MAINE STATE LEGISLATURE

The following document is provided by the

LAW AND LEGISLATIVE DIGITAL LIBRARY

at the Maine State Law and Legislative Reference Library

http://legislature.maine.gov/lawlib



Reproduced from scanned originals with text recognition applied (searchable text may contain some errors and/or omissions)



CONTENTS

INTRODUCTION	1
TYPES OF LEGISLATION	
Straight Cash Bonus	2
Length of Service Bonus	3
Revolving or Loan Fund	3
Veterans' Department	3
Housing Facilities	3
University of Maine	3
Vocational Training	3
VETERANS · HEARINGS	
Attendance	14
Results	14
Comments	6
Summary of Hearings	9
COMMITTEE DISCUSSIONS	
Cash Bonus Conclusions	1.0
Financing Legislation	10
Veterans' Department	12
University of Maine	12
Vocational Training	13
Revolving or Loan Fund	14
Housing Legislation	14
SUMMARY CONCLUSIONS	

Committee Recommendations

15

LEGISLATIVE RESEARCH

STATE OF MAINE



LEGISLATIVE RESEARCH COMMITTEE REPORT

V E T E R A N S •

L E G I S L A T I O N

From the Senate:

EDWARD B. DENNY, JR., Lincoln, *Chairman*ROBERT E. CLEAVES, JR., Cumberland
BROOKS SAVAGE, Somerset

From the House:

George G. Downs, Rome

JAMES A. CONNELLAN, Portland
STANLEY G. SNOW, Auburn
S. WILSON COLLINS, Caribou
HARRY M. BROWN, Unity
ERNEST A. BOUTIN, Lewiston
ROBERT N. HASKELL, Bangor, Secretary

TO THE MEMBERS OF THE 92nd LEGISLATURE:

Your Legislative Research Committee has attempted to assemble, preparatory to the July Special Session of the Legislature, a factual report on Veterans' Legislation.

Our procedure has been this:

- 1. We assembled and studied each of the available proposals dealing with Veterans' Legislation. These proposals were of these general types:
 - a. Cash bonus proposals
 - b. Revolving or loan funds
 - c. Establishment of Veterans' Department
 - d. Educational expansion programs
 University of Maine
 Vocational training facilities
 - e. Housing facilities
- 2. We considered the various financing proposals, including both existing income sources and new tax sources that may be available.
- 3. We held a series of eleven public hearings from Biddeford to Caribou, attempting to learn something of the Veteran-Citizen and non-Veteran-Citizen reaction to the problem.

From these studies and from the hearings we have derived the material that is summarized in this report. The Committee recognized the task to be a difficult one for it treats with problems that are not likely to have final solutions at the July Special Session or even during the next regular session of the Maine Legislature. However, our report and our recommendations represent the unanimous conclusion of the Committee and we are hopeful that the report may be of some value in the Special Session treatment of Veterans' Legislation.

TYPES OF VETERANS' LEGISLATION

Various veterans' bills have been drafted or proposed and very likely others will be proposed. In general the bills fall into one of these classes:

1. THE STRAIGHT CASH BONUS

These bills vary from \$100 per veteran to \$500 per veteran and as suggested would be paid without reference to length of service and without reference to type of service, domestic or foreign. Each would be financed by a bond issue, requiring a constitutional amendment to be voted upon by the people. The length of time over which the bonds would be paid by the State varies from 10 years to 60 years. Thus, assuming \$100 per veteran would cost \$10,000,000 (this figure assumes 94,000 veterans and thus includes an allowance for investigation and distribution costs), then the range of \$100 to \$500 and 10 years to 60 years gives annual costs to the State in accordance with this table:

Amount of cash bonus to each Veteran	Length of time in which bonds would be paid by the State	Annual Appropriation required for bond retirements (Bond Interest NOT included)
\$100.00 (\$10,000,000)	5 years	\$ 2,000,000
200.00 (\$20,000,000)	5 years	4,000,000
300.00 (\$30,000,000)	5 years	6,000,000
500.00 (\$50,000,000)	5 years	10,000,000
\$100.00	10 years	\$ 1,000,000
200.00	10 years	2,000,000
300.00	10 years	3,000,000
500.00	10 years	5,000,000
\$100.00	60 years	\$ 167,000
200.00	60 years	333,000
300.00	60 years	500,000
500.00	60 years	833,000

Obviously, a \$500 cash bonus (\$50,000,000) to be financed by 5-year State debt requiring \$10,000,000 per year in debt retiring appropriations would be difficult just as it is unlikely that a \$100 cash bonus would require 60 years of debt payments. However, this table shows the wide range within which the \$100 to \$500 bonus and the 10 year to 60 year payments would fall.

2. THE LENGTH OF SERVICE CASH BONUS

Another type of cash bonus that has been proposed suggests cash payments to each veteran equivalent to \$10.00 per month of domestic service and \$15.00 per month of foreign service. The author of this bill indicates that the total cost would be \$30,000,000 and by reference to the preceding table, it will be noted that debt payments to retire \$30,000,000 in bonds would require annual appropriations of \$6,000,000 for 5 years, \$3,000,000 per year for 10 years, or \$500,000 per year for 60 years.

3. THE REVOLVING FUND

This type of veterans' bill would establish a State loan fund from which veterans might make loans. As presently suggested the loan is limited to \$500 per veteran with interest at 4%. The fund would be administered by three representatives of veterans' organizations, along with the administrative heads of the Veterans' Bureau and the Department of Finance. If more than \$2,000,000 to \$4,000,000 were required to establish the fund it is likely that a bond issue would be required with annual appropriations for bond redemptions in accordance with the preceding table.

4. THE ESTABLISHMENT OF A VETERANS! DEPARTMENT

The bill provides that the existing statutes providing financial aid to veterans shall be transferred from administration by the Health & Welfare Department to administration by Veterans' Department.

5. HOUSING LEGISLATION

This type of bill recognizes the acute shortage of housing facilities in many Maine areas and as written would permit such Maine municipalities as may desire to construct and operate municipal housing projects financed by Municipal appropriations.

6. EDUCATIONAL FACILITIES

a. State University facilities:

The University of Maine, faced with an increase from a normal enrollment of about 2,000 to a demand for an enrollment of 3,200 next fall, will require substantial financial assistance for both temporary and permanent facilities and for increased operating expenditures. Legislation acknowledging this problem will be presented to the Special Session.

b. Vocational Training Facilities:

A bill has been prepared that would provide for the establishment of a State Technical and Vocational Institute. This bill seeks to recognize the need for vocational training facilities in Maine for those veterans who may prefer this type of educational facility.

VETERANS: HEARINGS

Your Committee held hearings in Bangor, Caribou, Houlton, Machias, Ellsworth, Biddeford, Portland, Farmington, Lewiston, Augusta and Rockland. Five of the hearings were afternoon meetings and as such we recognized the difficulty of representative attendance. We did, however, attempt to give adequate publicity to each meeting and Maine newspapers, weekly and daily, were most cooperative.

ATTENDANCE

The eleven meetings attracted 597 persons (of which more than one-third were at the Portland meeting). The Committee estimates that of the 597 attending the meetings about 450 were veterans, an average of about 57 veterans per hearing. The Committee is reluctant in drawing any conclusions from this failure of veterans to attend the hearings but it is significant that less than one in two hundred Maine veterans appeared at a hearing.

MEETING RESULTS

Of the 597 who attended the meetings, 442 returned questionnaires upon which they indicated their conclusions on the basic questions. The Committee made no attempt to limit the questions to veterans although we believe that those returning the ballots were substantially all service men. Our questions and their answers were as follows:

1. DO YOU THINK THAT A CASH BONUS SHOULD BE PAID BY THE STATE?

Of the 414 who answered this question 339 said "yes" and 75 said "no". Thus 9 out of 11, or 82% of those voting, thought a cash bonus should be paid. There was a wide spread among the results in different communities with the two largest communities voting nearly unanimously for a cash bonus while two of the smaller communities voted against the cash bonus and the third largest community was evenly divided.

1. a. IF SO, HOW MUCH SHOULD EACH VETERAN RECEIVE?

Of those expressing a desire for a cash bonus, 315 attending the meetings indicated a specific amount. A majority of this group wished for \$500, some hoped for \$1,000 and others indicated \$100, \$200 and \$300.

2. DO YOU THINK THAT A STATE REVOLVING FUND (LOAN) SHOULD BE ESTABLISHED?

Of the 365 answering this question, 109 said "yes" and 256 said "no", a ratio of about $2\frac{1}{2}$ to 1, or 70%, against this type of legislation.

3. DO YOU THINK THAT ALL STATE VETERANS' BENEFITS SHOULD BE ADMINISTERED BY A STATE VETERANS' DEPARTMENT INSTEAD OF BY THE STATE WELFARE DEPARTMENT?

A total of 334 answered this question, 283 "yes" and 51 "no", or nearly 6 to 1. By percentage, 85% favored this question.

4. IF NEW STATE TAXES ARE REQUIRED TO PAY FOR A CASH BONUS FOR VETERANS, WHAT TYPE OF TAX SHOULD BE SELECTED?

Sales	Tax?	Yes	No
Income	Tax?	Yes	No
	Tax?		

A total of 365 indicated one or more tax sources. In order, the indications were these:

Type	Number
Sales Tax	149
Income Tax	63
Racing	56
Lottery	44
Liquor	33
Cigarettes	20

In addition to these there were the suggestions of a few that covered a wide range including increased gas taxes, increased poll taxes, chain store taxes, luxury taxes, increased fines, amusement taxes, water power taxes, corporation taxes, property taxes, taxes on candidates for public office and taxes on civic organizations.

COMMENTS (AS NOTED ON QUESTIONNAIRES)

The Committee attempted to record the essential conclusions of all who spoke at the hearings but the written comments on the questionnaires may serve as an indication of hearing statements. It is difficult to present a fair sample of these comments but the following seemed significant to the Committee and in summary may serve to indicate the expressed opinions of many of the veterans:

"Some lasting benefit" "Education, housing, much more important" "Give funds to crippled veterans in cash bonus" "Pay it, don't beat around the bush" "Eliminate property tax and use the Sales tax instead" "Increase their opportunity to earn, either on jobs or in business" "Why not give bonds to any veteran who wants them?" "Quit beating around and you'd better not let us down" "Combination of some sort of Revolving Fund and a small bonus" "Keep bonus down and use extra money for good of all" "We prefer steady, permanent employment to a cash bonus (living wage understood)" "Tax every political office seeker \$200 before putting his name on ballot" "Don't put the veterans in debt by making loans easy to get" "Mark up liquor from the existing mark up to 65% or 67%" "Let's get more schools and help of finding employment" Let's abolish the 52-20 Club" "If they could finance the war they could finance a bonus for the boys" "A vote for the bonus and a State lottery is a vote for you" "It is up to you legislators. If you don't know how, let's elect others" "No bonus should be paid if additional heavy taxes would be necessary to cover payments" "Tax water by volume used to develop power for electricity and do something about Washington conditions" "Opinion on bonus is not yet sufficiently crystallized. Housing is the veterans most critical problem" "Let the Federal Government take care of cash bonus and the State take care of immediate needs such as housing" "After caring for the bonus, any new tax might be used to reduce property taxes" "You elected men who ran for office and asked for this job, raise us the money" "Help us cut the tape on the present GI Bill instead of a cash bonus"

"Study other States' plans. One will be accepted. Politics

"There are many ways in which to raise funds and Maine owes

will force it. Take the lesser of two evils"

it to her veterans"

- "We should have legislation providing for housing and employment. Also adequate provisions for health and welfare of veterans and their families"
- "I believe that a long range activity of research and promotion for industry and agriculture should be carried out as veterans' projects"
- "If the State has or is able to raise funds for veterans' benefits it should be dispensed only to actual and proven 'hardship' cases'"
- "Veterans should not be taxed to help pay the bonus. Bonus should be paid according to how long he served and where he served"
- "Sales tax and income tax to be law only until the veterans' cash bonus is paid and then the two taxes must be ended"
- "Do the most possible to offset the deficiencies in the GI Bill. If a Revolving Fund is a step in this direction, the answer is "yes" to a Revolving Fund"
- "Housing enabling legislation to allow towns and cities to operate temporary and semi-permanent housing units. Stop lumber leaving Maine"
- "We voted for you gentlemen and it is your problem as to how you raise this money. It is your elected duty. You asked for the job in competition"
- "Sales tax should eliminate food. Legislation to permit municipalities and the State to engage in housing or housing assistance. Revolving Fund should be made carefully to meet deficiencies"
- "I suggest a State Veterans: Department supplying:
 - 1. Increased education facilities
 - a. Vocational
 - b. College expansion
 - 2. Supplementary loan credit to the Federal Bill
 - 3. Tax exemption on property for 5 years in his own name only for a period of 15 years"
- "Poll tax exemption. Private industry tax, but not on Public Utilities where tax would be passed on to consumers. Annual license tax on all enterprises, private or otherwise, which operate for profit"
- "I believe that Veterans' benefits should be administered by a group of men who are versed in the veterans' problems and that no stipulation should be made to require administrators to be veterans"
- "If the proposed Revolving Fund is approved, the suggested interest rate of 4% is too high. It's no help to the veteran. Finance the loan through some other means, such as a sales tax, etc."
- "How about a State lottery for raising funds to pay the bonus? 98% of normal people love to gamble. After all, life is just a gamble anyhow. We certainly gambled for our lives overseas"

"Legalized horse racing and also a tax to get back from those who made terrific earnings during the war while the veterans were overseas were getting very little money and going through extreme hardships"

"I can't find an apartment decent enough to live in. I need the bonus to help buy a home. You may say what about the GI Bill, well, have you ever investigated that bill"

"Not limited to \$500 - but so administered that needy veterans could be sure of help. No more 'rocking chair' money but a fair chance for every veteran to get needed help. Present GI Bill too much 'banking control'"

"What of the disabled veterans' home? Should it not be real estate tax free? - before age 65? Should not his widow (unmarried) find her home tax exempt? It is incumbent upon you to give some thought to this question, too"

"I would like more trade schools started in Maine so that I could do the type of work that I enjoy. With auto parts so scarce, few employers will take learners into "on the job" training positions"

"More money for University and colleges so that GI educational provisions will mean something. Non-interest bearing loans on Revolving Fund. Forgiveness of debt in worthy and hardship cases. Availability of loan fund for college education of children of veterans. I am opposed to gambling and pari-mutuals"

"The problem, which is made such unnecessarily, should not be acted upon hastily. Time for the Veteran, the State and Country to become stabilized should be taken before a decision is reached. If the Legislature or the Administration can take some action, without a Special Session, encourage private capital to increase housing facilities, it should be done. Possibly some temporary blanket approval for municipal housing authorities is necessary. It would A separate Veterans' Department is not necessary. be a duplication and in too short a time the Veteran might well become a Welfare Department matter. A separate department would be an unnecessary expense to the taxpayers. Should the bonus plan be favorably considered, and I sincerely hope that it will not be, it should be a fixed sum for all. Why penalize the person who was ordered to stay on this side? He did his part and in most every case would willingly have 'gone over' - in many cases he tried to get an overseas order"

SUMMARY OF HEARINGS

The Committee summarizes the eleven veteran's hearings as follows:

- 1. Without reference to the conclusions to be drawn from the fact, a surprisingly small number of veterans appeared to express opinions of veteran's Legislation.
- 2. Of those veterans appearing at the hearings, a majority desired a cash bonus and a majority desired that the cash bonus be \$500. The majority also favored administration of veteran's benefits by a Veterans' Department and voted against the Revolving (loan) Fund type of Legislation.
- 3. They recognized that existing State funds are inadequate to pay a cash bonus, that the State must borrow the money with which a cash bonus would be paid, and that new revenue measures must be enacted to pay the debt thus created.
- the Their first choice was a sales tax and the second choice was an income tax but those two taxes were the only taxes printed on the ballot and they were printed in that order. In fairness to those veterans who did suggest tax sources, the Committee points out that at the meetings the Committee did not attempt to present detailed explanations of the sales tax or the income tax. In that respect, therefore, the Committee does not interpret the expressions of tax source preference as opinions expressed after careful thought and deliberation.
- 5. Adequate educational facilities and enabling legislation permitting municipalities to participate in the housing problem appeared to be desirable.

COMMITTEE DISCUSSIONS

The Committee, in several executive sessions, discussed all phases of our studies and these discussions are summarized as follows:

CASH BONUS

With reference to cash bonus demands, we are far from convinced that the cash-type of payment by the State is the sound approach to the problem, and we are far from convinced that a majority of Maine veterans favor new taxes with which to pay for this cash distribution. Certainly our hearings produced much evidence of desire but little Since the last of our Veterans' hearings it evidence of real need. appears that the Congress has concluded that no less than \$20,000,000 in Federal payments will be distributed in cash among Maine veterans as "terminal leave compensation". Such payments, will, in due time be another burden for Maine taxpayers to assume smong the various Federal taxes that are collected in Maine. We think that State benefits, of cost equal to the cash bonus suggestions, may well be acknowledged by future Maine Legislatures, but we are hopeful that those benefits will be of a more lasting nature and benefits that better acknowledge the existing needs of veterans and their families. on the other hand, our conclusions are wrong and a cash bonus is indicated as the just and proper solution, it is our firm conviction that the legislation that provides for a cash bonus payment must be accompanied by revenue legislation to provide prompt retirement of the new debt thus created.

FINANCING VETERANS' LEGISLATION

2. The available State funds from which Veterans' Legislation could be financed (without additional debt), appear to be between \$4,500,000 and \$5,000,000. The two sources are the Post War Reserve and the unappropriated surplus of the General Fund. The Post War Reserve emounts to \$1,940,000 and at June 30th, 1946, the unappropriated surplus of the General Fund is estimated at about \$2,750,000 a total from the two sources of \$4,690,000. Thus, if the Legislature accepts the indicated recommendations of this Committee, appropriations of \$3,650,000 will be required leaving about \$1,000,000 as unappropriated surplus of the General Fund.

If the Legislature concluded that a cash bonus should be paid, the cost, quite certainly, will be well beyond the $\frac{1}{2}$ to 5 millions presently available and thus new debt would be required. The Committee concludes that 5 year debt would be desirable period over which to finance new State debt for veterans' Legislation but we are con-

vinced that 10 years is the longest period over which the financing of veterans' Legislation should be carried. We believe this because we think it extremely unwise to burden with this type of debt those hundreds of thousands of future Maine citizens who will have had no voice in the creation of this debt and upon whom the payment of principal and interest would fall as the debt service is carried into longer periods. Such longer term debt, we think, would be particularly unfair to veterans and veterans' families, for they will bear an increasing percentage to the debt service costs.

Among existing State tax sources we think that taxes on real property, business and inheritance taxes should not be increased. We are impressed with the fact that State of Maine taxes on liquor and malt beverages are now at an extremely high level.

In arriving at this conclusion with reference to increased liquor taxes, we assembled comparative data from the other States and that tabulation indicates that Maine now imposes one of the highest tax rate structures among all of the States. For example, the malt beverage tax in Maine is \$4.96 per barrel. The average for all States is \$2.14, Vermont is \$3.10, New Hampshire is \$3.00, Massachusetts, Rhode Island and Connecticut, \$1.00. Among the "monopoly" states, a similar comparison appears to exist in relation to "hard liquor". It thus appears that to increase these taxes from their present high levels would further encourage tax evasion to such an extent as to offset a substantial part of any imposed rate increase.

Cigarettes, at 2ϕ per package, now carry the equivalent of a 15% State sales tax. If this were to be doubled to 4ϕ , the equivalent of a 30% State sales tax on cigarettes, it might yield about \$1,500,000 per year but in terms of Veterans' Legislation it is one of those taxes that would place a substantial part of the tax burden on the veteran group within the State.

We acknowledge, therefore, that while increased liquor taxes might yield some small increase in State revenues and that another 2¢ on cigarettes might yield \$1,500,000 per year and that together these tax increases might be designed to pay for a cash bonus of \$100 in 5 years or in 10 years to pay for a cash bonus of \$200, yet we are impressed with the fact that such procedure is far from sound.

We are hesitant in reciting other State problems in this report on Veterans' Legislation but as related to the financing of Veterans' Legislation we think that two other basic problems must be considered along with the costs of Veterans' Legislation. These problems, in brief summary, are as follows:

- The continuing demand for municipal services is such that the State should start a program aimed at State retirement from the property tax source. Currently, Maine collects about \$5,000,000 per year from this source. It is collected by a State levy of 7-1/4 mills on about \$700,000,000 of property valuation. municipalities limited to property tax income, this tax source, we believe, should be vacated by the State, for without such action, Maine municipalities will be forced to demand more and more State grants to accomplish balanced municipal budgets. We foresee continuing numbers of cities and towns facing financial difficulties if municipal real property is required to carry the cost of municipal services in addition to the 7-1/4 mill tax enacted by the State. We are also aware of the marked trend in other states in retirement from this tax source.
- B. Existing State revenue sources appear inadequate to finance existing normal State expenditures during the next two bienniums. Our projection of General Fund income and expense indicates that this problem will be no less than \$10,000,000 for the 4 years next following the end of the present biennium. Our forecast of this \$10,000,000 problem made no allowance for many types of State Expenditures that appear quite certain to be demanded of future Legislatures.

VETERANS' DEPARTMENT

The Committee considered the arguments against the establishment of a Veterans' Department. It may be that some additional costs will result in changing from administration by the Welfare Department to administration by a Veterans' Department and there may be initial difficulties in acquiring eligible staff employees with specialized training in this type of work but we are impressed with the argument that veterans should not be required to apply to and be serviced by the regular State Welfare channels, and thus the Committee will recommend the suggested Legislation making this change.

UNIVERSITY OF MAINE

Existing facilities at the University of Maine are not adequate to serve the Maine men and women who have applied for admission this fall and it is not possible, in the short time preceding September of this year to construct permanent facilities at Orono to serve the more than 3200 applicants. University authorities, subject to approval by the War Department, believe that a section of Dow Field, Army Air

Base at Bangor, may be converted into temporary "annex" facilities satisfactory to serve a Freshman class of from 800 to 1000 students. Construction costs and net operating costs for the annex operation during the '46-'47 school year will amount to approximately \$400,000.

At the last regular session the Legislature appropriated \$635,000 toward the construction of a Plant Science Building and an Engineering Building. To permit completion an additional appropriation of \$400,000 is required.

Projecting continued demand by Maine men and women, three permanent dormitories are required at the University requiring an appropriation of \$2,000,000. The trustees also request authority to borrow up to \$500,000 to complete the dormitory program. This loan will not be an obligation of the State. In summary, therefore, the University needs are:

For completion of Plant Science
Building and Engineering Building 400,000

For three dormitories - 2,000,000

For construction and net operating costs of temporary facilities

250,000*

\$ 2,650,000

*Of the \$400,000 required, \$150,000 has been made available by action of the Governor and Council.

VOCATIONAL TRAINING

We regret that our information on this phase of Veterans
Legislation is not too complete. By Governor and Council authority,
a modest start has been made but a substantial appropriation for initial construction with later appropriations for annual operating expenses, will be required. We were advised that at least \$1,000,000
would be required for buildings and equipment and it is that sum which
appears in at least one of the bills dealing with this problem. Thus
the Committee, acknowledging that it does not have too accurate information on the subject, will recommend an appropriation of at least
\$1,000,000 to start this program. In making this recommendation we
are impressed with the fact that many veterans, and in future years
many other Maine young men, may desire this type of training and such
a program is certainly a part of a broad State educational system.

REVOLVING OR LOAN FUND

We recognize the merits of this type of Legislation but among veterans it does not appear to have wide support and among many citizens we have heard the comment that if the loan is reasonably sound the State will be competing with either the GI Bill loan provisions or the normal bank credit sources without net benefits to the veterans. Thus we are not convinced that the revolving fund is at present an essential. We recognize, however, that this type of fund may have merit and that a future Legislature may well consider it.

HOUSING LEGISLATION

We are aware of the extreme need of housing facilities in many Maine communities and we are aware that long term municipal loans, self liquidating, at attractive low interest rates, are likely to be available to such Maine municipalities as may wish to participate in the housing program. Thus we recommend this type of enabling Legislation.

COMMITTEE RECOMMENDATIONS

The Committee, therefore, recommends that Veterans' Legislation, at the Special Session, be limited to the following measures:

- 1. The enactment of a bill that provides administration of all veterans' benefits by a Veterans' Department.
- 2. The enactment of Legislation that will acknowledge the increased needs of the University of Maine if that institution is to provide adequate educational facilities for Maine veterans. Such Legislation appears to require appropriations of \$2,650,000, nearly all of which is for the construction of new facilities.
- 3. The enactment of a bill that will provide for a vocational training program in Maine. This Legislation appears to require an appropriation of \$1,000,000, all of which is for the construction of facilities.
- 4. The enactment of enabling Legislation that will permit Maine municipalities, as they desire, to construct and maintain municipal housing projects.