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JOINT SESSION

Annapolis, Maryland, January 11, 1978

The Senate of Maryland was escorted into the House

Chamber.
The Reading Clerk of the Senate took its roll:

Present at roll call the following Senators:

Senators -

Mr. President, Abrams, Bishop, Blount, Bonvegna, Boyer,
Bozick, Broadwater, Byrnes, Cade, Clark, Connell, Conroy,
Coolahan, Crawford, Curran, Cushwa, Denis, Dorman, Douglass,
Dypski, Garrity, Gilchrist, Hall, Helton, Hopkins,
Hutchinson, Lapidés, Levitan, McGuirk, Malkus, Mason,
Mitchell, O'Reilly, Schweinhaut, Simpson, Smelser, Staten,
Steinberg, Stone, Thomas, Wagner, White, Wiser. Total - 44

The President of the Senate declared the Senate and the
House then in Joint Session.

His Excellency, the Acting Governor of the State of
Maryland, was then escorted into the House Chamber.

MESSAGE FROM THE EXECUTIVE

State-of-the-State Message

of Acting Governor Blair Lee III
 House-Senate Joint Session
 House Chamber, State House
 Annapolis, Maryland
 January 18, 1978 - 2:00 P.M.

Mr. President, Mr. Speaker, Ladies and Gentlemen of the
 General Assembly, My Fellow Marylanders:

I come before you to report on the state of the State.
 The circumstances of this particular report are far from
 normal.

The Conventional Wisdom of political life would make
 automatic assumption that the state of the State -- the
 state of this State, at this time -- must necessarily be
 shaky and confused.

Conventional Wisdom would remind us, with a malevolent
 sneer:

--That Maryland has recently seen an incumbent Governor
 suspended from office upon conviction of violating Federal
 anti-corruption statutes.

--That this unhappy episode came on the heels of a
 series of other cases of official wrongdoing involving both
 major political parties and spread over a wide range of
 locations.

--That a new chief executive has been catapulted onto
 the stage, blinking in the sudden glare of lights, lacking
 the normal time for preparation, and laboring under the
 tentative and awkward title of Acting Governor.

Finally, Conventional Wisdom would remind us that this
 is the final year in the rigid four-year cycle that governs
 the political comings and goings of elected officials in
 Maryland -- the season when executive clout is at ebb tide,
 the season when all of the political leaders are jockeying
 for position in the forthcoming elections.

So Conventional Wisdom would puff itself up
 proclaim that, by all the rules of political orthodoxy,
 Maryland must be in dire straits -- beaten down by
 misfortunes, confused by unfamiliar conditions, uncertain
 to its direction, and, on the whole, a poor credit risk
 anybody.

And, as usual, Conventional Wisdom would be total
 wrong.

--Wrong because it does not understand the immense
 strength and the deep-rooted pride of the people of this
 State.

--Wrong because it does not appreciate the skill and
 resourcefulness of this General Assembly, nor its ability to
 overcome difficult situations.

--Wrong because it does not know the durability and the
 adaptive resilience of our executive institutions --
 especially our Constitution, which forearmed us against
 precisely this kind of situation.

--Wrong because it underestimates our political
 leaders, who know full well that they must govern in the
 time for governing and politicking in the time for
 politicking.

And, if you will indulge me a personal reference, the
 Conventional Wisdom would be making a mistake in assuming
 that there was anything objectionable about the title Acting
 Governor. I find the title not offensive but descriptive.
 I am an Acting Governor who intends to act.

The last thing that Maryland needs right now is an
 executive caretaker who will fill out the unexpired term,
 handle the routine chores and let the big problems slide.

In my considered judgment the state of the State is
 strong and healthy. It is good. Not perfect, but good.
 There are problems that remain to be solved and much work
 that remains for us to do.

Any suggestion that Maryland might be a poor credit
 risk is simply wrong, since all of the hard evidence points
 in the opposite direction.

Last October, Comptroller Goldstein and I went to Wall
 Street and told our story to the investment analysts in the
 bond rating houses, and, once again, Maryland bonds were
 awarded the highest possible rating. Ten days later we sold
 an issue of almost \$140 million in general obligation bonds
 through public bidding. The effective interest rate of the
 winning bidder was 4.67 percent -- the most favorable rate
 Maryland has received in almost four years.

In our interviews with the bond analysts in New York,
 one was one striking feature that merits your attention
 and requires your action. At both places -- Moody's and
 Standard and Poor's -- the very first question put to us was
 this: "What does Maryland intend to do about the unfunded
 pension liability in its pension system for State employees
 and school teachers?" We replied that although the pension
 funding dilemma is less severe in Maryland than in some
 other states, we nevertheless recognize that there is a
 real threat of large dimensions to both our retirees and
 taxpayers. We told them we were relying on the two-year
 report of the Pension Study Committee to produce a revised
 pension plan and a long-term funding plan that would get us
 out of danger and keep us out of danger.

The Committee headed by Senator Clark and Delegates Hargreaves, has done exactly that. Their bills to reverse this hazardous situation are now before you. Technically speaking, they are Committee bills and not Administrative bills, but I assure you that they have the total support of this Administration.

Now let me turn to another abnormal aspect of the report. For years you have been hearing Governor Mandell and other governors before him - tell you how tight the revenue picture was and how austere and bare bones the upcoming budget was. And believe me, they were telling the truth.

But this year it's a different story. I can report to you with reasonable assurance that we will close the book on June 30, 1978, with a general fund surplus of at least \$115 million.

Before we consider how best to protect and manage the surplus, it would be worth a few minutes to examine its origins. How did we get into this unusual but pleasant condition? How is it that the total general funds available for expenditure in the next fiscal year are of such comfortable dimensions?

There are quite a few reasons. Immediately you will think of the sales tax rate increase a year ago. It plays a major role in the overall picture, but I am not sure that the new sales tax revenue can be correctly identified as the cause of the surplus. You will recall that when the 1977 session ended, the sales tax increase had been enacted, if revenue had been allocated to the budget, and the budget was barely in balance.

Incidentally, no member of this body who voted for the sales tax bill should look back with regret. Without it, we would be in a deficit position right now, we would be floundering on our backs financially, we would be facing a hideous array of deferred and unmet needs, and we would be confronted with the absolute necessity of enacting a major tax increase this session - in this election year session!

The real causes of our revenue affluence are, first, the incredible popularity of the Lottery Agency's daily numbers game, with a \$51 million gain over the estimates of a year ago.

Second, a welcome surge in the State's economy, which began during the second quarter of calendar year 1977, continued unabated - thus adding another \$35 million to the estimates for the sales, income and other business taxes.

Third, an important point that is usually overlooked is the fact that our current year budget is totally devoid of one-time gimmicks - those familiar one-shot windfalls that occur in a money crisis in one year only by digging a deeper hole for the following year. No part of the normal revenue increase expected for Fiscal Year 1979 will be needed to make up for gimmicks in this year's budget; all of it is available for expenditure.

The budget that I am submitting to you today performs the normal tasks of providing State services, extending aid to the local jurisdictions, and coping with the ravages of inflation - but those are the routine functions.

More importantly, I invite your attention to this year's recommendations for the prudent management and equitable distribution of the funds that remain available after the requirements of bare survival plus inflation have been met.

This "extra" amount, which includes some Federal and local funds as well as the general fund surplus, is divided into three roughly equal parts.

One portion goes directly back to the taxpayers in the form of tax relief and, in doing so, manages to accomplish long-overdue tax reforms.

Another portion is dedicated to non-recurring expenditures, which will have the singular virtue of being quickly dispatched in one year (FY 1979), thus releasing an equivalent amount of revenue for whatever use may be needed in FY 1980. If we make use of this kind of prudent fiscal management, we can stretch our surplus over a number of years, and I can assure you the taxpayers will appreciate it.

The third portion of the "extra" revenue is allocated to expanding or initiating certain State programs, each of which will have to stand on its own feet in surviving your close scrutiny. I think you will find them well justified and not already overdue. Let me give you three samples:

Several years ago Maryland launched its pioneer ambulance service to transport injured and seriously ill patients to hospitals mainly by the use of State Police helicopters. This service was necessarily limited to the central Baltimore-Washington corridor. Funds in this budget will extend the program statewide.

Two years ago you changed the name of Morgan State College to Morgan State University. But you know, and I think that a college does not become a university just by changing its name. I have placed more than one million dollars in Morgan's budget to formulate and launch programs in urban-oriented graduate studies. I urge you to support the appropriation so that Morgan will be a university in deed as well as in name.

In the Medical Assistance program I am including \$11.4 million that will permit the first major liberalization of eligibility standards - the amounts that individuals and families can earn while still qualifying for Medicaid, since those income levels were originally set in 1966. The Health Department estimates that some 20,000 persons will be added to the Medicaid rolls in the first year.

The first of these three divisions of the extra funds that are available to us - the \$52 million tax relief program - will require the enactment of four Administration bills that are now before you, all of which have been pre-funded in the budget.

The most costly of these is the liberalization of the standard deduction in the Maryland income tax from \$500 to \$1,500 for individual taxpayers, and from \$1,000 to \$3,000 for married couples filing jointly - a reform that has long been sought by Delegate Cardin's Joint Tax Study Committee.

It should be noted that both the bill and the budget provide for total compensation to the counties and Baltimore City for their estimated losses of "piggyback" income tax revenue resulting from the standard deduction change. Failure to offset their losses would lead to their imposing an additional burden on the local property tax.

Another bill will reinstate the deduction for the cost of child care, which will be a boon to the working mothers.

Still another will increase by about \$2,100 tax-free portion of retirement income. This reform is designed to benefit retired persons who are caught in the vise of fixed incomes on one side, and the cruel inflation of living costs on the other.

In the thorny and hotly disputed area of property tax relief, I am recommending placing an additional \$70 million into the Annuity Bond Fund so that the State property tax rate can be reduced from 23 cents to 20 cents, which sounds trifling but is actually a 13-percent cut.

To complement this direct reduction in property taxes I am also proposing a three-part program to protect Maryland's homeowners from soaring residential property assessments. Its highlights are:

--An emergency measure that would give "homestead" owners a special allowance equal to five percent of the current value of their homes - in addition to the 50 percent inflation allowance now used in computing assessed value of all real property. This measure would result in a reduction in homeowners' assessments this year.

--A Constitutional Amendment that would permit the General Assembly to limit increases in homestead

assessments, authorize homestead exemptions, and change the frequency of assessments.

--If the Constitutional Amendment is approved in November, another bill in the property tax relief package would restore the assessment review process to a three-year cycle for all real property.

Among this bill's other provisions would be an 8-percent limitation on the amount of the increase in a homestead assessment from one triennial review to the next. Another feature would provide a program of exemptions from State, county and city real property taxation for homestead property. These exemptions would be \$5,000 of the assessed value of a homestead.

The last of these items - the proposed \$5,000 homestead exemption - has brought complaints from the local governments that it would cause a major erosion of their tax bases. Perhaps it should therefore be regarded as negotiable.

But I urge you as strongly as I can to give your most serious consideration to the other elements of this assessment package. They have the unique virtue of being simple, straight forward and easily understood. They have the virtue of attacking the assessment problem in a direct and timely fashion at the time when the assessment is made. The five percent special allowance has the particular virtue of being just about the only form of relief that could be accomplished in time to affect the tax bills that will be nailed out this summer.

I realize that there are many competing proposals in this field, and my greatest fear is that we will spend 90 days arguing their respective merits and end up enacting nothing at all. If that happens, the homeowners of Maryland are going to be very, very angry. Let us resolve here and now that we will work out our differences and produce a constructive solution.

The grand total of the FY 1979 budget is \$4.4 billion, of which the general fund portion of it is \$2.3 billion - an increase of 13 percent over the preceding year.

On the other hand, the capital program that will use borrowed money is the lowest in the last 11 years. The bond bill itself authorizes only \$55.7 million in new debt, and the school construction loan bill is again limited to \$60 million. I am strongly in favor of a moratorium in the reduction of State debt.

The smallness of the bond bill now before you is the result of transferring \$21.6 million in capital projects and \$1.4 million in deferred maintenance items from the capital budget to the operating budget, where they are the centerpiece in a \$52 million program of non-recurring expenditures.

Another feature of that program is a Revenue Deficiency Fund of \$12 million - known to the Fourth Estate as "Rainy Day Fund." This money will be carried forward in interest-bearing account until it is needed to cover revenue shortfall or until you vote to use it for some other purpose. A similar fund was established in the early days of the Taxes Administration, and the rains came about 5 years later. I am indebted to your chief fiscal adviser, Mr. William Ratchford, for reminding me of this useful device.

The other main features of the operating budget spelled out in the printed Budget Message, and I will not recite them here, other than to mention a few items which judging from the incoming mail, are of particular interest to you:

--We have an obligation to protect the State employees, to the fullest extent that we can afford, from that thief in the night known as inflation. After consultation with the leaders of the employee organization I have placed in the budget \$34 million to cover the cost of a two-percent pay raise, assumption by the State of at least half of the employees' share of health and hospitalization insurance premiums, a new prescription drug program and a new vision care program in the group health package, and a new program of annual bonus payments for longevity service, which will be most welcome to those employees who no longer receive annual six-percent increments because they are dead-ended at the maximum step of their pay grades.

--At the recommendation of the Barnes Commission, the budget provides \$26.7 million for what might be called the sixth year of a five-year phase-in of the Lee-Maurer program for State aid to the public school systems. The Administration bill authorizing this change is now before you, and a separate bill would raise the so-called density aid from \$75 to \$100 per pupil. The latter measure will benefit Baltimore City alone to the extent of \$3.6 million, and I urge the county legislators to support it on two grounds: the City has disproportionately high operating costs in relation to its tax base, and it is entirely appropriate to return a portion of the new-found lottery revenue to the point of origin.

--Among the higher education items, sufficient general funds are provided to grant to all resident undergraduate students at all of our four-year universities and colleges a vacation from constantly rising tuition fees during the coming academic year.

--A sum of \$450,000 is added to the budget of the Maryland Arts Council for the specific purpose of supporting the major cultural institutions in Baltimore and encouraging the growth of artistic endeavors elsewhere in the State.

--An item of \$600,000 is provided for the conversion of abandoned schools to multi-purpose centers for senior citizens.

--Once again, funds are requested so that the rate of benefits in the Aid to Families with Dependent Children program will keep step with the cost-of-living raises for State employees. It is estimated that a five-percent increase will match the various parts of the employee pay package.

--In the field of corrections the emphasis is switching from new facilities to the quality of supervision and training of inmates and persons on parole or probation at a not inconsiderable cost of \$1.8 million. Items from Section II of the Master Plan include in-service training for correctional officers, 81 new parole and probation agents, extended vocational and academic opportunities for inmates, and a new program designed to help inmates conquer the disease of alcoholism both before and after release.

--The Department of Transportation budget will exceed one billion dollars for the first time in its history, and I assure you that I badger Secretary Intemann about once a week for progress on the National Freeway, on Route 15 in Prince George's County, on Routes 2 and 4 in Southern Maryland, and various approaches to Ocean City, the South River Bridge and many other old favorites. I can only tell you that they are all in motion - which is more than could be said of most things a year ago.

The onerous burden of mass transit construction and operation in two metropolitan areas continues to be funded at planned levels. And let me make an observation at this point: Regardless of how any of us may have felt about the Baltimore subway before its inception, we are now thoroughly committed. A design contract, a management contract, and separate construction contracts are already signed and in force. Bids are in on two more construction jobs, and the City is already full of large holes. The cost of going forward would be almost as formidable as the cost of going backward, and I honestly think that this topic is about ready to be put on the inactive list.

The DOT budget for the Port Administration looks to include completion of the final two berths at Dundalk Marine Terminal, completion of the massive improvements at South Point, \$5.7 million for construction of a new mobile terminal on State-owned land at Hawkins Point at the west end of the Francis Scott Key Bridge, and the work for a major new project at Masonville just north of the Harbor Tunnel Toll Plaza. This site will be used first as a deposit for spoil dredged from the harbor and later as a cargo terminal very much like the old one.

Finally, in the Department of Education budget there are two programs funded with State money for the first time: \$450,000 for the identification and training of Disruptive Youth - those youngsters with emotional problems who cannot study themselves and won't let their classmates study, and \$446,000 for special summer programs for gifted and talented students.

That's enough about money. Further details about the budget are available in the printed message, but let us turn now to a few of the non-fiscal issues before this session and especially those which threaten to become storm centers.

The Supreme Court of the United States, in two separate decisions made quite certain that abortion would be a flaming issue in all 47 of the State legislatures that are meeting this year. Maryland will be no exception.

First the Court ruled that no state may outlaw abortions. Then it ruled that each state may do what it pleases with respect to using public funds to pay for abortions. Congress, through the Hyde Amendment, has elected to deny Federal Medicaid funds for this purpose with very limited exceptions. In order to prevent a situation in which rich women could get abortions and poor ones could not, Maryland has continued to make State Medicaid funds available at the direction of Secretary Solomon, with approval.

This is an issue that involves deeply held philosophical and theological beliefs. Quite clearly, it should be resolved by a broadly based legislative body and not by the sole vote of an executive or a Health Secretary.

Consequently, if this General Assembly chooses to enact a bill that will prohibit the use of State moneys for abortions and that will conform to the prevailing Federal law (presumably the new Hyde Amendment), then I will sign it, and the Health Department will have to live with it. I do not recommend it, but, given those circumstances, I will sign it.

Another difficult issue is capital punishment. I have submitted for your consideration an Administration bill that would reinstate the death penalty in Maryland law and that will conform to the stringent requirements of the Supreme Court.

Other versions are also before you, and there will be arguments about whether the jury's vote in the separate sentencing trial should have to be unanimous, or less than unanimous, in imposing the death penalty, and whether the jury's verdict should be binding upon the judge. The Administration bill favors a unanimous verdict and a verdict that does bind the judge.

The most vexing problem of all - and my least favorite legacy from the previous Administration - is Continental. That is the familiar name for an intended prison facility designed to house 890 medium and minimum security inmates and located at the old Continental Can Co. property on the 3500 block of East Biddle Street in Baltimore.

The arguments in favor of that site are that it has already been approved and funded by the General Assembly, an architect has been hired, and the old buildings are being demolished. In other words, it is ready to go now and could be ready for occupancy in 1980. Its immediate neighbors are other industrial structures, and its size is 12 acres, which would permit a modern campus-type facility with enough room for educational, vocational and recreational facilities.

The chief argument against the Biddle Street site is that, unlike other facilities now being built in Washington County or in Jessup or near the Penitentiary, it introduces a prison into an area where none exists at present. Furthermore, just beyond the thin layer of industrial neighbors you find the stable residential communities of Langville and Kenwood, and the people who live there are very unhappy.

The backdrop that lends urgency to this matter is the very fact that - using round numbers - we have been keeping 500 prisoners in State facilities designed to hold 5,000. This is done by putting some in space that was never intended for human occupancy and by doubling up in cells as small as 40 square feet. Do you know what 40 square feet means? It means eight feet in one direction and five feet the otherwith two menin two bunks for 18 of every 24 hours. That's what it means!

We must not permit it to go on, and I am very sure that courts will not permit it to go on. We must move ... we must move quickly.

I would be willing to relocate away from East Biddle Street - even at the waste of several months and some architectural fees - if I can do it responsibly.

To cancel the Continental Can site and simply walk away from the problem would be irresponsible. To cancel the site and proclaim that we will study other possible sites for the next few years would be irresponsible. To replace the 12-acre campus with a high-rise prison on one acre in this area would be equally irresponsible.

But Mayor Schaefer and his staff and some of the City Commissioners are diligently searching for an appropriate, acceptable, substitute location. If they are successful, I will find me ready to cooperate. But be warned. If they come back with some makeshift hodgepodge that will be known as "Maryland's Shame," then all signals are red. That, my friends, is where we stand as of today.

If you leave the agitation of the city and go out in the country, you will find - more agitation! Many Maryland farmers - and especially the younger ones upon whom the future of our agriculture depends - are near desperation as a result of bad weather, poor crops, low prices, unstable markets and shrinking credit.

My Administration and the various law enforcement agencies have sympathized with their efforts to make the plight known. Although city folk and tourists may have wondered what all of those tractors were doing, it is fair to say that the Maryland farmers have kept their strike activities within reasonable bounds.

This is not the case in some other states, where inevitable hotheads have prevailed and serious trouble has resulted. I would counsel our farmers not to jeopardize that great reservoir of goodwill that most people feel toward them. And I must remind all hands that our laws apply to everybody - and they will be enforced.

In another field, I invite your attention to our recent good fortune in acquiring the services of one of Maryland's most effective business executives, Mr. Herb Cahan, as the new Secretary of Economic and Community Development. I have asked him to undertake an aggressive program aimed at bringing new business to Maryland and keeping our present industry and commerce in a state of prosperity and expansion. That is still the best way to provide jobs for our young people on a reasonably permanent basis.

I urge your support of his operating budget and of new bond authorizations for all three of his housing programs.

And I should tell you that in recent months the State government has been making a conscious and determined effort - in the subway contracts, in highway jobs, in purchasing in the State service itself - to bring minority business and professionals into the mainstream of our economic life. Once established, they will be on their own, but if somebody has to take the latch off of the door.

Indeed, in our pluralistic society, we should remember that in a symphony orchestra the strings and brass, the woodwinds and the drums all make different noises. But blended and orchestrated, with each one doing its part, they make beautiful music.

And now, at the end, we come to the single subject that weighs most heavily upon me.

Last Saturday I journeyed down to Richmond to attend the inauguration of Governor Dalton. It was one of the protracted ceremonies where you spend a great deal of

time sitting around waiting for something to happen and chatting with whomever is close at hand.

Three different Virginia officials, all of them friendly and polite, made essentially the same remark to me: "Certainly is too bad about all the trouble you've been having in Maryland." Yes, it is too bad. It's more than too bad. It's absolutely intolerable. Let's start right now and get ourselves out of this morass.

We have laws. We have lots of laws. We have Codes of Ethics. We have laws dealing with the proper conduct of officials, with conflict of interest, with disclosure of assets, with relations with lobbyists, with fair election practices, with campaign financing, with everything under the sun.

But they are full of loopholes, they don't apply to all officials, they stop short of being really convincing, and enforcement agencies are weak and scattered.

In the very near future I intend to submit to you a Code of Administration bills that will define and require ethical conduct beyond the shadow of a doubt. They will close the loopholes, and they will apply to all officials. Enforcement of the laws regulating conflict of interest, ethical conduct, disclosure and lobbying will be centralized in one strong agency.

The details will be along shortly, and some of them may strike you as harsh. But, my friends, they are the price we must pay to regain the full confidence of our own people and the full respect of our neighbors.

Ladies and gentlemen of the Assembly, I thank you for the opportunity to consult with you. My door upstairs is open and I mean open to each and every member of this body.

Let us remember that we are the temporary stewards of the affairs of our people. With God's grace and our own hard work, let us serve them well.

And ordered journalized.

The Acting Governor was then escorted from the House Chamber.

The Senate of Maryland was escorted from the House Chamber.