

WHY TAXPAYERS SHOULD SUPPORT “CLEAN ELECTIONS” PUBLIC FUNDING OF CAMPAIGNS

Most people like a fresh snowfall. But do you like snow enough to pay for it? Our lawmakers in Annapolis think so. That's why they voted in 2002 to exempt ski facilities from paying taxes on the energy they use to produce artificial snow!

Is this an aberration? No. The Maryland state tax code is riddled with corporate welfare and giveaways to the wealthiest that cost ordinary taxpayers at least \$700 million each year. Here is just a sample of the kinds of loopholes your taxdollars subsidize:

- A special reduction in property taxes for country club golf courses;
- A sales tax exemption for large purchases of precious metals, such as gold and silver;
- A massive reduction in the inheritance tax that most benefits the tiny number of Marylanders who inherit an estate worth between \$300,000 and \$600,000;
- A loophole that allows real estate developers to beat the transfer and recordation tax when they sell their mega-malls.

And these loopholes are just the top of the iceberg. That's because lawmakers slipped 18 loopholes into the tax code without bothering to calculate their cost!

This welfare for millionaires is the gift that keeps on giving. Once the loopholes get into the tax code, they are a permanent subsidy from ordinary taxpayers to the politically well connected, picking our pockets year after year after year.

Closing these loopholes is not only the fair thing to do. It would also be the best first step toward closing Maryland's \$1 billion deficit.

But how did these loopholes get in the tax code at all?

Follow the Money Trail

In Maryland's 2002 election, rich individuals and big corporations contributed \$75 million to candidates for state office. Most of the money went to incumbents -- the same powerful incumbents who almost never face a competitive re-election. So why do the donors give if elections are rarely in doubt? For the fun of it? Of course not. They expect return-on-investment. And they get it -- many times over -- in the form of budgetary subsidies and tax loopholes.

Real estate developers, for example, gave about \$1.3 million in the 2002 election. Sounds like a lot? That's peanuts compared to what the developers got in return: a loophole worth \$40 million each year that allows them to avoid paying the recordation and transfer tax when they sell commercial real estate. Ordinary Marylanders pay that tax when they sell their home. Why shouldn't developers pay the same tax when they sell their mega-malls?

And that's just one of the dozens of special-interest loopholes in our tax code!

Towards a Solution: “Clean Elections” Public Funding of Campaigns

To get rid of these wasteful subsidies, we need to reduce the power of the Big Money special interests in Maryland politics – interests that contributed approximately \$75 million to politicians in the 2002 election, double what they spent in 1998.

Strict limits on fundraising and expenditures would accomplish this goal. But the Supreme Court refuses to countenance mandatory campaign expenditure limits, calling them a violation of free speech.

It is futile to tinker around the edges of a campaign finance system whose main features the courts declare sacrosanct. We need to adopt a proven alternative to that system. That alternative is Clean Elections campaign finance reform as practiced in Arizona and Maine. Here’s how it works:

- To participate, a candidate must demonstrate broad community support by collecting a large number of small contributions in the district he wishes to represent. For example, in Arizona, where Clean Elections is already law, candidates must collect several hundred \$5 contributions from voters in the district they wish to represent.
- If successful, the candidate receives enough money from the public Treasury to wage a competitive campaign.
- If a privately financed opponent outspends him, he receives offsetting funds to keep pace, up to a certain limit.

Advantages of Clean Elections:

- It enables citizens with community support but ordinary financial means to run for office.
- By encouraging electoral competition, public funding widens debate.
- It frees candidates and lawmakers from incessant fundraising, removing the appearance and reality of corruption.
- Participation in the publicly funded system is voluntary; by leaving the private campaign finance system alone, the Act is immune to judicial challenge.
- In Maine and Arizona, the number of candidates who participate in the system doubles with each election cycle. In 2002, a majority of candidates in both states financed their campaigns solely with public funds; both incumbents and challengers used the system; and participation cut across party lines.
- Clean Elections candidates who win owe nothing to fat cat contributors, reducing the latter’s privileged access in Annapolis. With lawmakers free from the undue influence of Big Money special interests, they are much less likely to grant them wasteful subsidies and tax loopholes.
- Maryland’s Clean Elections system would cost less than \$2 per resident per year – a small price to pay for real democracy and significantly less than the current system, which lavishes pork on special interest contributors.
- Clean Elections reform has already been implemented in Maine and Arizona, where it is accomplishing all the benefits described above.

In 2004, We Have an Unprecedented Opportunity To Enact Clean Elections Reform in Maryland

In 2002, the General Assembly passed a bill to create an official task force to examine Clean Elections reform and make recommendations for Maryland. This distinguished study commission, chaired by the Dean of Liberal Arts at the University of Baltimore, Carl Stenberg, will issue its final report in the autumn of 2003. The Stenberg Commission has already decided to recommend in favor of Clean Elections reform. Now it is finalizing a detailed draft statute, which it will submit shortly to the General Assembly.

Considering its distinguished membership, exhaustive deliberations, and what will surely be a persuasive report, the Stenberg Commission could do for campaign finance reform what the Thornton Commission did for public schools. And the Stenberg report comes at the perfect time to enact major reform:

- **Clean Elections Will Help Close the Budget Deficit.** Over the past year, Progressive Maryland and allies have demanded closure of hundreds of millions of dollars in corporate tax loopholes as the best way to balance the state's budget. A focus on loopholes, in turn, has prompted the natural question: "How did they get there?" And this question, in turn, is giving advocates of Clean Elections our strongest argument in favor of reform: tax loopholes are payola to deep-pocket campaign contributors. If Maryland wants to climb out of this budget deficit and achieve more fiscal discipline in the future, the single best step we can take is to enact Maine-style campaign finance reform.
- **Everybody Agrees That Maryland Suffers from a Campaign Finance Problem.** The 2002 election cycle was by far the most expensive in Maryland's history. Special interests pumped \$75 million into that election, double what they spent in 1998. Since 1990, the gubernatorial inflation rate has skyrocketed 726%. During the 2002 campaign, the media reported incessantly on the unprecedented sums of money spent. At least \$1 million in contributions from the gambling industry alone – timed to influence the high profile fight over legalization of slot machines -- has reinforced the general consensus that Maryland suffers from a campaign finance problem. Even the FBI is investigating the campaign finance mess in Annapolis.
- **Strong Support from the Media.** The *Washington Post* and *Baltimore Sun* both support Clean Elections reform, so editorials and newspaper stories will create a pro-Stenberg climate that lawmakers will find difficult to ignore.
- **Key Lawmakers Either Support Clean Elections or are Persuadable.** Gov. Ehrlich says he supports public funding of campaigns. The two committee chairs who will consider the bill (Del. Hixson and Sen. Hollinger) are sympathetically inclined. Senate President Mike Miller has not ruled out support for the Stenberg recommendation (and, because of the FBI investigation, can not simply torpedo it). Speaker Mike Busch will give this issue a fair-minded hearing.
- **Clean Elections is Incumbent-Friendly.** When incumbent lawmakers learn how the system works in Maine and Arizona, they will see that this reform is in their self-interest. Already in Maine and Arizona, almost half of incumbents use the publicly funded system. And in both states 90% of incumbents still win re-election (as they do in Maryland). Why? Because incumbents enjoy plenty of other advantages besides a fundraising edge. They have superior name-recognition, more contacts among activists, better campaign skills, more experience, a proven track record, etc. Incumbents in both states like the system because it eliminates the worst aspect of their job, fundraising, and frees them after the election to vote their conscience – not as contributors and lobbyists demand.

In the upcoming session of the General Assembly, Maryland has a once-in-a-decade opportunity to enact a major reform for fiscal discipline. That's why taxpayers should make enactment of the Stenberg recommendation a top priority in the 2004 session of the General Assembly. Join the growing movement in Maryland to bring Clean Elections to our state, a movement that includes the League of Women Voters, Common Cause/Maryland, AARP, Alliance of Retired Americans, United Methodist Church, American Jewish Congress, NAACP, Sierra Club, Progressive Maryland, and many other groups. **To get involved, contact Sean Dobson of Progressive Maryland at sean@progressivemaryland.org or 301.495.7004.**

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