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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 $350 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, and multistate chain stores.

And these loopholes are just the tip 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 of which could be closed comprehensively through the proven reform of "combined reporting", which 22 states have enacted but which Maryland lawmakers refuse to enact. All told, the total amount lost to the Treasury comes to at least $350 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. But how did these loopholes get in the tax code at all?

Follow the Money Trail

In Maryland's 2006 election, $94 million – 69% more than the previous election -- was contributed to candidates for state office. Where did the money come from? Among individuals, only 2.7% of Marylanders gave a campaign contribution of any kind; among organizations, for-profit business interests outspent non-profit entities by 22:1. Thus, the lion's share of the money was given by wealthy special interests. 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.

The manufacturing industry, for example, gave about $160,000 in the 2006 election. Sounds like a lot? That's peanuts compared to what manufacturers get in return: preservation of a tax giveaway called "single-sales factor" tax liability that is worth at least $20 million per year to them. 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 $94 million contributed to politicians in the 2006 election, 69% more than in the preceding election.

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 deep-pocket 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 be financed not by taxdollars, but instead by a small portion of the revenue generated by the unclaimed property that reverts to the state each year from abandoned vehicles, ownerless bank accounts, etc.
- <u>*Clean Elections reform has already been implemented in Maine and Arizona, where it is accomplishing all the benefits described above.*</u>

In 2008, Taxpayers Have an Unprecedented Opportunity To Help 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, recommended in favor of public funding of campaigns for General Assembly races. Sen. Paul Pinsky and Del. Jon Cardin are sponsoring legislation in the 2008 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 monopolies, and other special interests pumped $94 million into Maryland's 2006 election -- a 69% increase over the 2002 election. Only 2.7% of Marylanders gave a contribution of any kind; corporate entities gave 22 times more than non-profit entities; and the average size of contributions increased dramatically.
- **Strong Support Statewide for Public Funding of Campaigns**. An October 2007 statewide poll shows 72% 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. The House of Delegates passed this legislation in 2006; but it fell just one vote short of passage on the Senate floor in 2007. <u>We are very close to passing this bill</u>.
- **Fiscally Responsible.** The modest, $8 million approximate annual cost of the system would be financed not with taxdollars, but instead mainly from revenue from the sale of unclaimed property that reverts to the state each year, such as abandoned vehicles and ownerless bank accounts. Moreover, once in place, the system will save taxpayer dollars. That's because once lawmakers no longer owe favors to deep-pocket contributors, there will be less incentive to reward special interests with tax loophole, porkbarrel spending, and multibillion giveaways such as electricity deregulation.
- **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. That's why more and more say they will vote for the Pinsky/Cardin bill. 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.

In the upcoming session of the General Assembly, Maryland has a once-in-a-decade opportunity to enact a major reform for fiscal discipline. 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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