I think he was spot on, at least he was spot on for me. I listened to his debate and I told him afterwards that I thought that he did an awesome job in framing how he sees his district. I see that same thing. I see that there are people out there that have a hard time. There are people that are poor. I think this budget is going to hurt some of them. The people that I see it hurting are people that are very close to me. I spoke earlier, not in here but in a different setting, about when I was young, I think in 1980. I was in 7<sup>th</sup> grade and my mother finally received her teaching degree. We had had a hard time. She was recently divorced and it was really tight. I can remember a lot of nights wondering about if we were going to run out of oil and stuff like that. It's not so much for me, but it

bothers me that people would have to worry about things like that. I remember when she got her teaching degree and she finally got a job and her first contract was for \$14,600. I remember thinking that she was going to be alright. At whatever age I was, 11 or 12 years old, I found out how little \$14,600 really was. Now we're talking about people 20 years later, that their pension is \$19,000, which I'm sure with inflation and all that for all that time is probably \$14,600 in 1980 dollars. I really don't know, but it is pretty close regardless. That's what we're asking, these people to take a cut. It's not as it was portrayed earlier, going toward the retirement system. The money is actually going towards these tax breaks. It's going for tax breaks that cost \$150 million this session, \$50 million more in other years, and other tax breaks that have a \$400 million tail. We heard about the current retirement system, the payments we're going to be squishing down all other programs. This \$200 million now and \$400 million later, that's going to be squishing down a lot of programs in those years too. I am very, very reluctant, despite the awesome work, because you did restore so many things and I understand that, but I'm still so very reluctant. Mr. Marquis was my biology teacher and a super nice guy. To see him and be able to look him in the face and say that I cut his retirement funds. I just can't do that to people. I can't look them in the face with good conscience and, after 30 or 40 years of teaching, tell them that I had to take away part of their retirement so that some other people could get tax breaks. On top of that, I'm going to be part of the reason why their property taxes went up because I'm not funding revenue sharing. I don't really know what to say. I know that it's been talked about, the bi-partisan effort and all of that, and I understand that. I understand what it's like to get that and what a good thing that is. In the last session, in the 124<sup>th</sup>, we had a bi-partisan effort in the budget and I didn't like that one either. It's nothing personal. I stood on this floor, I stood over there where Senator Whittemore stands, and I said I'm going to support this and I'm going to hold my nose, but don't ask me to take money out of people's pockets again because I can't do it. Here we are again. I don't know. I just don't know. I haven't been on Appropriations. I don't understand. I can't understand, you might have been hamstrung with something and maybe this is all you could do. I appreciate that, but it seems that the starting point was such an awful place to be, such a mean place to be, and it seems like State workers and teachers had to take it regardless. I just can't do that. For all your hard work, I appreciate that, but I just can't face those people when I go home that are making \$19,000 a year and aren't living fat on the hog. They just aren't. For all your work, thank you, but I'm here saying that this is an amendment that would give the tax breaks. It would restore revenue sharing and give the circuit breaker back and it would give that cap to at least \$25,000. I think most people would be made whole. It is on a contract that we know we should be getting at least \$120 million. The money is there. I understand the part about encumbering, but we're going to spend it on things anyways and I think the revenue sharing is certainly an appropriate place to spend it on.

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "F" (S-322) to Committee Amendment "A" (H-620).

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

Senator **ROSEN**: Thank you Mr. President. First of all I'd like to express to the Senator from Aroostook, Senator Jackson, my appreciation for the items in the amendment. There are a lot of good things in here. Many of you may not realize this, but in many ways the Senator from Aroostook, Senator Jackson, is our 14<sup>th</sup> member in the committee. A lot of evenings when we were in there at 10 o'clock or 11 o'clock or midnight, he'll wander in and keep an eye on us and spend some time. We see you as an honorary member down there and appreciate your company.

Just a couple of quick points. Even with the proposal in the budget, there will be more revenue sharing funds flowing to the communities during the biennium than the last. I think that's important to note. As I said earlier, pulling in \$120 million from the liquor contract in this biennium rather than the \$20 million that we're suggesting in the budget is just far beyond what we think is responsible or that we're comfortable with. That becomes a very large one time payment and, again, we would much prefer to keep that initial payment as modest as possible and to provide an ongoing revenue stream. Thank you, Mr. President.

On motion by Senator **ROSEN** of Hancock, Senate Amendment "F" (S-322) to Committee Amendment "A" (H-620)  
**INDEFINITELY POSTPONED.**

On motion by Senator **SCHNEIDER** of Penobscot, Senate Amendment "B" (S-313) to Committee Amendment "A" (H-620)  
**READ.**

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

Senator **SCHNEIDER**: Thank you Mr. President. Men and women of the Senate, there was a set-aside for some security funds to the tune in the first year of the biennium of \$244,974 and then in the second year \$301,149. This amendment, what it does is it deappropriates that from the public safety department, which falls under the State House operations, and it puts it towards the courts. The reason why I did this was that every time the Chief Justice has come to speak on the court system, I think every single time she has mentioned that they do not have the necessary funds for appropriate security measures. I know that there are concerns about the security measures under the Dome. However I think that it's much more critical, given the situation in our courts, that we direct funds, if we're going to put things towards security, that we put the funds towards the security in the courts. There is no fiscal impact to the budget. It's redirecting the funds to the Judiciary so that they can provide funds for five deputy marshal positions, effective August 1, 2011, to provide court security. I just think this is about priorities and, for me, clearly, I think, there is a much more pressing need for the courts to have security than it is for us. I would hope that you would support this amendment and vote for the pending motion.

Senator **ROSEN** of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "B" (S-313) to Committee Amendment "A" (H-620).

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

Senator **ROSEN**: Thank you Mr. President. I would just like to point out that during the budgeting process the Legislative

Council did review the legislative budget and they did offer up nearly \$8 million of savings that have been applied to the global budget. We very much appreciate that effort and wish that you support the Indefinite Postponement of this amendment. Thank you very much.

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

Senator **SCHNEIDER**: Thank you Mr. President. Men and women of the Senate, I think that is laudable that we took that step as a Legislature to reduce the legislative budget. I commend us for stepping up to the plate and taking that hit. I also think that if we're going to set-aside a big chunk of money for security that it is still a better use of those funds to apply it towards security at our courts. I would ask for a roll call and hope that you defeat the pending motion.

On motion by Senator **SCHNEIDER** of Penobscot, 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 by the Senator from Hancock, Senator Rosen to Indefinitely Postpone Senate Amendment "B" (S-313) to Committee Amendment "A" (H-620). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

#### ROLL CALL (#260)

YEAS: Senators: ALFOND, COLLINS, COURTNEY, DIAMOND, FARNHAM, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, WOODBURY, THE PRESIDENT - KEVIN L. RAYE

NAYS: Senators: BARTLETT, BRANNIGAN, CRAVEN, DILL, GERZOFKY, GOODALL, JACKSON, MCCORMICK, PATRICK, SCHNEIDER, SHERMAN, SULLIVAN

23 Senators having voted in the affirmative and 12 Senators having voted in the negative, the motion by Senator **ROSEN** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "B" (S-313) to Committee Amendment "A" (H-620), **PREVAILED.**

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Senator **COURTNEY** of York was granted unanimous consent to address the Senate off the Record.

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

Senator DILL: Thank you Mr. President. Men and women of the Senate, I, too, want to join in thanking the Appropriations Committee members for all their hard work and I congratulate you on reaching a unanimous committee report on this budget.

On motion by Senator DILL of Cumberland, Senate Amendment "G" (S-323) to Committee Amendment "A" (H-620) READ.

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

Senator DILL: Thank you Mr. President. This amendment lowers taxes by \$104 million for 479,000 families, targeting larger tax cuts to middle and lower income families and putting money into the pockets of working people. This amendment reflects the alternative tax cut proposal that was presented by the Democrats on the Taxation Committee. Specifically, the amendment does the following. It reduces the income tax by increasing all income tax brackets by 5%. It expands the Earned Income Credit by 10% and makes it refundable. It accepts changes to Section 179, expensing, allowing conformance with federal law, which allows smaller businesses to write off expenditures that normally would be amortized over the life of the asset. It also restores cuts to the circuit breaker program, restores municipal revenue sharing gradually, keeps the estate tax at the current level of \$1 million exemption but allows the so-called QTIP, which is the qualified terminal interest property, to conform fully to federal law in 2012, which provides relief to spouses. The reason why I present this amendment is because of my fundamental difference of opinion regarding the premise of the proposed budget, and that is that first of all that Maine needs to implement what is very much like the Bush tax cuts in order to stimulate the economy. I would just note that recently the Council on State Taxation, otherwise known as COST, commissioned a study that was performed by Ernst and Young that ranked Maine as number one in business tax competitiveness. Number one. We have the lowest taxes on business investments. Contrasting the budget proposal with this amendment, I'd like you to ask yourself what makes the most economic sense, putting the greatest dollars in households most likely to spend in the Maine economy and providing more money to the people in Maine who need it most or giving the greatest share of reductions to people least likely to spend it in Maine? The Appropriations Committee budget gives households in the bottom 20% an average of \$9 back in taxes, for those who get any reduction at all, while at the same time cutting property tax circuit breaker programs by 20%. In contrast, this amendment provides an average tax reduction of \$23 for more of these households and restores 20% of the cuts in the circuit breaker program, which benefits 70,000 Maine residents. The Appropriations Committee budget gives \$20 million in 2013 to the top 1% for average benefits of over \$3,000 for households making over \$356,000. It gives \$67 million in tax reductions to those in the top 10% who make over \$117,000 in reductions averaging just under \$1,000. This amendment, by contrast, gives only \$26 million to the top 10%, averaging \$38, and the top 1% only \$400,000 at an average of \$54. The Appropriations Committee budget benefits about 550 to 600 of the largest estates in Maine, while this amendment does not give away \$30 million a year in revenue in 2014 and 2015 this way. I'm going to skip some of this because a lot of people have touched on these points and I know it's late. The budget, unfortunately, digs a large, and in my view, unconscionable hole for the next

Legislature to fill, threatening even deeper cuts in essential program while not targeting the tax reductions to those who need them most. This amendment puts the greatest amount of dollars in households most likely to spend this money in the Maine economy. I urge your support of this amendment. Thank you very much, Mr. President.

Senator ROSEN of Hancock moved to **INDEFINITELY POSTPONE** Senate Amendment "G" (S-323) to Committee Amendment "A" (H-620).

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

Senator ROSEN: Thank you Mr. President. I appreciate the amendment putting forward the Minority Report from the Taxation Committee. I would remind the members that, as we mentioned earlier in the evening, all the policy committees worked particularly hard to review their portion of the budget and there were a variety of divided proposals that came back to us. There was a tremendous amount of effort in Health and Human Services, the Transportation Committee, there were issues within the Education Committee, and in the end we were asking all those members to compromise on much of what we see in this budget. Many of the individual members stood behind the Majority Reports and Minority Reports. They came back to Appropriations and then they were modified in this process. We ask the members that have so much invested in this particular report from Taxation to understand the give and take of the process, the art of compromise, and the ability to come together behind one package. We've asked that of the other policy committees and we ask it of the Taxation Committee as well.

On further motion by same Senator, 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 by the Senator from Hancock, Senator Rosen to Indefinitely Postpone Senate Amendment "G" (S-323) to Committee Amendment "A" (H-620). A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

**ROLL CALL (#261)**

**YEAS:** Senators: ALFOND, COLLINS, COURTNEY, DIAMOND, FARNHAM, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, MCCORMICK, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SHERMAN, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, WOODBURY, THE PRESIDENT - KEVIN L. RAYE

**NAYS:** Senators: BARTLETT, BRANNIGAN, CRAVEN, DILL, GERZOFKY, GOODALL, JACKSON, PATRICK, SCHNEIDER, SULLIVAN

25 Senators having voted in the affirmative and 10 Senators having voted in the negative, the motion by Senator **ROSEN** of Hancock to **INDEFINITELY POSTPONE** Senate Amendment "G" (S-323) to Committee Amendment "A" (H-620), **PREVAILED**.

On motion by Senator **ALFOND** of Cumberland, 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 Androscoggin, Senator Craven.

Senator **CRAVEN:** Thank you Mr. President. Men and women of the Senate, with all of the conversation tonight, I thought I wanted to stand and say something before the roll call was taken. After having spent six years on Appropriations, I must admit that I have a great affinity and appreciation for the work and the negotiations that go on down there. When the negotiations started I said, publicly, they cannot fix this budget enough for me to vote for it because the distance was so far apart. I couldn't imagine in my wildest dreams that they could come together, or come close enough, for me to vote on this. I am compelled to stand tonight and say that a lot of my worries have been put to rest. We spent hours and hours on the Committee on Health and Human Services rifting through the suggested destructive cuts. I think the worse I can call it is the destructive suggestions for undermining the programs that we have in place in the state of Maine for our most vulnerable citizens. I am delighted that so many of them have been returned. The Fund for a Healthy Maine has been reinstated almost completely. Early visiting for newborns, legal citizens benefits have been really greatly improved, and I think that the committee has done yeoman's work on the unbelievable wide gap that had loomed ahead of us. I stand in support of the pending motion. Thank you, Mr. President.

**THE PRESIDENT:** The pending question before the Senate is Adoption of Committee Amendment "A" (H-620) as Amended by House Amendment "A" (H-636) and Senate Amendment "H" (S-324) thereto, in Non-Concurrence. A Roll Call has been ordered. Is the Senate ready for the question?

The Doorkeepers secured the Chamber.

The Secretary opened the vote.

**ROLL CALL (#262)**

**YEAS:** Senators: ALFOND, BRANNIGAN, COLLINS, COURTNEY, CRAVEN, DIAMOND, FARNHAM, GERZOFISKY, GOODALL, HASTINGS, HILL, HOBBS, KATZ, LANGLEY, MARTIN, MASON, MCCORMICK, PLOWMAN, RECTOR, ROSEN, SAVIELLO, SCHNEIDER, SHERMAN, SNOWE-MELLO, THIBODEAU, THOMAS, TRAHAN, WHITTEMORE, THE PRESIDENT - KEVIN L. RAYE

**NAYS:** Senators: BARTLETT, DILL, JACKSON, PATRICK, SULLIVAN, WOODBURY

29 Senators having voted in the affirmative and 6 Senators having voted in the negative, Committee Amendment "A" (H-620) as Amended by House Amendment "A" (H-636) and Senate Amendment "H" (S-324) thereto, **ADOPTED**, in **NON-CONCURRENCE**.

Under suspension of the Rules, **READ A SECOND TIME** and **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A" (H-620) AS AMENDED BY HOUSE AMENDMENT "A" (H-636) AND SENATE AMENDMENT "H" (S-324)** thereto, in **NON-CONCURRENCE**.

Sent down for concurrence.

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Senate at Ease.

Senate called to order by the President.

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All matters thus acted upon were ordered sent down forthwith for concurrence.

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Off Record Remarks

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Senator **COURTNEY** of York was granted unanimous consent to address the Senate off the Record.

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Senator **ALFOND** of Cumberland was granted unanimous consent to address the Senate off the Record.

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Senator **SULLIVAN** of York was granted unanimous consent to address the Senate off the Record.

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On motion by Senator **COURTNEY** of York, **ADJOURNED** to Thursday, June 16, 2011, at 10:00 in the morning.