

THE CHAIRMAN: Be delighted to have them in the record. (*Applause.*)

While Delegate Stern returns to his desk, the Chair wants to express to him and to Delegate Sherbow, thanks for reducing the amount of time allowed for controlled debate and to say to the committee that in view of that the Chair would hope to reach a vote on this amendment before recessing for dinner. Will the pages please distribute Amendment A. This will be Amendment No. 1.

The Clerk will read the amendment.

READING CLERK: Amendment No. 1 to accompany Minority Report SF-4(A), to Committee Recommendation SF-4, by Delegates Stern, Mentzer and Dukes: On page 2 section 6.01, State Indebtedness, in lines 12 through 17, inclusive, strike out beginning with the word "except" in line 12 down to and including the word "house" in line 17.

THE CHAIRMAN: The amendment having been made and seconded the Chair recognizes Delegate Stern who has 15 minutes of controlled debate.

Delegate Stern.

DELEGATE STERN: I yield five minutes to Delegate Mentzer.

THE CHAIRMAN: Delegate Mentzer.

DELEGATE MENTZER: Mr. Chairman, ladies and gentlemen, I do not speak at all as a sophisticated fiscal expert but one who believes principles and issues involved in state finance should be as easily understood by the average citizen and taxpayer as those in any other section of the constitution.

I would speak briefly on some aspects of state debt including practice of other states and our present debt level. The 50 states can be divided into three groups in regard to their constitutional provisions for handling of the debt. In 21 states the pay-as-you-go states, borrowing can only be authorized by constitutional amendment. In another 21 states the legislature can enact borrowing legislation but the act must be confirmed by the voters in the state in a referendum. Most recently adopted state constitutions have this referendum requirement, New York, Alaska, and Michigan. This leaves eight states of which Maryland is one, without substantial constitutional limitation on creation of debt.

Studies have shown there is an increase in debt between each class of state. The

borrowing in unrestricted states is more than double that of states which prohibit borrowing in the referendum states. I call your attention to the figures presented to us last week by a professional group which has just completed a study of Maryland's fiscal practices. National per capita average of state indebtedness in 1956 was 146. For Maryland the figure was \$225. General obligation state debt as a national average per capita was \$65. For Maryland the figure is \$104.

Not only is our debt heavy but it also is increasing. It was somewhat disturbing to me to note the increase in the amounts of state receipts which comes to us from bond issues. Last year it was nearly 12 percent. The year before it was only eight percent. The year before that seven percent. The year before that only six percent. Although our debt is heavy and increasing, I do not advocate that Maryland join the pay-as-you-go states or have referendum requirements. We did have, however, in the past in Maryland three protections which the Majority Report would change. A prohibition against loan of state assets or credit to private individuals or enterprises, two, the requirement of an annual dedicated tax for debt service, the state property tax, and, three, the maturing limit of 15 years. To lose these three protections is a disservice to future citizens and taxpayers of this State. We are all proud of our triple A rating which only ten other states have. This is a great savings of interest cost to our taxpayers. Maryland has borrowed with discretion in the past and has retired her debt in shorter time than most states. This good fiscal management has resulted in the high rating by the bond houses. In our committee files is a statement by the vice president of Moody's, "the level of debt is very important for credit rating and an aggressive debt retirement program is essential".

I would like to explain why the level of debt would rise with an extension of the length of bonds. Taxes and bonds are alternative and complementary sources for financing the activities and expenditures of the State. Since future taxpayers are not present voters, there is a political incentive to shift the cost of these activities to the future. That is to borrow rather than to tax. Borrowing can be used as an expedient to avoid taxation or avoid a reduction in level of services.

All expenditures must be borne by revenues of the State. We are told we are now spending 34 cents interest for each bor-