

MAINE STATE LEGISLATURE

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Legislative Record
House of Representatives
One Hundred and Twenty-Second Legislature
State of Maine

Volume II

First Special Session

May 26, 2005 – June 17, 2005

Second Special Session

July 29, 2005

Second Regular Session

January 4, 2006 - April 6, 2006

Pages 737-1487

their education, their dental care, their medical care, their food stamps, their childcare and their rent. This is an epidemic and I don't think that there is anything honorable in taking people off the tax roles. If they don't invest in their own life they will lose their pride. They will lose what Maine has always been about and that's working hard and contributing to their families and to our state. I ask you not to vote for this amendment this keeps us on the continuing path of tax and spend. The same tax and spend that has driven our businesses from our state and provides fewer and fewer jobs for those people who want to stay and work. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waterville, Representative Canavan.

Representative **CANAVAN**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. On this bill, as with most bills that come before this body, I have been lobbied to some extent and on this bill as with the others the criteria that I plan to use in deciding how to vote, are the viewpoints of the people I represent. The young mothers and fathers, the teachers, the truck drivers, secretaries, the healthcare workers, the retirees the waitresses and the store clerks to name just a few.

My sense is that there is unanimous support out there for the concepts in this bill and so I will cast my vote accordingly. Just last week we talked about the need to support the institution of marriage. Well, in a day and age in which young families are struggling to keep their heads above water financially, I can't think of a better way to lend them support than by providing this kind of help the very kind of reform they tell me is fair and equitable.

In closing I can't resist alluding to the remarks made here today about diaper service. My husband and I raised five children and it was before pampers came out. Trust me I washed a lot of diapers. That is because I couldn't afford diaper service. I washed those little guys myself and in my view those who can afford diaper service can afford to pay a slight tax on that service. Thank you.

On motion of Representative **CUMMINGS** of Portland, **TABLED** pending the motion of Representative **WOODBURY** of Yarmouth to **ACCEPT** the Majority Ought to Pass as Amended Report and later today assigned. (Roll Call Ordered)

BILLS IN THE SECOND READING

House

Bill "An Act To Eliminate Pension Cost Reduction Bonding and Provide Replacement Budgeting Measures"

(H.P. 1199) (L.D. 1691)

Was reported by the Committee on **Bills in the Second Reading** and **READ** the second time.

On motion of Representative **MILLETT** of Waterford, was **SET ASIDE**.

The same Representative **REQUESTED** a roll call on **PASSAGE TO BE ENGROSSED as Amended**.

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

On further motion of the same Representative, **TABLED** pending **PASSAGE TO BE ENGROSSED as Amended** and later today assigned.

Representative **MILLETT** of Waterford **PRESENTED** House Amendment "**A**" (H-700), which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. The amendment

that I am presenting here this evening is the product of the work of the Republican members of the Appropriations and Financial Affairs Committee. We offer it as our alternative to the bill itself. We offer it in the spirit of working together. The work that followed in the committee has led us to this point where I would like to share with you some of the differences that led us to divide.

First, the similarities, we both agree – I think this is the paramount issue before us this evening – on the need to replace the pension borrowing program included in the Part I budget enacted at the end of March. That is Part A in the bill and this amendment repeals everything thereafter leaving Part A intact. We differ in several areas and I will just touch upon the high points and not get into great detail within the content areas.

We differ first and foremost in the fact that we offer this bill as an alternative to the borrowing and we fill the \$250 million gap without raising new taxes. Our philosophy, our focus, our goal was to live within our means and try to bring our budget within the limits of our revenues going forward. Thirdly, we tried desperately to honor our commitments. Particularly in the area of paying our bills and staying on message and staying true to the property tax relief issues that were committed to in LD 1, now Chapter 2. However, we differ in this area in that we do not prorate the better payments to those corporations who made investments based on one set of conditions in fiscal year '07. We honor those commitments; we pay our bills. We do not reduce revenue sharing payments in fiscal year '07 by \$5 million; we honor those payments and we propose a new method of preparing for budgeting revenue sharing. I would like to take a minute and explain that because I think there is some confusion about the approach taken that led us to book some savings in the revenue sharing field.

As many of you know state municipal revenue sharing dates back to the early seventies. One of the centerpiece agendas of the Maine Municipal Association I had the privilege of voting for it in 1973. It is a concept that I do not wish to back away from. It is a concept that says municipal government has a right to a share in the state revenues because they perform many state required, state mandated functions. They system that is set up has stayed pretty much in tact with some minor changes along the way. It draws revenue from sales and income taxes in one month, transfers them at the end of the month into a local government fund and pays them out to municipalities in the following month on a formula that is the product of population times tax burden. This stays consistent with the philosophy and the amount to be paid, but moves it starting in fiscal year '07, in July of 2006, to an appropriation program honoring the estimates of obligation for both revenue sharing 1 and 2 and paying it in accordance with twelve equal payments throughout '07 and thereafter.

The opportunity to achieve savings is a byproduct of the fact that there is always that one month time lag where revenues come out in one month and get paid out in the following month, thus the savings, by actually utilizing the revenues that would be achieved over a 25 month period and appropriating payments over a 24 month period.

Fourthly, we take a different approach in terms of government's size and growth. We look to try to deal with expansions in government services by suspending expansions promised and not yet delivered and, in my view, not currently affordable. I offer as two examples the two MaineCare expansions that were referred to in the Dirigo Legislation of two years previous. We offer to delay expansions in the cost of government in one area that I found particularly troubling and that is to delay the collective bargaining contract entered into by management and labor back in March and included in the Part I

Budget. We do that because of the need to stay true to our message and to try to address the fact that I think is obvious to both parties, that you cannot fill a \$250 million gap without touching all cost centers and in this case we had to go to the personal services area as well as every other part of the budget.

We also attempt to delay and avoid expansions in government. We, therefore, do not concur with the proposal contained in the bill itself to create a new MaineCare Stabilization Fund and to tap into resources that might be available, but in my judgment, ought not be available by keeping the money in the so called Medical Assistance Payments to Providers account, called the MAPP account, and leave that money where it belongs, which really is an essential piece of what we did in the part two budget.

You may recall just a couple of weeks ago that we placed another \$24.4 million into that account in order to pay our bills through June. Partly because of the delays in the new system and the fact that payments are lagging and that we know we owe more than we have. We honor that by placing \$24.4 million in that account. This proposal and the bill itself proposes to take balances that I do not feel will be available nor should they be diverted.

A fifth difference in our philosophy and our approach is that we strive to achieve a smaller government and a more efficient government. We do that in ways that all will find troubling and some will find distasteful. None of them are proposals that we particularly enjoy but we do feel that it is important to do things in the area of hiring and the filling of vacancies by taking a more focused view of attrition and managing vacancies by looking at our health insurance costs in a way that puts us more in line with the large companies in Maine through looking at a deductible and co-pays in line with those large contracts for health insurance. We actually talk about restricting in state and out of state travel and I commend the administration for doing a fairly good job in that area, but we feel the need to continue to do that. We did, in the final analysis, have to do an across the board reduction of .5%, but we have maintained discretion and authority in the State Budget Officer's hands to make sure that we did not cause hardship through redundancy in these reductions.

Finally, we try very hard to reduce the structural gap going forward. We try to keep an eye on the long term and make sure that the proposals that we put before you do not, in fact, make the problems of tomorrow even greater. I think that we have achieved that and we have achieved it in ways that I think bode well for the current years and for the upcoming biennium and hopefully for the long term.

I would like to close by just identifying a few small differences that don't fall within any broad themes. First, we struggled with a proposal to move the cost of the Maine Ferry Service from General Fund to Highway Fund. We are not comfortable with the Attorney General's opinion bearing up or standing up under scrutiny, but we are in a position, as our counterparts on the other side of the aisle, of having to do things that we wouldn't otherwise do, but we do offer a two year sunset on that proposed transfer and require that the Transportation Committee embark upon a study to be reported back in that next biennium with alternatives to this transfer. Another small change, but one that we felt was an important one to maintain our commitment to property tax relief was that we do not cause the counties of Maine to pay the Department of Corrections \$100,000 per year for the care and feeding of safe keepers, those inmates who are perhaps partly the responsibility of the county, but are handled in the state court system. We therefore, do not cause a \$100,000 obligation from the counties to the state. We do take more from this Legislature's budget. More than perhaps we

would like, but we do that with the feeling that there must be a shared responsibility in this rather awesome task.

Finally, we do something that came at the very end of the line and that is to utilize what is called in many people's jargon a payroll push. Let me comment briefly on that in closing, we offer to say that in this bill the Cycle B payment, which affects about half of the state agencies that would otherwise be due on June 28 of 2007, would be deferred until February 3, 2007. A five day delay that moves it into the next fiscal year. It will be my hope and my commitment that we work feverishly between now and the second regular session to, in effect, buy back that push. It is not something that we wanted to do. We came down to the choice of making more difficult changes to our healthcare system and other systems and we wanted to avoid that at all costs.

I close by saying that this is not a perfect bill. I offer it to you as a preferred alternative and I hope you will consider it. I cast no aspersions to my friends on the other side of the aisle. I just feel that this is not the time to be raising taxes and I urge your consideration of House Amendment "A". Thank you.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Brannigan.

Representative BRANNIGAN: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. The people of the state required us to put millions more into education K-12. We did put millions, \$250 million in new money into K-12. Then, they gave us more direction on how we were to pay for that. They didn't say help us with our property tax and we will take it with income tax or we will take a change in our sales tax or anywhere else. They left it to us. In looking at \$250 million we had it fairly simple I think. We had three choices. We could have some cuts and then borrow. We could have some cuts and then revenue or we could just plain have cuts. Those were the three choices. At first we chose cuts and borrowing and that was very unpopular in many, many areas. So unpopular that a decision was made to change it and so we are now down to two alternatives to fill the education piece. We have cuts and revenue or just plain cuts. What this has really done is pitted education, K-12 against healthcare. Those are the two big pieces of our budget, the only place to go for large, large savings.

Healthcare or education? Education we can't do because the people have already asked us and they have a very strong lobby and constituency. They get a letter in the mail twice a year or once a year around property tax. You can't touch property tax. You must help us with our property tax. You must give millions more to K-12. That left us with a huge problem. We worked together, Democrats and Republicans and we did make cuts. We tried to be fair. We tried to take some from everyone. I believe that our plan does. I believe that in our plan, businesses give, municipalities give, the poor give and give and give and the working poor, the people who need healthcare give and give to some degree.

When we got to a point that we felt we could not go against the major pieces of healthcare that we are working on for the people of this state we said that we would put in a health tax. Cigarettes \$1, it will stop some people from smoking. It will especially, from what we know, stop many young people from getting hooked. If they want to continue to smoke or start smoking then they have to start paying big time for the care that will be given to them in the future through healthcare - \$1 more a pack. We have chosen to do cuts and revenue. If we hadn't done that we would have had to do what the Minority Report or the amendment that the Representative from Waterford, Representative Millett just outlined. Those cuts, and I know there is a lot of argument and discussion about how many people will not have healthcare, but I will be glad to share it in detail for over

40,000 people over time. Some 7,000, 8,000, 9,000 right off the bat will lose their healthcare. We don't want to do that. I know that the Republicans didn't want to do that. They even worked to save the waivers that give these folks healthcare, but they took all of the money away that would allow us to draw down the federal money that would allow us to give healthcare to these people who are poor and disabled, especially the working poor.

They have gutted Dirigo, which for many of us is still a hope, and strong hope, that we can do something different in our state where we are being watched. They took away the care that would be given to the parents of children in the CubCare program. Those folks who are now signed up, some 600 to 700 of them and going on to 10,000, would be stopped and taken off. It is there. I know they didn't want to do this. I know that they feel that they may not have done this, but they have and we are not allowing that to happen. We cannot. In this battle between education and healthcare we have got to allow healthcare to stay strong. Please, help us. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Scarborough, Representative Curley.

Representative CURLEY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I rise in support of the pending amendment. It was a good working relationship that we had on appropriations, but to clarify,, the current amendment preserves and saves Medicaid for our most vulnerable, for the 227,000 people that need the service the most. It preserves Dirigo and despite the great talking points on talk radio, it does not cut healthcare for 40,000 people who are currently receiving it. We are looking for spending reductions. Healthcare and human services must be critically reviewed. They make up 1/3 of the state budget and are growing larger every year.

This body can be proud of the bipartisan cooperation and work by the Health and Human Services Committee and by the Appropriations Committee to find balance and reach our goals with difficult decisions. But, our plan, this amendment, differs in three important ways. The first and most controversial is a roll back of a recent expansion of Medicaid and Dirigo, which occurred on May 1st. It is true that 611 people could lose coverage and that decision wasn't made lightly, but I remind you again that it has no impact on the 265,000 people currently on Medicaid.

The proposal removes Medicaid recipients from Dirigo and reallocates \$32 million in federal funds earmarked for Medicaid to the general fund. The initiative refocuses Dirigo Health on being an insurance product for employers and small business. Remember, Dirigo was established to cover the uninsured. People on Medicaid have insurance. Medicaid is insurance. Despite claims to the contrary, the proposal does not eliminate Dirigo. It leaves over \$6 million in the account to move forward. I don't know about you but I think that \$6 million is significant. It can be used to attract enrollees and pay staff.

The second difference in our plan on line 96, if you still have those enthralling budget sheets before you, addresses the current suspension of new enrollments in MaineCare non-categorical. As a reminder, this is not a new proposal, our Chief Executive proposed this suspension months ago. The bill by my colleagues across the aisle booked \$1.5 million savings on this line and the amendment books \$20 million in savings. How can that be when nothing has changed, when no one is losing their benefits? The difference is in accounting or the presentation of the numbers. The Department of Health and Human Services apparently suggests the savings to be \$1.5 million. The Office of Fiscal Review, the non-partisan fiscal office, which prepares the budget and the fiscal notes, says the savings is \$20 million. I guess that the amendment shows to trust the numbers from the

fiscal office. The Department of Health and Human Services does many things well. However, accounting and keeping track of money is not one of their strengths. Remember that this is a current freeze that our Chief Executive has already ordered. This is nothing new. This is no cut in services. Believe whatever numbers you wish.

The third difference in the amendment is that we chose to accept more spending reductions achieved through the redesign of programs to be more efficient and effective. I would like to list some of the difficult reductions that together we made. As someone said to me, we all have blood on our hands to try to balance taking care of people and being responsible for tax payers money. Sometimes the accusations are that this amendment doesn't care for poor people, but together let's have a reminder of what we did. We both agreed to eliminate a \$600/year allowance for clothing for foster children. We both agreed to restructure the delivery of behavioral healthcare to save ten million dollars in savings. That will affect someone. Yet we made that tough decision together. We both transferred unobligated balances from the Fund for a Healthy Maine to the General Fund. We eliminated housing coordinators and we consolidated homemaker and independent housing services. We eliminated funding for hospital specialty clinics and we restructured maternal health services and reduced funding for parents with disabled children through means testing. These decisions weren't easy, but we felt that we had to make them. It has been difficult to see these decisions turned into political sound bites and things that are not true. The amendment does not cut healthcare services for 40,000 people who are today receiving them. Quite honestly, one of the reasons that it took so long to get this plan out was that it was important for us to make sure that we did not take the people who need care the most off of the insurance that we had promised them. My colleagues across the aisle will say that these reductions, these numbers on a budget sheet may hurt 40,000 people looking to the future.

I don't know who is coming on in the future but I am talking about today. This amendment does not cut services. We wouldn't do it. We are trying to find balance and I ask you to support the pending amendment. Thank you.

Representative BRANNIGAN of Portland moved that **House Amendment "A" (H-700) be INDEFINITELY POSTPONED.**

The same Representative REQUESTED a roll call on his motion to **INDEFINITELY POSTPONE House Amendment "A" (H-700).**

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Dudley.

Representative DUDLEY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I rise in response to comments made by the Representative from Scarborough, Representative Curley.

Dirigo Health depends on the expansions that were enacted with it. Let me say that again. Dirigo Health depends on the expansions that were enacted with it. Without the parent's expansion, which is parents of kids who are receiving MaineCare, without covering those parents from 150% to 250% of poverty and without covering the non-categorical population Dirigo doesn't work. It is an integral component of the success of Dirigo Health.

I want to speak directly about the 40,000 uninsured number and you have a letter on your desk from me outlining what my comments will be. We arrived at the 40,000 number because section KK1 of the floor amendment that we are discussing eliminates the expansion for parents, that 150% to 250% of the

poverty level. KK1 eliminates that. There are currently 1859 people already enrolled. The program started on May 1st and there are already 1859 people enrolled all over the state – from the Portland DHS office 244 people, from the Bangor DHS office, 266 people, from the Sanford DHS office, 176 people, from the Caribou office, 82, South Paris, 143, Lewiston, 172. These are people in your districts who are now receiving health insurance and are receiving it through MaineCare. Section KK1 says we are going to take it away from them – 1859 people.

Estimates for the coming biennium predict another 8,000 people would be qualified. They are not currently enrolled, but they would be qualified in the coming biennium to enroll in MaineCare. That is a total just shy of 10,000. Eighteen hundred and fifty nine are already receiving benefits.

Section KK3 of this floor amendment defunds the Dirigo Health program. It takes \$32.5 million away from Dirigo Health. That is purported to be a savings from taking money away from the expansions, but the fact of the matter is that if you take that money away Dirigo Health won't work. It will be broken. It will no longer be affordable and nobody will buy it. People will leave it and Dirigo will shut its doors. That is not alarmist language. Look at Dirigo's budget. It is a hard cold fact. Right now there are 7300 people enrolled in Dirigo health. Those 7300 people would no longer be receiving their benefits through Dirigo Health. Those 7300 people lose their health insurance under this amendment.

Section KK5 cuts \$20.1 million general fund dollars from the MaineCare Child/Adult Coverage. These are the folks that we call non-categorical. This is the expansion for the poorest of Maine people who aren't elderly, they are not disabled and they don't have children in the MaineCare program. These are just the poorest of the poor in the State of Maine. KK5 cuts \$20.1 million dollars from funding this program. If you look at KK4 it says that we are going to suspend enrollment until it reaches 14,000 people. Right now we are at 22,000 people. KK4 says we are going to suspend enrollment down to 14,000. Regardless of what that language says the truth in the dollars is that we don't have the money to support it at 14,000.

KK5 demonstrates that there is not enough money to sustain the non-categorical population. We would have to suspend enrollment until enrollment is down to near nothing. That would leave 22,000 people who are currently receiving benefits that would no longer receive them if this amendment were to prevail.

Ten thousand under the Parent's Expansion, 7300 under Dirigo Health, 22,000 under the childless adults waiver, that is about 39,300 people. Now, I want to be clear that 8,000 of that is not people who have health insurance.

I have no reason to doubt and, in fact, I believe whole heartedly that what the Representative from Scarborough said is that it is not their intent to cut people off who are receiving health insurance currently. I know that is their intent. I believe it. I don't doubt it for a second, but the fact of the matter is that if you read the language of this amendment it is inescapable. The only way to achieve the cuts that are presented in this amendment is to leave 40,000 people uninsured who otherwise would be insured in the coming biennium. Thank you very much Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Scarborough, Representative Curley.

Representative CURLEY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I appreciate the comments of my good colleague from Portland, Representative Dudley. We have had a good working relationship and were successful in removing some of the estate recovery issues from

the budget that we both found troublesome for our constituents. But, I do have an issue with the numbers that he presents.

He made a statement that Dirigo Health would not be successful if Medicaid was not part of it. Again, I think the reason that Dirigo Health won't be successful is because there weren't enough people signing up for it.

We have 130,000 uninsured people in our state, 7,000 are in Dirigo. There is an estimate that maybe 3,000 of them did not have insurance before. We don't know. Maybe we are doing too much of the wrong thing. We are not doing enough for the 123,000 that have no insurance.

Under KK5 he talks about the 22,000 people under the non-categorical suspension. Again, that is not new. The Chief Executive has already put this freeze into place and looking toward the future at those people who would be under the expansion maybe that is true and maybe it is not, but I don't see how, in a budget, we can count things that haven't happened. Thank you very much.

The SPEAKER: The Chair recognizes the Representative from Lewiston, Representative Craven.

Representative CRAVEN: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. This bill is not just about Dirigo, but I would like to make a few comments about the conversation that has just taken place. Why is it that when Dirigo Health expands MaineCare to parents and adults the Republicans and the Maine Heritage Policy Center say that the Democrats have expanded to 78,000 people, but when they suspend and effectively end these expansions they are only cutting benefits to 600 people.

Number one, the differences between the Republican and the Democratic plans for Dirigo Health on line 96 of the June 14th Majority Report, which would suspend the MaineCare expansion for adults and, in order to save \$20 million in state funds that they budgeted, it would effectively leave 22,000 people without coverage over the biennium.

While the MaineCare people came off of and on to the program frequently, suspension does not allow people to come back on afterwards. To save \$20 million the suspension of enrollment would have to stay in effect and 22,000 people would lose or be denied coverage. That is the difference between the Majority and the Minority reports.

Line 100 of the June 14th Minority Report would cut most of the funding from Dirigo Health, effectively ending the program. This would leave 7,300 Mainers without coverage and thousands more over the biennium. By gutting the Dirigo and the MaineCare expansion for parents it would leave 10,000 people over the biennium without coverage. Since May 1st, 1,000 people have enrolled in MaineCare through this expansion. This is the difference between the Majority and Minority Budget. It is clear that with these proposals cuts in the Minority Report would case 40,000 Maine people to lose or be denied health coverage.

The bill before us, LD 1691 is an accumulation of many hours of hard work on the part of the Appropriations Committee members. In brief, it eliminates borrowing and at the same time sustains services for our state's most vulnerable populations.

I would like to share with you something about the extraordinary process unfolding in Appropriations for the past seven days. During that time our committee reviewed the spending summaries of every department in the state. We worked audaciously to maintain balance in achieving our goals, which were to realize savings whenever possible and to preserve critical services for the people of Maine and to accomplish those objectives without the need to borrow.

As many of you know, at this point in time finding savings of any kind through the elimination of services is a daunting task at

best, especially in light of the fact that the previous Legislature found it necessary to cut to the bone. But, I am grateful to report to you that we managed to retain in this budget critical services and safeguards for our most vulnerable populations including our senior citizens, children, people with disabilities and the poor. We, in this body, are fortunate to have serving on the Appropriations Committee great champions of social justice, people who recognize the moral obligation that is ours as public servants to make sure our elderly, our mentally ill, our children and other vulnerable people are not forgotten.

We were compelled to make some excruciating decisions about cuts and services, even to programs that we felt obliged to preserve such as the Fund for a Healthy Maine. But, our ultimate goal was to fulfill our obligations to the people of Maine in the most responsible and humane way possible. I truly believe that we have met that obligation in this budget. So, again, I respectfully ask for your support of 1191 and the postponement of Amendment "A". Thank you.

The SPEAKER: The Chair recognizes the Representative from Oakland, Representative Nutting.

Representative NUTTING: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I am going to shift gears a little bit and talk about taxes.

Today, if we vote to indefinitely postpone the amendment before us we will impose the following new taxes on the citizens of this state. I will go through a few and let's see if that is what we want to do.

Part BBB will remain and it will reduce the BETR reimbursement from 100% to 90% for the application period that begins August 1, 2006. Leaving part BBB will break a promise that we have made to business owners in which they have relied upon for improvements to their businesses or even to the establishment of their businesses. The total would be \$7.2 million.

Part FFF will remain and it will change the way that income taxes are levied on multi-state corporations with a maximum of perhaps \$2,800. Now that doesn't seem like much, but I submit that it is more than just the proverbial stick in the eye, it is the unreeling of some barbed wire along our borders and increasing the reason why businesses don't come to the State of Maine. The total would be \$9 million.

Part AA will remain and it will increase the tax on cigarettes by 100%. An editorial in today's paper titled Everybody's Favorite Tax, includes the following. I think you got this distributed to your desk, not by me, but by somebody else. I quote, "the power of taxation really ought to be used primarily to raise revenue in support of public programs. Not to regulate the personal behavior of any particular class of people."

The tobacco tax is very progressive. It goes after low wage earners and has reached the point of diminishing returns with regard to encouraging people to quit. Anyone, who can afford \$4.50 a pack, can afford \$5.50 a pack. This is simply a grab for the money from the money that belongs to the people that can least afford it. The total would be \$125.8 million.

Part XX will remain and it will increase the malt liquor fee per the new federal reclassification law, which changed just this February. It will mean a new license on 300 to 400 small mom-and-pop stores who can currently sell beer and these low spirit malt liquors. It will increase their fees by \$200 for each one per year. It will increase the state excise tax by \$2.00 a case. Maine will be the only state to use this method. Once again we are out in front of the pack in taking money from many low wage earners. The total would be \$2 million.

Finally, Part VV will remain and it will sweep \$5 million from the license fees collected from doctors, plumbers, barbers,

hairdressers, you name it. We just passed a bill this session, which allowed the licensing division to greatly increase those professional fees. Now we know why we were asked to do that. The total would be \$5 million.

If we vote to indefinitely postpone the amendment before us we will impose \$149 million in new taxes on our state and on the citizens of our state. Not only would I call that broad based. I would call that sweeping. When you put money aside to improve your retirement years in Certificates of Deposits or in IRAs or in 401Ks you invest in your future. Your money grows as the economy grows and as interest is added to your savings. If every time your savings increased your savings in your nest egg, you ran to the bank and withdrew that increase and spent it you would face a day of reckoning when in your future, which will become your present. It is not very bright. This is what we are doing by taking these taxes out of our economy and stifling its growth. Every dollar that we take in taxes is removed from our future and the future of our children and brought into this building to be spent today. We must not do that. If we indefinitely postpone this amendment before us we indefinitely postpone our chance to lift our state and its citizens to the future that they all deserve. I urge you to vote against the present motion. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Appleton, Representative Merrill.

Representative MERRILL: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I want first to congratulate the leaders of both parties. Finally, we have two proposals to balance the budget or at least to get much closer to a truly balanced budget. Why it wasn't done in the first place is a debate for another time.

There are things in each proposal, the Democratic and that Republican that I don't like. However, as one of the legislators who has been the most vocal on the need to get rid of the borrowing I will be supporting one of these two proposals. I am troubled by the Republican proposal because I do not think that the cuts are as even handed as are the Democratic proposal. I also fault the Republican plan because I think that it contains too many gimmicks. The proposal brought forward by the Democrats has one serious flaw, however. It relies on new taxes and, more specifically the cigarette tax. Frankly, any new tax troubles me, particularly before we have enacted any new constitutional protections to assure no borrowing without a 2/3rds vote or a constitutionally protected Rainy Day Account.

I have listened to the debate over these matters in the Democratic Caucus and I understand that many worry about not being able to spend more on needed programs. I worry about not finding the will to trim spending so that we can continue to serve the needs of Maine people who need help the most. We worry over opposite sides of the coin. I am also troubled by the thought of putting almost all of the new costs on smokers. I see little to recommend this except that it is perhaps the easiest to sell politically.

For several years of my life I made my living as a waitress, one of the people well down the economic food chain. Like many of my co-workers I smoked. I have quit. I think I quit almost twenty years ago, but many of my friends these days still smoke. This cigarette tax will fall disproportionately on my waitress friends along with the blue and pink-collar workers and the working poor. Most of the \$100 million plus dollars will come from them. Very little will come from my new co-workers making their living in plush law offices.

I know and appreciate the health arguments on the other side. I just think that getting it all here is not fair tax policy. We could have done better than this, but often times in life our

choices aren't ideal. Especially when we spend more time in the denial stage than facing our problem and doing something about it.

This is where I end up. I can support the Democratic plan because it has less gimmicks and hidden political agendas, but only if I can see the new tax as a way to transition to spending sanity. I could see it that way if we enact new constitutional safeguards to improve the budget process. Until and unless that happens I have no choice, but to oppose the pending motion in order to be able to vote for the plan without any tax. The plan, which will not enable us to continue down the same path. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Rockport, Representative Bowen.

Representative BOWEN: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. One of the things that you learn when you are a school teacher standing in front of the class is that you learn how to tell when you are losing your audience. When the eyes start to glaze slightly. I can understand how folks who are listening to this debate and listening to us go through line items and casting off numbers for this and that are beginning to wonder how any of this makes sense. I want to go back a little bit to where we started with the Representative from Waterford, Representative Millett who talked about different approaches, two different approaches to the problem that we have before us.

One of the things I learned in building a document like this is that you start with your principles. You start with a philosophy and you make sure, when you get the numbers lined up the way that they need to line up, that the document still says something about where you would take the state. That it has broader philosophical implications for how the state is run. So, what you have before you, aside from all the numbers, are two different approaches; two different paths to take to get us out of this mess. I want to talk about those in some sort of a general sense for a minute.

In one corner we have the proposal of our colleagues on the other side. The Majority Report of the committee, which has been moved in. This is a proposal that while it makes some cuts, closes the majority of the \$250 million dollar gap with increases in taxes taking more money out of the pockets of Maine people to feed an ever-growing state government. In particular, it raises taxes on businesses and makes cuts in state programs, which are in place to encourage business investment, actions that continue the trend of the past few years and drives the cost of doing business in Maine higher and higher stifling investment and costing our people good jobs with good wages.

While cuts in the Majority Budget plan do hit many areas of state government as they do in both our plans they really do not make the needed changes to the state Medicaid program, which is growing at unsustainable rates. Under the watch of our Chief Executive, Medicaid spending has risen by over \$200 million. That is nearly as much as the ballyhooed increase in education spending that we pat ourselves on the back about.

Neither does the Majority Budget proposal make needed changes to Dirigo Health – the state underperforming health insurance program – that has consumed millions of dollars despite enrollments in the program.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Dudley.

Representative DUDLEY: Mr. Speaker, point of order.

The SPEAKER: The Representative may proceed.

Representative DUDLEY: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. The

Representative from Rockport appears to be debating the bill and not the amendment.

On POINT OF ORDER, Representative DUDLEY of Portland asked the Chair if the remarks of Representative BOWEN of Rockport were germane to the pending question.

The SPEAKER: The amendment before the house is the amendment to Indefinitely Postpone House Amendment "A" (H-700). The Representative may continue.

The Chair reminded Representative BOWEN of Rockport to stay as close as possible to the pending question.

Representative BOWEN: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. The reason we should not indefinitely postpone this amendment is because it makes needed changes to the bill among which are the following failings. It does not deal with Dirigo Health – the state's under performing health insurance program – that has consumed millions of dollars despite the fact that enrollments have been 80% below projections. Small businesses were to be the primary source of funding for Dirigo. Eighty percent of the funding for this program comes from small businesses paying money in for their workers. They have not been signing up in appreciable numbers shifting the burden of paying subsidized premiums for the self - employed and others onto taxpayers. This is the problem with Dirigo Health.

These two programs combined, MaineCare and Dirigo, were enacted and expanded in order to extend healthcare to all and have done virtually nothing to shrink the roles of the uninsured who have made up 12% to 13% to 14% of the population since 1996, while the percentage of those on private health insurance has plummeted from 78% in 1996 to 65% today. The uninsured rate has remained almost stable – almost perfectly stable

All of these developments – growing government programs like Medicaid, the raising of taxes to pay for them, the continued crippling through taxes and regulation of Maine's businesses and Maine's economy, which in turn fosters more dependence on government and in turn leads to more growth in government and in turn leads to higher taxes and sucks job creating dollars out of the economy – form a cyclone effect. A perfect storm of economic dysfunction in which our taxes climb and our government grows while our jobs slip away and our kids leave.

We are one of the poorest states in this country. Our median household income is tenth from the bottom according to the census and yet, we have the highest per capita tax burden in the nation. We have the third largest Medicaid program in the nation that is growing at the fourth fastest rate in the nation. We are routinely characterized as one of the worst states in the nation to start and run a business, 46th out of 50 in the last small business survival report. This is what this approach. The approach of the Majority Report on this bill brings more government, more taxes, and more burdens on business.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Dudley.

Representative DUDLEY: Mr. Speaker, point of order.

The SPEAKER: The Representative may proceed.

Representative DUDLEY: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. The question before us is, Indefinite Postponement of House Amendment 700.

On POINT OF ORDER, Representative DUDLEY of Portland asked the Chair if the remarks of Representative BOWEN of Rockport were germane to the pending question.

The SPEAKER: The Chair will answer in the affirmative. The motion before us is Indefinite Postponement and the objection that the Representative from Portland is speaking to is

to stay within the Indefinite Postponement motion, why or why not we ought to Indefinitely Postpone.

The Chair reminded Representative BOWEN of Rockport to stay as close as possible to the pending question.

Representative **BOWEN**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. We should not Indefinitely Postpone because to contrast the report, of which we must not speak, the pending amendment of the committee takes a different approach entirely. The Minority Report closes the borrowing gap without raising taxes, without cutting programs that encourage investment, without shifting taxes to towns and cities and does so by responsibly slowing the growth of government without, let me repeat this, without bringing undue hardship on the most vulnerable to the largest extent that we could. In so doing it is our intent to reverse this perfect storm that I speak of that is dragging down our state. This is the contrasting philosophy here that I am speaking of.

By controlling the growth of government we keep taxes down. By keeping taxes down we free up money for investment. By continuing to fund business programs like better, which gets a whack in this budget we encourage businesses to reinvest money in job creation. As incomes grow dependence on state programs declines and the tax burden on Maine's people and Maine's businesses will likewise decline, which will mean more investment, which means more jobs, which means less government, which means less taxes, which means more jobs and higher incomes and so on and so on. It is reversing the spiral and one need look no further than the only state we border to see how this approach works. New Hampshire, which is a similar population, similar natural resources and climate to us, has one of the lowest tax burdens in the nation, if not the lowest. It has 7% of its population on Medicaid compared to 21% in Maine. It has 8% of its population in poverty compared to 13% in Maine. It has 30% of its population with college degrees compared to 24% for Maine. It has a median household income, which at over \$55,000 is 3rd highest in the nation as opposed to tenth from the bottom and it is ranked in national surveys as being one of the best places in America to run a business and most certainly, if the Majority Report on this bill passes, it will become one of the best places in America to sell cigarettes.

It is easy to get bogged down in the details of this and start looking through line numbers and scanning it line by line and you should do that because it is important. What you will see between the lines is two different philosophical approaches here and so I ask you to look at this big picture and to think for a moment about where we have been, about the course that we are on and where it is taking us. You have two choices and they represent two ways of solving the problem. I ask you to think carefully about those two choices, about whether or not we need to try a new way, whether or not we need to make tough choices to save our state and whether or not we can continue for the sake of our state and of our children, to continue holding onto our horse and to continue into the storm. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Gorham, Representative Barstow.

Representative **BARSTOW**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. Let me first, as we look at this motion to indefinitely postpone, which I rise to support, commend all members from both sides of the aisle that are on the Appropriations Committee for their continuing work on this part of the budget that we are revisiting and from the beginning forthwith to where we are now.

The good Representative from Rockport has talked a lot about the highest tax burden that this state bears in the nation and the good Representative has also talked about the spiraling

cost of government and how government has grown to big. Mr. Speaker, we have made a number of tough choices here in both of these reports and we also realize that with the current expenditures the structural gap that we have had to deal with on top of that left us having to find a way to flash fund \$250 million dollars for education and, as we have talked a lot in this debate tonight about the fact that healthcare costs are tough to manage and that we talk the issues with regards to how we are funding those, it is my understanding that the top expenditure that we make is for K-12 education in this state. If I remember correctly local government has governed how those schools and how that education is administered.

As we sit here and we try to trim our sails here at the state level Mr. Speaker, a lot of it is out of our hands and a lot of those hard decisions are at the local level. We have had opportunities in this fine august body to try to make the decisions to encourage local cooperation and to have it so that, as my seat mate here and many on the other side of the aisle have left in order to not listen to me, we can have discussions agreeing to disagree on how we reduce the spending at the local level, which when you look at the tax burden in this state, the largest proportion of that comes from the local property tax. That is the biggest percentage of that tax burden the majority of the times that we speak about taxes here. We can throw out the statistics of the long bus rides and we can throw out the statistics about closing down the small schools on North Haven and in Rockport, in Fort Kent and in Presque Isle, but what it really comes down to is us trying to look hard and us trying to be leaders here in this institution and trying to help guide at the local level where local control is exhibited in order to try and find ways to consolidate backroom administration, to try and find cost savings there and that is something, Mr. Speaker, that we are not doing through this budget. We have trimmed our own sails and if we are going to look at the tax burden that we talk about here that is something that we truly need to concentrate on and that discussion needs to go beyond this Part III budget that we are talking about right here.

I am going to be supporting the Indefinite Postponement. I am going to be supporting my colleagues who have brought forward the Majority Report that is pending before us after this motion. I would encourage us, as we talk about trying to reduce that tax burden and try to reduce the borrowing increases and spending at the government level and the increasing bureaucracy that we look beyond these four walls here and try to do the best we can inside them, but outside try to find ways to reduce the spending at the local level. Thank you Mr. Speaker.

The SPEAKER: A roll call has been ordered. The pending question before the House is Indefinite Postponement of House Amendment "A" (H-700). All those in favor will vote yes, those opposed will vote no.

ROLL CALL NO. 323

YEA - Adams, Ash, Babbidge, Barstow, Beaudette, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Canavan, Clark, Craven, Crosby, Cummings, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Gerzofsky, Goldman, Grose, Hanley S, Harlow, Hogan, Hutton, Jackson, Jennings, Koffman, Lerman, Lundeen, Makas, Marley, Marraché, Mazurek, Miller, Mills, Moody, Norton, O'Brien, Paradis, Patrick, Pelletier-Simpson, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Sampson, Saviello, Schatz, Smith N, Smith W, Thompson, Tuttle, Twomey, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Austin, Berube, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Campbell,

Carr, Cebra, Churchill, Clough, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis G, Davis K, Duprey, Edgcomb, Emery, Fitts, Fletcher, Flood, Glynn, Greeley, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lansley, Lewin, Lindell, Marean, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Millett, Moore G, Moulton, Muse, Nass, Nutting, Ott, Pinkham, Plummer, Rector, Richardson D, Richardson E, Richardson M, Richardson W, Robinson, Rosen, Seavey, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Trahan, Vaughan.

Yes, 77; No, 74; Absent, 0; Excused, 0.

77 having voted in the affirmative and 74 voted in the negative, and accordingly, House Amendment "A" (H-700) was **INDEFINITELY POSTPONED**.

On motion of Representative CUMMINGS of Portland, **TABLED** pending **PASSAGE TO BE ENGROSSED** and later today assigned.

The following item was taken up out of order by unanimous consent:

UNFINISHED BUSINESS

The following matter, in the consideration of which the House was engaged at the time of adjournment yesterday, had preference in the Orders of the Day and continued with such preference until disposed of as provided by House Rule 502.

Expression of Legislative Sentiment Recognizing Pastor Steven Loan, of Winter Harbor

(HLS 1239)

TABLED - June 15, 2005 (Till Later Today) by Representative BIERMAN of Sorrento.

PENDING - PASSAGE.

Subsequently, this Expression of Legislative Sentiment was **PASSED** and sent for concurrence.

BILLS HELD

Bill "An Act To Require Proof of Equipment Ownership for Employers Using Foreign Laborers"

(H.P. 525) (L.D. 730)

- In Senate, Minority (5) **OUGHT NOT TO PASS** Report of the Committee on **LABOR READ** and **ACCEPTED**.

- In House, House **ADHERED** to its former action whereby the Majority (8) **OUGHT TO PASS AS AMENDED** Report of the Committee on **LABOR** was **READ** and **ACCEPTED** and the Bill **PASSED TO BE ENGROSSED AS AMENDED BY COMMITTEE AMENDMENT "A"** (H-372) in **NON-CONCURRENCE**.

HELD at the Request of Speaker RICHARDSON of Brunswick.

On motion of Representative CUMMINGS of Portland the House **RECONSIDERD** its action whereby it voted to **ADHERE**.

On further motion of the same Representative, **TABLED** pending the motion to **ADHERE** and later today assigned.

The following items were taken up out of order by unanimous consent:

ENACTORS

Acts

An Act To Improve the Child Welfare Ombudsman Function
(S.P. 72) (L.D. 219)
(C. "A" S-371)

An Act To Amend the Maine Tort Claims Act
(H.P. 655) (L.D. 936)
(C. "B" H-694)

An Act To Develop a New Judicial Facility in Bangor
(S.P. 632) (L.D. 1687)

Reported by the Committee on **Engrossed Bills** as truly and strictly engrossed, **PASSED TO BE ENACTED**, signed by the Speaker and sent to the Senate.

By unanimous consent, all matters having been acted upon were **ORDERED SENT FORTHWITH**.

PETITIONS, BILLS AND RESOLVES REQUIRING REFERENCE

Bill "An Act To Transfer Funds to the Maine Milk Pool from the General Fund To Fund Dairy Stabilization Programs"
(H.P. 1200) (L.D. 1692)

Sponsored by Representative PIOTTI of Unity.

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Committee on **APPROPRIATIONS AND FINANCIAL AFFAIRS** suggested.

Under suspension of the rules, the Bill was given its **FIRST READING WITHOUT REFERENCE** to a committee.

The Bill was assigned for **SECOND READING** Friday, June 17, 2005.

SENATE PAPERS

The following Joint Resolution: (S.P. 638)

JOINT RESOLUTION RECOGNIZING THE LOCKED OUTWORKERS OF DHL OF BREWER

WHEREAS, DHL, a German-based global shipping company and a rival of FedEx and UPS, recently laid off local employees in Brewer and Presque Isle by failing to negotiate a new contract with Black Bear Courier, the independent contractor for DHL in Brewer; and

WHEREAS, those workers, many of whom had been with DHL for more than 10 to 12 years and helped build the company's success in Maine, recently had joined the Teamsters Union Local 340 out of South Portland and were let go without severance pay or insurance; and

WHEREAS, after a long organizing campaign, where the workers faced obvious threats to their livelihood, the workers voted to join Teamsters Union Local 340, and DHL subsequently severed the contract with Black Bear Courier and chose a new contractor out of Pennsylvania; and

WHEREAS, the workers, who were attempting to bring basic democratic principles and protections to the workplace, were paid far less than their counterparts in FedEx or UPS, while DHL had annual sales of 56 billion dollars and annual profits of 4.36 billion dollars; and

WHEREAS, though DHL is claiming that it has no control over the independent contractor out of Pennsylvania, Rydbom Express, it is clearly a case of DHL punishing workers who have a legal right to elect representatives to negotiate wages, hours and working conditions with management; and

WHEREAS, although this type of behavior is common in less developed and less democratic countries, it is deplorable that it is happening in the great State of Maine, where we stand for values of fair play, respect and the rewarding of hard work; and

WHEREAS, there were interrogations and discriminatory acts toward 23 employees at DHL that were illegal and contrary to our State's values; and