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Statement of Andrew Moylan
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I. Introduction

Chairman Hixson and Members of the Committee, my name is Andrew Moylan. I am Government Affairs Manager for the National Taxpayers Union (NTU), a nationwide grassroots taxpayer organization with 362,000 members, including more than 7,100 in Maryland. You can find out all about NTU – and our educational affiliate, the National Taxpayers Union Foundation – on our website: www.ntu.org.

I offer this testimony in favor of Delegate Warren Miller's Taxpayer's Bill of Rights (TABOR) proposal (HB 36). This measure would amend the Maryland Constitution by establishing taxpayer protections that would require voter approval for new state or local taxes, tax rate increases, and repeal of tax exemptions. Further, HB 36 imposes spending limits on Maryland government. It also provides that after the state's rainy day fund exceeds 7 percent of the coming year's estimated general fund revenues, the amount in excess of 5 percent will be returned to taxpayers through a temporary rate reduction.

NTU believes that enacting a Taxpayer's Bill of Rights will be beneficial to Maryland and is in the state's long-term best interests – both economically and politically.

II. The Maryland Record

In a study released last year, my former colleague Sam Batkins looked at fiscal trends in Maryland and came to some very disturbing conclusions. In recent years, state spending growth has far outstripped the ability of citizens to pay for it.[1]

Batkins found that if Maryland had restrained spending increases to population growth plus inflation (about 3.5 percent annually) over the previous decade, the burden on state taxpayers would have been $9 billion lighter in 2006. Just imagine the benefit to Maryland's families had the state allowed them to keep more of the money they earned from their hard work.

The record is clear: reckless spending in Maryland must be stopped. Delegate Miller's proposal would do just that.

III. TABOR Around America

The citizens of Colorado voted to enact a Taxpayer's Bill of Rights in 1992. I'm proud to note that NTU played a major role in this effort, including offering advice and counsel in drafting this measure. The Colorado TABOR contained the most comprehensive fiscal limits in the nation, including requirements for voter approval before higher state or local taxes or debts may be enacted, a ban on new local income taxes and state property taxes, a flat-rate income tax, emergency reserves and comprehensive state and local spending limits tied to inflation increases and population growth. Any surplus revenues must be returned to taxpayers.

While opponents employed scare tactics and predicted the measure would lead to economic ruin for the state, the results have been exactly the opposite:

- TABOR enabled Colorado to lead the nation in cutting taxes. From 1997-2001, TABOR returned $3.25 billion to taxpayers (about $3,200 for a family of four).[2]
- Colorado did not pass a single tax increase at the state level since while TABOR was in effect.
- Between 1995 and 2000, Colorado was first in the nation in growth of gross state product, and second in personal income growth.

Colorado's law may be the best in the nation, but many other states have limitation provisions of some sort. Twenty-six states have enacted some variant of a Tax and Expenditure Limitation (TEL).[3] More than a dozen states incorporate voter approval or legislative "supermajority" mechanisms in their tax policies. And roughly two dozen states limit all or part of their budget increases to economic measurements such as inflation or personal income growth.[4]

Critics contend that the entire TABOR movement has folded its tents because of recent election results, but this is not true. In November 2005, Colorado voters opted to take a five-year "time-out" from the spending limitation provisions in TABOR, while preserving all of the law's other protections. Contrary to the media's "spin," the vote margin to suspend part of TABOR was quite slim – four percentage points – and three-fourths of the money put toward the campaign to weaken the measure came from out-of-state interests. In any case, the referendum itself proved to make the best argument for TABOR, by giving citizens a voice in how much government they can afford.

Furthermore, at issue in the Colorado election was a mechanism called the "ratchet effect" that set revenue limits low during times of recession. HB 36's language deals very effectively with this feature, so as to give the sufficient flexibility during and after times of downturn.

Others cite the 2006 elections as proof that TABOR is dead, but this is likewise a false assertion. For one, many voters were deprived of the chance to decide on these tax and expenditure limitations due to court challenges mainly based on technical rather than substantive issues. TABOR measures qualified for the ballot in states as diverse as Michigan, Oklahoma, Montana, and Nevada, only to be stripped from election slate by judicial authorities.

In 2007, Maryland is not alone in considering the benefits of enacting some or many of the protections embodied in TABOR. Taxpayer's Bill of Rights proposals are moving forward across the nation; serious efforts are from legislatures and citizens underway in states such as Indiana, Tennessee, and Georgia There are several key drivers behind the continued interest in TABOR:

- **Citizen Involvement.** Voters like the idea that they should be asked before government takes more of their money. In a 2004 poll of Virginia residents, NTU found strong support (76 percent to 19 percent) for the principle that citizens should be given "the right to vote directly on most tax increase proposals by the Virginia State Legislature."[5] As Speaker of the Colorado House of

Representatives Andrew Romanoff has bluntly stated, "Voter approval of tax increases is extremely popular, and politically untouchable."[6]

- **Tax Relief for Families.** Under the leadership of State Representative Frank Lasee, the idea of TABOR is moving forward in Wisconsin. Central to Lasee's argument for a Wisconsin TABOR has been the increasing tax burdens on families at all income levels in Wisconsin. By one estimate, if a TABOR had been in place in Wisconsin from 1990-2001, Wisconsin families would have saved a total of $10,241 per household.[7]
- **Economic Growth.** Again, the TABOR era has been part of a great economic success story in Colorado. Making the case for enacting a TABOR in Kansas, Dr. Barry Poulson argues, "The contrast between Colorado and Kansas in that time is striking: while the two states experienced similar economic trends in the 1970s and 1980s, there was a major divergence in the 90s, when income per capita increased 70 percent in Colorado, while it only increased 53 percent in Kansas."[8]

IV. Conclusion

Maryland government has been spending beyond the means of taxpayers. This must stop. HB 36 would impose some basic rules on budgeting in Maryland that – if experience elsewhere is a guide – will help increase economic growth. It will also increase citizen involvement, which is essential to democracy. Dee Hodges of the Maryland Taxpayers Association offers this summary of the fiscal benefits of TABOR: "TABOR works because it forces state and local governments to live within a budget, to set public priorities, to make wiser choices, and to find ways to meet state goals-not by spending more-but by spending smarter."[9]

The state's current "structural deficit" is only the latest reason why fundamental fiscal reform is necessary. As the Tax Foundation noted last month:

> In January 2007, the governor came into office and almost immediately declared the state to be in a structural deficit. His first figure was $400 million. It rose quickly to $1.3 billion, and the latest structural deficit figure is $1.7 billion. That is the one [Governor] O'Malley is asking the legislature to count on, although the current plan raises far more revenue than even this latest figure.
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> It is hard to discern any sort of deficit from official publications about Maryland's revenue. According to the latest figures from the National Association of State Budget Officers (NASBO), Maryland ran a $1.4 billion *surplus* between July 2005 and June 2006 (FY'06).
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> …The 'structural deficit' is an estimate for some future year and presumes that all current surpluses will have been spent and more.[10]

HB 36 would bring the kind of stability and accountability to the budget process that could bring this spiral under control. With taxpayers across the entire economic spectrum facing severe new increases in the burdens they bear for state government, enactment of TABOR is needed now more than ever.

Thank you, Chairman Hixson, for allowing us to submit this testimony. And again, on behalf of our 7,100 Maryland members, NTU is pleased to offer our support for this important measure.

Notes

[1] Sam Batkins, "Maryland's Fiscal Folly: The Taxpayer's View," The National Taxpayers Union Foundation, NTU Foundation Issue Brief 152, February 22, 2006, http://www.ntu.org/main/press_issuebriefs.php?PressID=815&org_name=NTUF.
[2] Fred Holden, "A Decade of TABOR," The Independence Institute, Issue Paper 8-2003, June 1, 2003, http://www.i2i.org/article.aspx?ID=559.
[3] David Hoffman, Editor, *Facts and Figures on Government Finance*, The Tax Foundation, November 2004, Pages 191-271.
[4] For research looking at which state limits are more effective for taxpayers, see Peter J. Sepp, "By Popular Demand: How Citizen-Driven Ballot Measures Have Shaped Tax Policy for the Better," The National Taxpayers Union Foundation, NTUF Policy Paper 114, May 21, 1999, http://www.ntu.org/main/press.php?PressID=323&org_name=NTUF.
[5] National Taxpayers Union, "Virginia Taxes and Budget Baseline Survey" (polling conducted by Fabrizio, McLaughlin & Associates), February 9, 2004, http://www.ntu.org/downloads/VA-TABOR-Questions.pdf
[6] Representative Frank Lasee, "Voters Like Having a Say," Wisopinion.com, January 6, 2005, http://wisopinion.com/index.iml?mdl=article.mdl&article=1263.
[7] Coalition letter to Wisconsin State Leaders, April 27, 2004, http://www.ntu.org/main/letters_detail.php?letter_id=179.
[8] Dr. Barry Poulson, "The Truth About TABOR in Kansas . . . and Colorado," Americans For Prosperity, February 10, 2005, http://www.americansforprosperity.org/kstabor/kst_0050210a.html.
[9] Dee Hodges, "Maryland Taxpayers Association Urges Passage of SB 601/HB 1130, the Taxpayers' Bill of Rights (TABOR)," March 25, 2004, http://www.mdtaxes.org/archives/testimony&confs/2003%20testimony/dee.hodges.testimony.TABOR.3.25.04.htm.
[10] Curtis S. Dubay, "Governor O'Malley's Tax Plan Puts Maryland at Risk in Regional Tax Competition," The Tax Foundation, October 26, 2007, http://www.taxfoundation.org/research/show/22701.html.