

MAINE STATE LEGISLATURE

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LEGISLATIVE RESEARCH COMMITTEE

July 27-29, 1942.

Testimony of J. A. MOSSMAN, State Controller.

Re: Legislative expense and miscellaneous.

Testimony of J. A. MOSSMAN, State Controller:

MR. WEBBER: Jim, I am not sure how much you can help us. You have prepared this breakdown of legislative expense. Can you give us any idea, Jim, as to how the purchasing is done, the actual requisitioning?

MR. MOSSMAN: Not too good a one, Don, because, as a matter of fact, I think it is done on a rather hit or miss basis. A good many times I think it is done by Harvey Pease over the telephone, and then they make up purchase orders down in the purchasing department to cover what he has requisitioned. Some of the purchase orders are signed by Harvey Pease, but he works very largely, I think, through Alga Towle: if he wants something he will call Alga Towle in the purchasing department and tell her what he wants.

CHAIRMAN DOW: There is no restriction on what he buys, so far as you know?

MR. MOSSMAN: No; not that I know of.

MR. WEBBER: Can you give us any idea yourself as to what portion of the larger items, furniture and equipment, remains after the session is over and what becomes of that which does remain?

MR. MOSSMAN: I cannot give you much of a picture on that. I will say this: I think after the last session -- and whether it was done previously or not I don't know, but Captain Orr has tried to make an inventory of what there was and keep it pretty well under control. I asked him

the other day, at least I asked someone to ask him to give us to go along with this a list of what he knew was available now. Whether he has completed that yet or not, I don't know. I know he has taken an inventory of his typewriters but what the result was I don't know yet, but there has been that attempt to keep this legislative equipment under control.

MR. WEBBER: Now you do have some sale of left-over equipment to other departments?

MR. MOSSMAN: That is right.

MR. WEBBER: And is there a credit back to the Legislature?

MR. MOSSMAN: Yes.

MR. WEBBER: I don't imagine that Jim is in a position to give us a great deal more detailed information on this legislative expense business, but if there are any other questions you think he might be able to answer before I pass onto something else you can ask them.

MR. BOUCHER: On this report we have just got the expense of the Senate for officers. Can we get the House?

MR. WEBBER: We have that. There is a supplemental copy that came up before we asked for it.

CHAIRMAN DOW: This Legislative expense of \$149,000 and some odd dollars carried down to a total of \$230,000, does that include credits back or is that original expense?

MR. MOSSMAN: There may be some minor credits but I think that is original expense.

CHAIRMAN DOW: And sale of furniture to other departments and

typewriters would be a further reduction?

MR. MOSSMAN: I think that is right. We had to go at this analysis a little bit more hit and miss than I like to, and we simply took vouchers and listed them down to try to approximate those totals, so the credits are probably not in that figure. It may be there were enough vouchers we missed that we hit those totals fairly closely -- by going through the vouchers there may have been enough missed to offset those.

CHAIRMAN DOW: So that would be subject to some reduction?

MR. MOSSMAN: Yes.

MR. WEBBER: Any other questions before I pass on. The hour is getting late, and Mr. Mossman has referred to me a number of definite suggestions for things that we might see fit to work on where there seems to be some need. It seems to me the first thing you have got to determine is which one of these things you want to pursue, and so I am going to run through them and we will just have some brief statement on what these problems are all about, and the committee can have some idea of what they are going to decide they want to take up.

No. 1 was a suggested change in the law that the revenue from the tax on resources be credited direct to the banking department. What is this tax on resources? It is not the same as the bank stock tax?

MR. MOSSMAN: No; it is not the bank stock tax. I don't know as I can tell you exactly what it is, but the mechanics of it as I was getting at in that suggestion -- the reason being that the tax by law is tied up so that it is available for the banking department's use if needed, and the fact of the matter is they always do use it, and it results simply in an extra step in our bookkeeping in keeping that thing segregated until some red tape is gone through to make it available to the department, and it seems like a useless step.

MR. PAYSON: What was the suggestion there?

MR. WEBBER: The suggestion is that revenue from the tax on resources be credited direct to the banking department.

The present law provides that it be credited how or where?

MR. MOSSMAN: I don't know as I can tell you. (Off record)

MR. WEBBER: Then for the record, you would approve, Jim, of a suggested change in Chapter 57, Section 2, by the terms of which the entire tax revenue should pass into the general funds and that everything that the banking department gets it get by appropriation?

MR. MOSSMAN: Absolutely. I would qualify that. You say "Everything they get they get by appropriation." There may be some other revenue items that go to them; but so far as this one is concerned, yes.

MR. WEBBER: Now the next suggestion was that the Legislature establish mechanics for disposing of old records of the State; possibly the Attorney General, the Commissioner of Finance and the State Historian, with the approval of the Governor and Council, may establish rules for destruction of records. Along that line I tentatively wrote out the following and invite your critical suggestions:

"Old records in state departments which in the opinion of the head of such department are no longer of value to the state may be destroyed in compliance with rules to be prescribed by the Attorney General, Commissioner of Finance and State Historian, but not otherwise."

MR. PAYSON: Would it be of any help to this committee for me to see if the Code Committee didn't investigate that thing at one time. I can see if we have got any records in the Code Committee on that. I know we had the problem up.

MR. MOSSMAN: I have heard -- this is not particularly original with me -- I have heard the thing was suggested at the last Legislature, I don't know to whom or how, and the feeling at that time seemed to be that it was too soon after the Runnells case to try to do anything about it, but that is something we need very badly here.

MR. WEBBER: It is a matter of filing space?

MR. MOSSMAN: Definitely.

MR. WEBBER: And the only provision of law I could find was one in Chapter 29, Section 121, which provides for the destruction of records five years old by the Secretary of State, and that means simply his records. Later, in 1931, the five years was reduced to two, and I could find nothing else having to do with the destruction of records already on the books.

Now the next is a suggested change in the cigarette tax law so that confiscated cigarettes will be sold by the cigarette tax division rather than by the treasurer. Any comments on that?

MR. MOSSMAN: My comments are this: I don't know what the thought was, whether it was intentionally put with the treasurer or not, but the way that thing works out, Irma Chase runs down to the treasurer's office with a bag full of cigarettes or a couple of cartons and says, "Here, sell them." The treasurer is not in the cigarette business. The cigarette division should be more closely in touch with spots where they could dispose of them than the treasurer.

CHAIRMAN DOW: They handle the money for stamps?

MR. MOSSMAN: Yes.

CHAIRMAN DOW: So this would not be much more exposure?

MR. MOSSMAN: No.

MR. WEBBER: You would not anticipate any objection from the treasurer if that was taken away from him?

MR. MOSSMAN: None whatsoever.

MR. WEBBER: I am assuming as we go through this that your silence will mean that these things that are touched upon seem to be proper matters for us to draft something on or do something with, and I suggest if anybody feels that it is not that you will voice that objection so that we can eliminate them as we go along, because we do not want to take the time to go back over them afterwards. Is there anything that has been touched upon thus far that would not seem to be proper for us to touch upon? Of course one thing Mayo is going to work out, and we will just leave it on the table.

MR. PAYSON: You are going to raise a question of policy before you get through with this as to whether or not this committee is a committee to handle small detailed corrections for different departments.

MR. WEBBER: That is perfectly true, and that is what I had in mind when I raised that discussion with Smith Dunnack.

MR. HILDRETH: This last one, I think the tax committee in the regular session of the Legislature could change it.

MR. PAYSON: The first one is one that might not readily be brought out, but the treasurer and tax assessor normally could get together on that cigarette bill and get someone to draft it and put it in themselves. It

is something that nominally does not need too much study. I should think the committee might find itself weighed down with a lot of details as a sort of drafting committee or sort of a glorified revisor of statutes.

MR. WEBBER: Let me ask you, Jim: Was your thought in referring these things up here that it seemed to you at the time a possible place for possible drafts to come from or was it your thought it was the only way to get anything done?

MR. MOSSMAN: I will tell, largely my thought was this: I have been maintaining in my office a file of suggestions on which it seemed that some legislation perhaps should be made. There are large things involved there and small ones involved, and I turned that file over to you to be sifted out and do whatever the committee want to do with it.

MR. WEBBER: That is just what I am trying to do now, sift it out.

MR. MOSSMAN: Of course the research committee is new and I haven't known what their policies were. It is a case of working out the mechanics on the thing.

MR. HILDRETH: I think this latter one might be sifted back in the file again and put up to our tax committee. I think your point is well taken: if we put in detail after detail, pretty soon the Legislature is not going to pay any attention to what this committee brings up.

MR. PAYSON: I should be afraid we would not have time to do any really big stuff if that grew to be a policy. I can see the department's trouble: they see a small thing wrong and

and like to have it corrected. Any department likes to have that done; but if every department came in here with minor corrections I think Don will spend most of his time doing work that Smith Dunnack is doing, when it is a clear-cut proposition, when it is simply a question of drafting something to remedy it.

MR. WEBBER: Do you agree with Horace's suggestion as far as the cigarette tax?

MR. PAYSON: Yes, I do.

MR. WEBBER: And what about taxes on resources in the banking department?

MR. PAYSON: Well, I should feel the committee might well talk with the banking department before they did it. There may be angles to it we don't understand about. That destruction of records--

CHAIRMAN DOW: Is properly before this committee, it seems to me.

MR. WEBBER: Then we are going to keep that on the table until Payson sees what he can find.

MR. WEBBER: There is one Jim gave me on the Maine Nautical School which we agreed should lie on the table until we see what the federal control is going to be.

The next one is a suggested change in the law to permit the Highway Department to pay for use of cars of certain employees at a set daily rate rather than on a mileage basis, and I have the suggestion on that that the proper place for that to go for a little thought and some

suggestions is to the newly-created travel bureau under Bob Faulkner. It seems to me it belongs there; in fact I have already spoken to him about it.

CHAIRMAN DOW: Does anyone object to that disposition?

(No response)

MR. WEBBER: I do this from time to time -- I hope the committee will approve of it -- I act somewhat as a clearing house in calling things to people's attention around the building here. I took it upon myself to speak to Bob Faulkner about this matter.

CHAIRMAN DOW: I would like to say this too: I do not think we would like to have Jim or any other department head not think they can come to us.

MR. WEBBER: Now the next is a suggested change in Section 12 of Chapter 300 of the Public Laws of 1933 to remove any question as to legality of transferring liquor profits monthly. I made some notes that they are practically set up to do this now. I have made note of the statutes involved which I wont bother you to read -- '33, amended in '35, amended in '39, amended in '41, and I was just playing around with it and I wrote something out here which I will read for what it is worth:

"The fiscal year for the operation of said stores shall close annually upon the 30th day of June. The Commission and the Controller shall compute the net profit as of the close of each month and when said net profit shall have been verified by post audit by the

State Auditor it shall become general revenue of the state. The profit account shall be reconciled at the close of each fiscal year and any necessary bookkeeping adjustments made by the controller and the commission to reflect the transfer of the actual net profit to general funds during the preceding twelve months' period, subject, however, to the approval of the State Auditor."

MR. MOSSMAN: That accomplishes what I had in mind. To me it seems to describe a lot of mechanics that actually is unnecessary. Actually you are talking largely about something that would be done anyway. In the first place, the Controller keeps the books for the Liquor Commission, and those books automatically reflect the profit, and the Liquor Commission books are audited continuously and at the end of the year by the State Auditor, and it seems to me you do not need much law on the thing.

CHAIRMAN DOW: Following out your question of policy, my first thought was it was a matter properly for the Attorney General.

MR. MOSSMAN: The Attorney General has ruled on it, and, as a matter of fact, I am getting mechanically what I wanted and this is a relatively small proposition I would say to the committee.

CHAIRMAN DOW: It would be my impression that was something for the Attorney General.

MR. WEBBER: Then we will forget this.

MR. PAYSON: That would be my suggestion.

MR. WEBBER: There was a law passed at the recent session regarding the revolving fund for food stamps which will set up a working capital fund with checks issued by the controller instead of by the treasurer. Now that in itself is supposed to present a problem.

MR. MOSSMAN: Is that the entire note on it?

MR. WEBBER: No. "There should also be an authorization by the legislature for charging off against sinking fund reserve the capital advanced from general funds for working capital funds and public service enterprises." And then I made a brief note here.

CHAIRMAN DOW: If you have an interpreter I still would like to know what that means.

MR. MOSSMAN: I would like to interpret it to the committee and also suggest that if the committee feels that it is a proper province that it be at least deferred a little while. We have and are having starting this year some rather major changes in accounting which are going to give us figures that mean something and are in accordance with what the national authorities have to say on the way that government accounts should be kept. In doing this it has involved breaking our records down into funds in a way in which it never has been done before. A sample of it is that the cash on hand has never before been broken down so that we know how much of it belongs to the highway fund, how much of it belongs to the general fund and where it does belong. We are doing that now, and in doing it it probably is going to raise some question

of legality, because the laws as regards accounting I think largely have been written by lawyers and they have been written individually without any general over-all picture in mind. One of the things we run into in setting it up that way is the fact that the state has a number of activities which are really independent business. Now from all the authorities that I have located, the most acceptable way of starting into these various businesses that are organized is to appropriate from general funds providing the amount is not too large, and if it is very large a bond issue if necessary, but to appropriate from general funds an amount to serve as working capital for these businesses, for these operations. Now that amount in a business for a subsidiary corporation would be set up upon their books as an asset: it is an investment in the corporation. To the state, which is interested in the cash angle more than it is in the asset angle, particularly where it is tied up for long periods of time, it does not ordinarily record that as an asset of the fund. On the other hand, the outfit receiving the money should have that set up as a permanent capital fund, just as stock of any corporation would be set up. Now at the present time, due to the various factors, we have a good deal of hodgepodge on our books on that sort of activity. Some of them fall into that category: they need money to operate and that money presumably limits their operation and turnover from time to time. We have got the liquor business, we have got the

State Highway garage, those are the two big items. We have this revolving fund on the food stamp plan. We have the departmental garage in the bureau of purchase, we have departmental supplies in the bureau of purchase, and we have the post office. We also have prison industries over to the prison which we are beginning to set up.

The way it works, at the time Ernst & Ernst were here they set up the liquor advances as an asset on the books. The advances to the highway garage are not set up on the books. Now whichever policy is adopted as proper we should either write off the liquor advances or set up the highway garage advances. Those are the big money items.

This being a somewhat technical problem, what I had intended to do was to have a joint memo from Mr. Hayes and myself on it, making recommendations for the committee if the committee feels it is within their province. I have prepared a memo and sent it to Mr. Hayes and I have had a reply from him. We are not entirely in agreement on it and I have not had a chance to sit down with him yet, so that we have nothing we can jointly go along with to present, but there is a problem there which is of some magnitude financially. That liquor advance has been batted around tremendously.

CHAIRMAN DOW: Wouldn't the proper way to handle that be for you and Mr. Hayes to agree and present a bill which could go to the Legislature and which would be just a matter of mechanics?

MR. MOSSMAN: I don't know, Bob, because, for example, which is proper, if we charge off this advance to the Liquor Commission we have on our books in general funds, \$600,000 odd advance to the Liquor Commission, a \$600,000 charge against our sinking fund is quite a kick in the pants; but this sinking fund reserve again has been batted around in the Legislature quite a bit.

CHAIRMAN DOW: There is nothing we can do at the present time?

MR. MOSSMAN: There is nothing you can do at the present time. I would suggest, if you feel you want to go into it further, I would like to present it to you later when I can present it in the form of a joint memorandum from myself and Mr. Hayes. If you do not feel you would like to go into it further, we can do as you suggest and draw up a joint bill and present it to the Legislature.

MR. HILDRETH: Why don't you draw up your bill anyway instead of a memorandum, if you feel that is the solution, and the committee can consider whether they want to sponsor it or not.

MR. MOSSMAN: That might very well be taken up with the Appropriations Committee and handled that way. I hope they will have things set up so that they will be able to see what I am shooting at.

CHAIRMAN DOW: For the present time why can't it be marked leave to withdraw and then come back to it if necessary. What do you say, Roland?

MR. POULIN: I understand Jim wants to have some time anyway.

MR. WEBBER: The next thing is suggested change in the law to charge balance of 1936-37 beer deficiency account against reserve.

MR. MOSSMAN: That is in very much the same category as these other advances we have been talking about. That is just a case where the Legislature has just legislated the fictitious proposition of taking money from one pocket and putting it into another, which they have tried to do all along on the liquor business.

MR. WEBBER: Accordingly it is suggested that the Legislature appropriate enough to the deficiency account from the sinking fund reserve to clear the account and then after that all proceeds from the malt liquor tax would go into general funds.

CHAIRMAN DOW: Isn't that properly a question for the Committee on Appropriations and Financial Affairs?

MR. MOSSMAN: My thought on those particular items is that they involve sizeable amounts of money, they are things that possibly, some of them, we might take the bull by the horns and do without special legislation, but there is too much money involved so I do not want to play with it, and they are technical enough so that I would like some members of the Legislature familiar with the problem involved before getting into the actual session if it could be done.

MR. PAYSON: Does that by any chance mean when you get through

fund reserve might be money that could be used to pay bills with?

MR. MOSSMAN: I hope it will be.

MR. PAYSON: Instead of being intangible assets which you can't buy anything with.

MR. MOSSMAN: Yes.

CHAIRMAN DOW: What is the mind of the committee on this particular suggestion?

MR. PAYSON: I still think it is a matter for the regular session of the Legislature, appropriation of the Financial Affairs Committee.

CHAIRMAN DOW: I will say this to you, Jim: I think you can come to any member of this committee and lay your problems before them so that they will understand what they are when they come up on the floor of the house, and I think if you can sell them the idea it is a proper idea they will go to bat for you.

MR. WEBBER: Perhaps even more would be accomplished if we gave him some time before the Legislature came in and he had a chance to explain the thing so that everybody in this committee would at least understand it. There is something to be gained by having the members of this committee rather more conversent with these problems thanx the rank and file of the Legislature.

MR. PAYSON: I wouldbe afraid of petty jealousy on the part of some committees like Appropriations if we attempted to

take over their matters which they can take up in the regular time allotted in the session. (Off record)

MR. WEBBER: These are all built around a big general problem, as I see it, which has to do with the make-up of the state contingent fund and sinking fund reserve. This is something Fred gave a lot of ~~study~~ to before he went, and this you gave me is Fred's plan, is it not, for clarifying the state contingent fund and sinking fund reserve, and I am not entirely convinced that is not so big and so revolutionary that it may be our baby.

MR. POULIN: Why shouldn't we take the proposition as a whole and not individually? I mean you are taking the suggestions individually, and if they all revolve around this one thing, the alteration of the sinking fund or clarifying it, shouldn't we just take that one whole proposition and call it ours and take the individual suggestions as offshoots of that one general proposition?

MR. WEBBER: I think you could write a report which would be based on a new construction of the state contingent fund and sinking fund reserve and these other matters collateral. I think you could put them all in one report. If you take those individually you might say one would go to Appropriations and Financial Affairs, another to taxation and another somewhere else, but if the whole problem revolves around clarifying the sinking fund, ~~then~~ ^{and} these various suggestions are offshoots, then that is our problem. I think Jim probably has that aim in mind. That is your end, isn't it?

MR. MOSSMAN: It is, Roland, yes. Carrying the accounting of the state is a very, very difficult problem.

CHAIRMAN DOW: Let me ask you: Do all these things revolve around that?

MR. MOSSMAN: Those last three he has mentioned I think revolve around that.

MR. WEBBER: Here is one I am sure you are going to say is not yours: Possibility of installing laundry at the Central Maine Sanitorium. All of the large institutions have their own laundry. This would involve getting some figures on comparative costs, and Jim and I ourselves concluded very likely this could be handled simply by appropriation.

CHAIRMAN DOW: I think that is where it belongs.

MR. WEBBER: Now the next one is the one we discussed briefly with the Governor: Supervision of farms at the institutions by the Department of Agriculture, and you remember what that discussion was.

(Off record)

MR. POULIN: I will make the motion that it is not a matter to be taken up by this committee.

(The motion, duly seconded, prevailed)

(After further off the record discussion, Mr. Poulin moved that the matter lie on the table, which motion, being duly seconded, prevailed.)
