

TESTIMONY SIGN IN SHEET

Joint Standing Committee on Taxation

LD 2075 (TABOR)

Date: March 30, 06

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Name	Town/Affiliation	Proponent	Opponent	Neither
Mary Adams	Basford/Hirestar	✓		
Bill Becker	Portland/MTPC	✓		
DEM SCHAEFFER	Brunswick	✓		
John Young	FARMINGTON	✓		
TOM GLEASON	WINDHAM	✓		
Lane Hittner	Windham	✓		
Frank MATSON	HARRISON	✓		
KE HOWELL	BRISTOL	✓		
TAN HOWELL	BRISTOL	✓		
Elson Love	Yarmouth	✓		
Derek Love	Yarmouth	✓		
Fred Condit	Yarmouth	✓		
Thomson, David	Yarmouth	✓		
Mark Lyon	Salathus	✓		
Tom Martin	Jefferson	✓		
Dawn Blake	Belfast	✓		
Rosi Marie Russell	Bristol	✓		

Testimony of Bill Becker
In support of LD 2075, An Act to Create a Taxpayer Bill Of Rights

**Delivered by Bill Becker, president & CEO of The Maine Heritage Policy Center at the March 30,2006
hearing on LD 2075 before the Joint Standing Committee on Taxation**

Senator Perry, Representative Woodbury, distinguished members of the Committee, my name is Bill Becker, and I am the President of The Maine Heritage Policy Center, a public policy think tank located in Portland, Maine. I wish to express my sincere thanks to the Committee for the opportunity to testify in full support of LD 2075, An Act to Create a Taxpayer Bill of Rights.

Patrick Henry, when asked to define the role of government in America, stated: "The Constitution is not an instrument for the government to restrain the people; it is an instrument for the people to restrain the government -- lest it come to dominate our lives and interests."

That very statement is exactly what the Taxpayer Bill of Rights sets out to do through a reasoned, principled, and moderate approach to creating a healthier Maine economy.

The meaning of the words "The Taxpayers' Bill of Rights" reminds us of the original Bill of Rights which guaranteed us certain additional protections from an overreaching government. Some examples included the right to bear arms, the right to free speech, the right to state sovereignty.

Here in Maine, we are talking about the taxpayer's right to set parameters, or guidelines, regarding the growth of our taxes and the spending that drives them. We are talking about slowing the rate of growth of government to something that Maine people can afford.

What does the Maine Taxpayer Bill of Rights do?

1. It will allow government at all levels to grow as fast as our economy grows, using inflation (erosion of the value of money) plus an allowance for population growth. The government should not grow at a rate that is faster than the taxpayers' ability to pay.
2. If government leaders decide we do need to increase a tax, a fee, or government spending – they must first ask for our permission after a 2/3 vote of the governing body. Similar to the way that major decisions are passed in this state – constitutional amendments and bonds, and until recently, the state budget - the legislature would be required to have a 2/3 vote to send it to the voters for their approval with just a majority vote needed.
3. And, if excess money comes in over an above the allowable spending, 80% gets returned to the taxpayer and 20% goes into a budget stabilization fund – at every level of government.

Why is this needed? One need only look at our current situation to understand that a dramatic change is needed. Maine is facing:

- Highest State and Local Tax burden in the nation – a rank we have held for the last decade.
- 2nd highest health insurance rates in the nation – only exacerbated by this Administration's unsustainable Dirigo Health initiative and Medicaid expansion, leaving Maine with the highest percentage of its population on Medicaid of any state in the nation.
- Ranked 5th worst just this month in our states business tax climate by the nonprofit Tax Foundation
- Ranked 2nd worst in the Small Business Survivability index produced by the nonprofit Small Business and Entrepreneurship Council

- Population growth is slow over the last 15 years, and is one of the lowest in the nation at only 7.8% - averaging near stagnant annual growth
- Multiple jobs reports in the past few months look at the data clearly and state a net loss of jobs in last few years – and the only growth is in government, education, and health care – all funded primarily from our tax dollars
- All 3 bond rating agencies downgraded Maine last year – first time in our history, and we are on a watch list again this year
- Maine's personal income growth has persistently lagged the national average over the last 50 years.
- The highly touted LD1 which promised to lower Maine's tax burden to the middle third of all states by 2015, has failed to deliver much tax relief while state spending has again increased at over 10% during this biennium. It is nearly statistically impossible, as we will point out in the coming weeks, that LD1 will achieve the desired goal anywhere near the year 2015.

Maine people have learned about these facts, and realize that we cannot continue to support the same public policies that have brought us to the bottom of the economic barrel when compared to most states.

Unfortunately, reasonable reform is being opposed only by a small yet vocal minority of organizations that depend on unfettered increases in government spending to their government departments, agencies, nonprofits, or special interests. This "spending lobby" is very well staffed, vocal, and strident in their opposition to any common sense, reasonable, moderate, and proven public policy such as the Taxpayer Bill of Rights.

I would like to address some of the points recently made by well-meaning but misinformed critics who have spoken out against the value of growth allowances made by the Maine Taxpayer Bill of Rights. It is important to put an end to the misinformation by providing the committee with fact over fiction.

1. **FICTION:** You will be told by opponents that The Maine Taxpayer Bill of Rights will cut government spending and devastate Maine public services.

FACT: Maine's Taxpayer Bill of Rights does not propose a cut in any program or a service. It allows all levels of government to grow annually at the rate of inflation with an allowance for population growth. No cuts are proposed. Those who argue that there will be cuts are really arguing that even today, Maine does not spend enough money per capita on government programs or services, and that any sort of restraint would prevent even greater levels of spending and taxes. It is true that in a very small percent of municipalities which are losing a large portion of their population (faster than the inflation rate), that the growth allowance will be negative – reflecting not a cut in real per capita government services, but the reality of a smaller population being served by that level of government.

2. **FICTION:** Opponents will claim that Colorado has repealed, repudiated, or otherwise suspended their own earlier version of the Taxpayer Bill of Rights.

FACT: The Taxpayer Bill of Rights remains in place in Colorado. Since Colorado voters passed it as a constitutional amendment 14 years ago, not one word, comma, or other alteration has touched the Taxpayer Bill of Rights. In November of 2005, Colorado voters approved a 2/3-vote request by the Colorado legislature to forego any rebates that would be returned to the taxpayers for the next five years. It was the first such statewide approval in 14 years conducted through the law's own provisions.

3. **FICTION:** You will hear that TABOR has devastated Colorado. Since the Colorado Taxpayer Bill of Rights was passed, Colorado has become a bad place to create jobs, do business, or to live.

FACT: Colorado's population has grown by 40% over the last 15 years, from 3 million to 4.5 million people. Nearly one million jobs have been created, and Colorado is consistently in the top ten states in job growth. Colorado's gross state product is one of the fastest growing in the nation. Colorado has one of the lowest tax burdens and friendliest business environments in all national rankings.

4. **FICTION:** You will hear from opponents that Colorado's Taxpayer Bill of Rights has devastated Colorado's government programs and services. K-12 education, higher education, and health care services for the poor have deteriorated.

FACT: Government has not suffered under their Taxpayer Bill of Rights. In just the past six years (after the boom of the 1990's and through Colorado's recession), total state government spending has increased by 50% from \$10 billion in 1999 to \$15 billion in 2005.

Most of the problems that impacted government in Colorado were caused by the 2001-02 recession, the high-tech bust, and a drought and forest fire season that caused state tax revenue to decline by 17% in just 18 months. That revenue decline was not at all due to the Taxpayer Bill of Rights. Still, average teacher salaries in Colorado are 22nd highest in the nation, and Colorado boasts some of the most well-respected universities in the nation. Some of the recent vote, under the law's provisions, is to go to higher education.

5. **FICTION:** At the same time that opponents will try and convince you of Colorado's devastation, another report comes out claiming that Colorado's economic success is not due to Colorado's Taxpayer Bill of Rights.

FACT: In fact, neither claim is true. A March 16, 2006 report from the Center for Budget and Policy Priorities, a direct funder and supporter of the Maine Center for Economic Policy, claims that Colorado has suffered significant decline and deterioration under the Taxpayer Bill of Rights. But a report released last week (March 23, 2006) by this same organization, makes that case that Colorado in fact prospered in the 1990's – but that it was not due to the Taxpayer Bill of Rights. You can't have it both ways. Colorado either prospered, or it didn't, and the CBPP's own paper contradicts earlier efforts to claim devastation. The data speaks for itself.

6. **FICTION:** Christopher St. John of the Maine Center for Economic Policy stated on a Tuesday television interview that Maine's high tax burden is due to the fact that Mainers have a Massachusetts appetite for level of services, but an Arkansas level of income.

FACT: Looking at both Arkansas and Massachusetts, we find that they both have a dramatically lower state and local tax burden than does Maine, a much lower median age, and have more residents with a bachelors degree or higher. Yet Massachusetts has a much lower percent of its population receiving Medicaid (one of the largest services that any state government provides), and roughly the same percent of uninsured as Maine. And Arkansas residents do earn less than Mainers, yet that state is seen as one of the more business-friendly states in the union, while Maine is second to last. So while it is true that Arkansas residents earn less than Massachusetts or Maine residents, both of their states have figured out how to attract jobs, people, and businesses through a lower rate of spending and taxes.

7. **FICTION:** Opponents, such as former Colorado State Representative Brad Young, will claim that by the citizen's having a greater say in tax and spending increases, we have lost our representative democracy.

FACT: TABOR does nothing to jeopardize representative democracy. Elected officials will still hold the ultimate responsibility for determining the laws of this state and local government. Budgets and taxes will still be crafted and negotiated by legislators and town officials. But the people will now define the parameters within which officials can tax and spend – tied to a very solid and economically significant statistic such as inflation and population growth. There are new parameters within which officials can operate – similar to the term limits which defined how long a legislator can serve.

8. FICTION: You will be told by the opposition that there is no need for a two-thirds vote in order to ask the citizens for their majority vote to approve tax or spending increases above the inflation plus population formula.

FACT: Major decisions by Maine state government require a two-thirds majority vote. The budget has traditionally required that deference, and it is required that both bonds and constitutional amendments receive a two-thirds vote of the Legislature followed by a majority vote of the people. This is exactly the same formula being proposed under Maine's Taxpayer Bill of Rights. Some states actually require a three-fifths vote in this area. Why so stringent at the state and local level? Because Maine's highest-in-the-nation tax burden necessitates a change from the status quo when it comes to both spending and taxes, a two-thirds vote is appropriate. Otherwise, without the two-thirds requirement, it would be business as usual.

9. FICTION: Opponents will claim that Maine's Taxpayer Bill of Rights will not be effective on the state level if it is not in the Constitution as an amendment.

FACT: It is the responsibility of our legislators to uphold the will of the people – and a citizen's petition and initiative is a demonstration of that will. It is important to note two specific citizen's initiatives that are not found in the Maine Constitution, but were passed as citizen's initiatives and hold tremendous sway over this body today. Both term limits, and Clean Elections, were citizen's initiative but are not constitutional. The will of the people is a powerful message, and does not necessarily need to be a constitutional law.

10. FICTION: Opponents will make the claim that TABOR is complicated, or that it would be difficult to implement at the state and local level. Opponents will also claim that the administrative costs of sending tax and spending increases to the voters would be high.

FACT: Whenever a new law is implemented, there can be great consternation regarding the implementation and conformity with other state and local laws. One example were the critics of both term limits and clean elections – both have survived the test of time well. I'm fully confident that the good people at the Maine Municipal Association, having worked hard at implementing even the dubious and complex LD1, would be fully capable of managing the implementation of the Maine Taxpayer Bill of Rights.

Noted political opinion leader George Will once stated: "In the lexicon of the political class, the word 'sacrifice' means that the citizens are supposed to mail even more of their income to the government so that the political class will not have to sacrifice the pleasure of spending it."

It's time to end that pattern in Maine.

Thank you for your time and would be happy to answer any questions you might have.