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SLOTS STUDY GARNERS SIGNIFICANT INTEREST

On August 12, 2003, MTEF and the Maryland Public Policy Institute held a joint press conference in Annapolis to release a new study on slot machines. The press conference was attended by media, State government employees and other interested parties, and it received coverage in the Baltimore Sun, Washington Post and other prominent news sources.

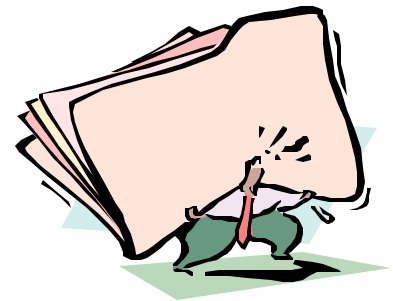
According to the study, the State could earn \$400 million more per year by auctioning

the slot machine licenses on the open market than it could have earned under the racetrack gambling bill that lawmakers nearly adopted in April 2003.

Written by MTEF Chairman, Jeff Hooke, and MPPI Fellow, Tom Firey, the Study examined the financial returns to the State under six separate legalization scenarios each involving 12,000 machines spread over five sites. Two of the scenarios involved the State building

its own slots facilities and subcontracting the management to private casino firms.

The 28-page study can be downloaded from the MTEF web site.



THE BIG “BUDGET CRISIS” LIE: MARYLAND SWIMMING IN TAX DOLLARS, BUT POLITICIANS WANT MORE

Annapolis politicians, the mainstream media and unelected bureaucrats statewide have been obsessed with the so-called Maryland “budget crisis” for months now, and their public show of panic has reached a fever pitch.

What’s more, this coalition of tax hogs wants to “fix” its

phony “budget crisis” by hiking our state personal tax, raising the corporate income tax, increasing the gasoline tax, and creating a new state sales tax on selected items. After all, they claim, Maryland is a “low-tax state,” so we taxpayers can easily afford to pay more into the ever-

expanding state government.

Many elected officials are in favor of legalizing casino-style gambling in the Free State, an action which could bring over \$1 billion per year in additional tax revenues.

Continued on page 2...

Budget Crisis – from page 1

But the answer to Maryland's so-called "crisis" is neither tax hikes, slots legalization, nor cuts in necessary programs. The solution is to cut through the political rhetoric and realize that state revenues and spending are actually up in fiscal 2004. Out-of-control state spending and the over-taxation that comes from it are the only real problems here.

Despite what the tax grabbers in Annapolis say, there is no budget crisis – only shameful scare tactics and propaganda from the crowd that always wants more.

In fiscal 2003, general fund revenues dropped a mere 1.4%. IS THAT A CRISIS? What Maryland family couldn't survive a 1.4% decline in income without becoming hysterical? Even so, spending in fiscal 2003 jumped almost 5% as the State dipped into reserve funds to pay for the difference.

Fiscal 2004 general fund revenues are slated to go up 1.1% according to the Department of Legislative Services (MTEF attended the Ways and Means Committee hearing in Annapolis in July), with

spending projected at a 0.8% increase. IS THAT A CRISIS?

The next set of problems begins in the fiscal year starting July 1, 2004. That's when spending hits a 6% to 9% annual trajectory, yet revenues only climb 4% per year. The State's population grows by 1% per year, and inflation is 2% per year, and productivity rises 1%. So a 4% annual revenue increase seems sensible. Why does spending have to rise by 2x this amount? It's obviously a crisis caused by the State's inability to live within its means, and set priorities.

State of Maryland **General Fund Revenues and Expenses**

(In billions)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues	\$10.4	\$10.5	\$10.8	\$11.2	\$11.7
% Change		1.1%	2.3%	4.1%	4.0%
Expenses	\$10.4	\$10.5	\$11.5	\$12.4	\$13.2
% Change		0.8%	9.4%	7.4%	6.6%

Note: 2003 and 2004 include fund transfers as revenue.

Source: Department of Legislative Services

SOLID WASTE STUDY UNDERWAY

David Curry, the economist who completed MTEF's study on teacher compensation, is examining solid waste disposal costs in Montgomery

County. The County spends a disproportional amount of its budget – compared to other jurisdictions – on solid waste dis-

posal, and Mr. Curry is studying the causes of this situation, as well as considering possible reforms.

WILLIAM SKINNER RESIGNS AND JEFF HOOKE IS NEW CHAIRMAN

Bill Skinner, the founder of MTEF, resigned as MTEF's President in April 2003. A long-time resident of Maryland, Bill took a leadership role in many civic causes. He has retired from his law practice in Rockville, Maryland and has moved to Florida to be closer to his children, who reside there. A celebratory luncheon was held in his honor in May and attracted many friends and colleagues.

Jeff Hooke, an MTEF Board member, was elected the Chairman. Mr. Hooke, a Chevy Chase, Maryland

resident, is an investment banker with Hooke Associates, LLC.

He has been active in MTEF-supported initiatives such as Project \$1.1 Billion Recovery, which put a public spotlight on Peter Angelos' efforts to obtain a \$1.1 billion legal fee from the State, and Project \$1.5 Billion Recover, which publicized the value of slot machine monopolies that the State proposed to hand over, for free, to wealthy race-track owners.

PETER GAVIAN JOINS MTEF BOARD

Peter Gavian, an Annapolis resident, has joined the MTEF Board. Mr. Gavian has broad experience with financial matters, including positions as an investment banker, venture capitalist and corporate executive.



FORBES MAGAZINE FEATURES MTEF CHAIRMAN

The June 23, 2003 issue of Forbes, the national business magazine, ran an article entitled "JACKPOT! State pols are giving away slot machine monopolies worth billions." The article discussed how many states are looking to tap

new revenue sources by legalizing slot machines. Yet hard up as these states are for cash, they propose to giveaway these slot machine monopolies, for free, to race-track owners, rather than auctioning them off to

the highest bidder. Featured in the article were the efforts of Jeff Hooke, MTEF Chairman, who has pointed out this inequity in Maryland, Pennsylvania, Ohio, Illinois and Texas.

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**TO GOVERN THEMSELVES,
PEOPLE MUST HAVE
KNOWLEDGE**

DONATIONS REQUESTED

Enclosed with your newsletter is a request for your tax-deductible contribution. A recommended annual contribution is only \$25. The MTEF accomplishes a lot with limited resources. To be self-sustaining, it needs support from its members and other interested parties. Our efforts have saved millions for Maryland taxpayers. Your assistance is appreciated.

A copy of our annual report is available from the Secretary of State or by writing MTEF.

Volunteers Needed

If you have an accounting or business background, and you enjoy doing financial/budget research, please contact the MTEF Chairman or one of the Board members. The website has contact information.

DONATION FORM

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