

Maryland Tax Educator

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THERE MUST BE SOMETHING IN THE WATER!!

Governor Ehrlich proposes largest State spending increase in 20 years!

There must be something in the water in Annapolis that makes politicians want to spend more. No sooner did Bob Ehrlich, a self proclaimed conservative, arrive than he supported laws to increase a variety of states fees, taxes, fines and tolls, adding up to over \$500 million annually. For that first year, many citizens cut him slack, because he faced a hostile legislature and a tight budget situation.

Unfortunately, subsequent events show that this new Governor, the first in his party in over 30 years to run the State, has “gone native.” His fiscal year 2007 budget shows an 11.4% spending jump, the fastest increase in more than two decades.



This gain followed a 10.1% increase in fiscal year 2006, as compared to fiscal year 2005 (all fiscal years end on June 30). Obviously, both the 11.4% and 10.1% increases exceed by wide margins the sum of (i) inflation (about 3%); and (ii) population growth (about 1%). One-half of the budget goes to Medicaid, support for local K-12 schools and the University of Maryland system, but virtually every budget component is growing faster than 4%, which is (i) plus (ii).

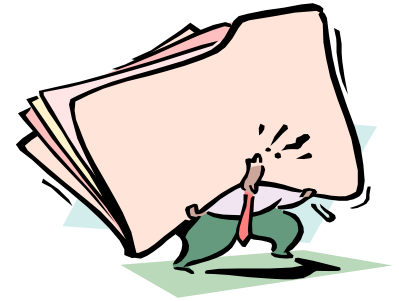
Maryland's State/Local Tax Burden is now 10% of a resident's average income, according to the Tax Foundation. The State ranks 17th highest nationally. To moderate the state tax burden, the Governor recommended a state property tax rate dip of 2 cents, down to 11.2 cents per \$100 of assessed value. This reverses the increase he enacted two year ago. However, with assessments climbing, most state property tax bills will still rise.

Estate Tax Follow-Up: When the federal government phased out the estate tax, Maryland refused to play along, and de-coupled the state tax from the feds. The federal exemption is \$2 million, but Maryland remains at \$1 million, guaranteed to snare middle-income homeowners whose property values have climbed, due to the recent real estate price run-up.

TAX FREEDOM DAY ARRIVES ON APRIL 17TH IN MARYLAND

Tax Freedom Day is the day when Americans finally have earned enough money to pay off their total tax bill for the year. In 2006, Maryland taxpayers have to work until April 17th (ranked 15th nationally) to pay their total tax bill, the same as national Tax Freedom Day (April 17th) or 3 ½ months.

Neighboring states and their Tax Freedom Days are as follows: Delaware, April 11th (ranked 36th); Pennsylvania, April 13th (ranked 30th); West Virginia, April 9th (ranked 38th); and Virginia, April 16th (ranked 17th). One reason so many families require two wage earners is to pay higher taxes.



MTEF PUBLISHES SCHOOL SPENDING STUDY

In October 2005, MTEF released a 30 page study, comparing schools in Montgomery, Anne Arundel and Baltimore Counties with similar systems nationwide. This was the first education study ever published that produced an “apples to apples” comparison of counties with similar demographic, income and suburban attributes. The study was covered by several newspapers in the State.

In brief, the “good news” was that the Maryland counties were relative bargains, compared to similar counties in New York, Connecticut and New Jersey (the study adjusted school spending for relative costs of living). With lower costs, our counties had similar SAT scores. The comparison was not as positive for Maryland when Virginia and California counties were included in the analysis.

The “bad news” was that “per pupil” education costs have increased significantly faster than inflation over the eight years (1997 – 2005) covered by the study. This increase is a national phenomenon, not limited to Maryland. While higher spending might be okay if it produced results, the study found that the extra money produced few, if any, tangible improvements in Maryland student performance.

For example, in Montgomery County, SAT scores remained flat, and there were no changes in the participation rate, or in the ethnic or racial composition of the SAT test takers. Performance in the K-6 grades was inconsistent. Montgomery spends \$12,000 annually per student and per pupil costs rose 30% over and above inflation during the last eight years. Accountability, please?

\$180 MILLION ZONING GIVEAWAY: RICH DEVELOPER “WELFARE” AT ITS WORST

Many of us who participate in local government realize the vast financial giveaways that frequently take place when local municipalities and counties change zoning. Often, these zoning changes benefit those who have contributed to the campaigns of elected officials who influence these zoning changes.

In November 2005, MTEF released a study, proving that (i) a November 2004 zoning change in Bethesda, Maryland benefited wealthy landowners and developers by over \$100 million; and (ii) proposed zoning changes for January 2006 would provide benefits of an additional \$180 million. In return for this largesse, the County received a small number of low-income housing units and the promise of a larger tax base, all in the possible future.

The study examined property value changes in the affected areas from 2004-2005, and it provided a financial analysis of the proposed new zoning. Testimony was provided to the County Council on two occasions, and the Washington Post covered the issue. Despite the educational report and the media interest, the developer-friendly County Council rubber-stamped the zoning proposals with a 9-0 vote. What is the average citizen to do?

MTEF encourages others to study local zoning amendments and to estimate the financial benefits going to developers and landowners. The “punchline” is local government can often sell these zoning variances for cash, which can be used to help poor people or cut taxes. Why give it away?

MARYLAND EMS SYSTEM NEEDS WORK

The Maryland Institute for Emergency Medical Services System (MIEMSS) operates 12 helicopters from eight air bases in order to provide med-evac services. No other state has such a large public funded aero medical division. States that are geographically larger than Maryland have half as many helicopters. The State should look at downsizing the system, and letting private carriers take a portion of the responsibility. Neither action would affect patient care, according to the Golden Hour Coalition. Savings are estimated at \$10 million annually.



CHAIRMAN'S NOTE: CONTRIBUTIONS

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**TO GOVERN THEM-
SELVES,
PEOPLE MUST HAVE
KNOWLEDGE**

All of the MTEF officers are volunteers. We encounter dozens of non-profit groups in our State who have hundreds of paid staff and whose objectives are to get the State to spend more money for this cause or that project. This is one of the principal reasons that Maryland's budget is out of balance. Those elected have never learned to say "no;" they just say they want more.

In just two instances, we have helped save billions. A proposed \$1.1 billion legal fee for Peter Angelos and a proposed \$1.5 billion slots license giveaway to wealthy track owners were thwarted by our educational efforts.

We try hard to raise money so that we can get our message across.

Your help is appreciated. Remember that President James Madison told us that we have to be educated if we want to govern ourselves. There can be no doubt that he was right. Helping MTEF is one good way to be educated on Maryland taxes.

Tear off the coupon below and send it with your check in the return envelope. Thanks for helping.



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