Progressive Maryland
Education Fund

State Headquarters
8720 Georgia Avenue
Suite 500
Silver Spring, Maryland 20910

301.495.7004 phone
301.495.9463 fax
ProgressiveMaryland.org
Contact@ProgressiveMaryland.org

WHY TAXPAYERS SHOULD SUPPORT CLEAN ELECTIONS PUBLIC FUNDING OF CAMPAIGNS

Golf is a great sport. Unfortunately, the vast majority of Marylanders can't afford a set of clubs, greens fees, and country club membership. Yet, your taxdollars subsidize the few Marylanders who do. That's right, despite a budget deficit, our lawmakers in Annapolis decided in 2003 to give country clubs a tax break by declaring fairways to be environmentally sensitive "open space", a giveaway that costs municipal treasuries $650,000 every year.

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 $650 million each year. Here is just a sample of the kinds of loopholes your taxdollars subsidize:

- A $10.1 million tax subsidy to Maryland's tiny and doomed coal industry, even though coal-burning accelerates global warming;
- 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;
- Loopholes for yacht owners, Lear Jet owners, monopolists, multistate chain stores, and more.

And these loopholes are just the top of the iceberg. That's because lawmakers slip many loopholes into the tax code without bothering to calculate their cost. Meanwhile, fancy corporate accountants keep inventing new loopholes by which big corporations dodge taxes. All told, the total amount lost to the Treasury approximates $650 million each year.

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 help eliminate Maryland's long-term $1 billion annual budget 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 gave the lion's share of the $75 million contributed to politicians in the 2002 election, double what was 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. <u>We need to adopt a proven alternative to that system.</u> That alternative is Clean Elections campaign finance reform as practiced in Arizona, Maine and Connecticut. <u>Here's how it works</u>:

- 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.

<u>Advantages of Clean Elections:</u>

- It enables citizens with community support but ordinary financial means to run for office.
- 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 (Connecticut just enacted the reform in 2005, so it has not been used there yet in an election).
- 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 only $1.30 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.
- <u>*Clean Elections reform has already been implemented in Maine and Arizona, where it is accomplishing all the benefits described above.*</u>

IN 2006, TAXPAYERS HAVE AN UNPRECEDENTED OPPORTUNITY TO ENACT PUBLIC FUNDING OF CAMPAIGNS IN MARYLAND

In 2002, the General Assembly passed a bill to create an official task force to examine public funding of campaigns and make recommendations for Maryland. This distinguished, bipartisan study commission, whose members included several former and current lawmakers, issued its report in 2004, recommending in favor of public funding of campaigns for General Assembly races. Sen. Paul Pinsky and Del. Jon Cardin will submit legislation in the 2006 session of the General Assembly based on the study commission plan. This legislation comes at the perfect time to enact major reform:

- **The Special Interests Are Pumping More and More Money into Maryland Politics.** The banking industry, energy industry, and other special interests pumped $75 million into Maryland's 2002 election, doubling what they had spent in 1998 and making 2002 by far the most expensive election in the state's history. And the 2006 election will surely break that record. Since 1990, the gubernatorial inflation rate has skyrocketed 726%. No wonder a recent poll of Marylanders found that 75% believe that fundraising is a major source of corruption.

- **Strong Support Statewide for Public Funding of Campaigns**. An October 2005 statewide poll shows 73% of Marylanders support Arizona-style public funding of campaigns. Progressive Maryland, the League of Women Voters, Common Cause, NAACP, Sierra Club, AFL-CIO, League of Conservation Voters, NOW, and other organizations endorse the bill. The *Washington Post* and *Baltimore Sun* both support public funding of campaigns.

- **Key Lawmakers Support Public Funding of Campaigns.** More than 50 lawmakers cosponsored the bill in 2005. Speaker Mike Busch supports the reform, as does Chairwoman Sheila Hixson, whose Ways & Means committee voted for the bill 14-5 last year. Sen. Paula Hollinger and a majority of her colleagues on the Education, Health & Environmental Affairs committee – which has jurisdiction on this issue -- support the reform.

- **Public Funding of Campaigns Will Help Save the State Money.** Over the past three years, Progressive Maryland has demanded closure of hundreds of millions of dollars in corporate tax loopholes as the best way to balance the state's budget and pay for schools and health care. 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 public funding of campaigns one of our strongest arguments: tax loopholes are payola to corporate campaign contributors. <u>If Maryland wants to close its long-term budget deficit and achieve more fiscal discipline in the future, the single best step we can take is to enact Maine-style public funding of campaigns.</u>

- **Public Funding is Incumbent-Friendly.** As incumbent lawmakers learn how the system works in Maine and Arizona (and now also Connecticut), they understand 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 over challengers 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 <u>after the election</u> to vote their conscience (not as contributors and corporate lobbyists demand). That's why incumbents in Connecticut voted overwhelmingly in 2005 to enact this reform into law.