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After Gov. Baldacci beefs up subsidies for dairy farmers, lawmakers delay action on a proposed tax.

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BODY:

Gov. John Baldacci derailed a proposed milk tax Friday by adding \$3 million to his own plan to help Maine's struggling dairy farmers with direct state payments and other initiatives that do not require a 24-cent-a-gallon milk-handling fee. Administration officials told the Legislature's Taxation Committee that the governor is now willing to continue state subsidies to farmers beyond the Sept. 30 cutoff he proposed when he unveiled a \$3.9 million dairy-relief plan last week. The extension, which could cost up to \$3 million more, would prolong state payments to farmers through October, November and December if depressed milk prices fail to rebound by then.

It was not immediately clear where the \$3 million will come from. Some lawmakers suggested that the state will take it out of the general fund, thereby enlarging a \$48 million hole in the next state budget. But aides to the governor said that is unlikely.

Agriculture Commissioner Robert Spear said the state plans to get the money from the federal government or other sources, without tapping the state's general fund.

That last piece of the puzzle was enough to persuade the Taxation Committee to drop any immediate action on a temporary milk tax that would have raised \$13.5

million for farmers in the next fiscal year and \$8.5 million the year after that. The committee voted Friday to "carry over" the tax bill until January of next year. That's when lawmakers will consider the recommendations of a task force that Baldacci is appointing to find ways to protect the state's more than 400 dairy farms, which are facing their worst crisis since the Great Depression.

Spear and Richard Davies, a top aide to the governor, told the committee that Baldacci will seriously consider all of the task force's recommendations, even if they include a milk tax. But they didn't promise Baldacci's support for such a tax in 2004.

Friday's Taxation Committee vote ended a tense political drama that pitted Baldacci against backers of the proposed milk tax, including dairy farmers and their allies in the Legislature. The relief plan that Baldacci proposed a week ago was not comprehensive enough to defuse support for a milk tax, and the push to pass a tax continued to grow in the Legislature this week as Baldacci searched for an alternative.

When most members of the House Republican caucus endorsed the tax in a straw poll Thursday, it gave supporters the confidence to predict that Democrats in the House would also vote for it. That, in turn, suggested that backers of the tax had enough votes to pass it by a two-thirds margin in the House, although support appeared to be weaker in the Senate.

"That Republican caucus in the House is what did it," said Rep. Peter Mills, R-Cornville, sponsor of the proposed tax. The fact that most House Republicans, who traditionally oppose tax hikes, were willing to create a tax to bail out the dairy industry "was big news all over the (State House)" and it intensified the administration's search for an alternative, Mills said.

Passage of the tax bill by a two-thirds vote in the House would have embarrassed the Democratic governor and would have put pressure on the Senate to follow suit. If both bodies had passed the tax by two-thirds margins, that would have made Baldacci's promised veto meaningless, because supporters would have had enough votes to override a veto.

Baldacci's solution was to add up to \$3 million in dairy subsidies for October through December, which almost doubles the \$3.9 million in direct payments the governor had proposed from April through September. Administration officials briefed key farmers early Friday afternoon and they reluctantly endorsed the deal, paving the way for the Taxation Committee vote.

"We're taking this offer because we need what we've got offered right now," Galen Larrabee, a farmer from Knox and a leader of the Maine Dairy Industry Association, told the Taxation Committee shortly before it voted to put the milk tax on hold until January.

"We feel this gets the most to the people the fastest," Larrabee said. The governor's plan is not perfect, he said, but "this is the best we'd be able to do at this moment."

Mills, too, grudgingly endorsed the plan, describing it as "a patchwork, a sort of band-aid approach" to protecting the state's dairy industry. Baldacci's relief program "gives (farmers) some future for a few months," Mills said, but he said the industry still faces tough times, which creates the risk of "a major sea change in the appearance of rural Maine" if the industry collapses.

The plan also won the support of Democratic Sen. Bruce Bryant of Dixfield, who co-chairs the Legislature's Agriculture Committee. Bryant said the package doesn't solve the industry's problems and doesn't guarantee that all of the dairy farms will survive, but he said his committee believes the plan is "a good package" that will help protect the industry until the end of the year.

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