



February 28, 2008

**Statement of Andrew Moylan
Government Affairs Manager for the National Taxpayers Union, submitted to
the Appropriations Committee of the
Maryland House of Delegates on
HB 530, the Limit on Growth in State Spending**

I. Introduction

Chairman Conway 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.

As a Maryland resident myself, I offer this testimony in favor of Delegate Gail Bates' HB 530, imposing a Limit on Growth in State Spending. This measure would amend the Maryland Constitution by establishing a simple and fundamental taxpayer protection: a limitation on growth in state spending based on population and inflation. It would also require a two-thirds majority of the Assembly to exceed the limitation in any given year. Such a measure would restrain wasteful spending while allowing for reasonable growth of government to prevent services from suffering.

NTU believes that enacting this kind of taxpayer protection 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 2006 study, my former colleague Sam Batkins examined 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 last year, the Assembly had a special session where a record-setting tax hike of \$1.2 billion was placed on the backs of Maryland families. Yet, the 2009 budget will still come up short unless the legislature cuts spending or raids the Rainy Day Fund to make up for it. Even with that huge tax increase, the state's Spending Affordability Committee expects a \$319 million deficit in 2010 and a \$254 million deficit in 2011.²

The record is clear: Reckless spending in Maryland must be stopped. Delegate Bates' proposal would do just that.

III. Spending Limitations Across America

Thirty states across the nation have enacted some variant of a Tax and Expenditure Limitation.³ Sixteen states incorporate voter approval or legislative “supermajority” mechanisms in their 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

The citizens of Colorado voted to enact a similar measure called the Taxpayer’s Bill of Rights (TABOR) in 1992. While opponents employed scare tactics and predicted the measure would lead to economic ruin for the state, the results were exactly the opposite. Between 1992 and 2004, Colorado per capita gross state product grew substantially faster than the nation as a whole.⁵

Under TABOR, Colorado’s budget increased every single year, even during recession. During the last year under TABOR, the increase was 4.2 percent.⁶ Despite its success, Colorado’s law ran into difficulty because of Amendment 23, a measure which devoted an increasing share of the general budget to education expenditures, and the so-called “ratchet effect” that set revenue limits low in recessionary periods. HB 530’s language deals with this by focusing on spending rather than revenue, so as to give sufficient flexibility during and after times of downturn.

IV. Conclusion

Maryland government has been spending beyond the means of taxpayers. This cannot be allowed to continue. HB 530 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.”⁷

HB 530 would introduce the kind of stability and accountability to the budget process that could bring the spending 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 Conway, 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 Cecilia Januszkiewicz, “Reckless Spending,” *The Baltimore Sun* February 19, 2008,

<http://www.baltimoresun.com/news/opinion/oped/bal-op.statedeficit19feb19,0,6411342.story>.

³ Bert Waisanen, “State Tax and Expenditure Limits – 2007,” National Conference of State Legislators, September 2007, <http://www.ncsl.org/programs/fiscal/telsabout.htm>.

⁴ For a review of 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 Paul Gessing, “What Taxpayers Should Know About Colorado’s TABOR,” The National Taxpayers Union Foundation, October 2005, <http://www.ntu.org/main/page.php?PageID=86>.

⁶ Paul Gessing, “What Taxpayers Should Know About Colorado’s TABOR” The National Taxpayers Union Foundation, October 2005, <http://www.ntu.org/main/page.php?PageID=86>.

⁷ 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>.