



The Activist News

Citizens for Limited Taxation

The Commonwealth Activist Network

Post Office Box 408 □ Peabody, Massachusetts 01960

(508) 384-0100 □ E-Mail: cltg@cltg.org

World Wide Website: <http://cltg.org>



The Massachusetts Taxpayer Activist's Newsletter

February 1999

State Budget Doubles in a Dozen Years as Surplus Mounts By Chip Ford

If you find that complacency has set in regarding our state tax burden, the broken promise to return it to 5 percent, and the whopping revenue surpluses that keep pouring in, consider the following.

If you think that apathy can be afforded, that things are going too well for worry or concern, that the cry to fill "unmet needs" has a certain appeal, consider the following.

If you don't find it utterly and absolutely outrageous that we're pumping so much of our financial lifeblood into state government, so much more than even the pols and bureaucrats can creatively find an arguable use for, consider the following:

It took 207 years from when the Massachusetts Constitution was ratified in 1780 to reach a \$10 billion budget in 1987.

It has taken only a dozen years more to double it to \$20 billion!

And still the Gimme Lobby cries out for more and ever more of our hard-earned money for their still "unmet needs."

Think about it.

The Lawrence Eagle Tribune

Wed., Jan. 6, 1999

Remember, it's our money

THE ISSUE

Leaders of the Massachusetts Legislature are worried about how to spend all the money gushing into state coffers.

OUR VIEW

Give it back to taxpayers, who could use it.

Only on Beacon Hill would a massive surplus of cash from the taxpayers be deemed a crisis.

But that's the case. Tax collections since last July have soared way above projections. Income is more than double what it was for the same period last year, when the state rolled up a \$900 million budget surplus.

The powerful politicians who control the Legislature are deeply worried about finding ways to spend that money and expand government quickly enough so that the cash will not have to revert to the taxpayers.

Cont'd on back cover page ...

Who Goes There: Friend or Foe? By Barbara Anderson

Citizens for Limited Taxation is Massachusetts' largest, in deed only, statewide taxpayers association. We are a non-partisan group; three of our four-person staff register are unenrolled (independent) voters. Over the 25 years of its existence, CLT has joined with Democrat, Libertarian, Reform and Republican party activists and politicians and various other lobbying groups to further its goals of limited taxation and government, and more small "d" democracy on Beacon Hill.

Governors Ed King, Bill Weld, and Paul Cellucci have all protected Proposition 2½ with promised vetoes of unwanted changes. Republicans and fiscally-conservative Democrats have supported Prop 2½ and voted for tax cuts and against tax increases. The Massachusetts High Technology Council was our key business ally for years; the Massachusetts Auto Dealers helped with Prop 2½; the Massachusetts branch of the National Federation of Independent Businesses (NFIB) has been a friend since the beginning.

We have worked with the Massachusetts Realtors Association in opposition to a real estate transfer tax and with the Massachusetts Municipal Association in opposition to state mandates. We even coalesced with the liberal CCPAX and with Common Cause on legislative reform issues in the mid-80's. Occasionally we oppose corporate welfare with MassPirg and have even teamed up with the very liberal Jim Braude on a consumer issue.

On the other hand, Braude's former organization, the Tax Equity Alliance of Massachusetts, the Massachusetts Teachers Association, and the League of Women Voters are always opponents, otherwise known as "the bad guys."

And then there is the ongoing mystery about the so-called Massachusetts Taxpayers Foundation. (See column on page 4)

We are Citizens for Limited Taxation and Government, but you can call us Citizens for Limited Taxation (CLT) for short. The nickname saves space for newspapers who quote us, and is easier to say when we answer the phone. Please note our new office phone number: (508) 384-0100.

Will you make one phone call?

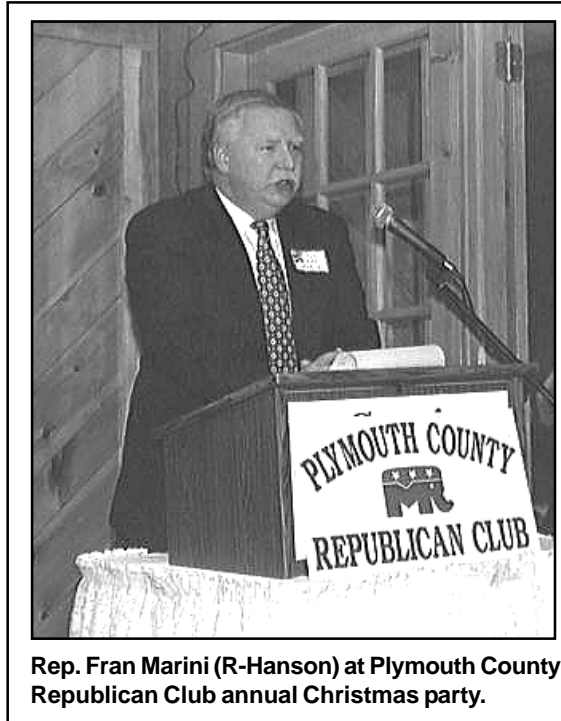
According to an item in editor Nelson Benton's column in the Jan. 22 *Salem Evening News*, the new Republican State Committee chairman, state Rep. Brian Cresta of Wakefield, was less than positive about Governor Cellucci's bill to roll back the income tax rate to 5 percent. In a presentation to the North Shore Chamber of Commerce legislative affairs committee, "Cresta said that despite the state's very healthy budget surplus, he does not hear people clamoring to get some of that money back."

CLT has sent a note to our members in Cresta's district, asking them to "clamor" for him. In a response to us, he said it was the first encouragement he'd received.

But now, as the party chairman, he belongs to all Republicans, so we are asking all our Republican members to clamor their encouragement too. The State Committee phone number is (617) 357-1998. Rep. Cresta can also be reached at his State House office, (617) 722-2575.

Rep. Fran Marini (R-Hanson) Elected House Minority Leader

"It is with great reverence that I stand here where the earliest Patriots looked for guidance and inspiration. I have seen historic welfare reform extending the dignity of work to those locked in dependence. I have seen numerous tax cuts, returning fuel in the form of hard-earned dollars to workers and senior citizens and veterans who fought to allow us to dissent and debate on this floor. I have seen electric deregulation and our brownfields bill, the sex offender registry. I pledge to work with you to support bills like the ones I just mentioned that are good for people. I also pledge to do my best to derail, delay and deter those ideas that we in the minority feel are not in the interest of all of our citizens. When we can come together across party lines to make living and learning in Massachusetts a little better, let us do so with haste. Though we are few, we will cast a light on the issues of the day in a voice that is larger than our numbers. I commit to advance open debate at every opportunity and to trumpet the rewards of two-party



Rep. Fran Marini (R-Hanson) at Plymouth County Republican Club annual Christmas party.

government. President Reagan said government is the people's business. We will take to this podium and demand that the promise to return to the income tax to 5 percent be honored."

"Imagine if we had real two-party government in the Legislature, how good things could be then. Go back to the '80s when one party controlled both branches of government, how they talked themselves into these stupid decisions. Mike Dukakis is not a bad person. He didn't set out to wreck the Massachusetts economy. They thought they were doing good things. They talked themselves into it because they didn't have opposing points of view. There wasn't anyone there to stand up and say, 'Hey, that's the stupidest idea I've ever heard of.' If everybody is in

the same party, it's not a party."

House Minority Leader Francis Marini

Courtesy of the State House News Service

The \$7.6 Billion State "Tobacco Settlement" Scam

What statisticians can't do by law, they'll do by lawsuit!

The "tobacco settlement" was relentlessly pursued by the state attorney general allegedly to compensate state taxpayers for damages caused by the tobacco industry: The additional taxpayer expense of having to fund tobacco-related state health care costs, such as Medicaid.

And the state estimates that it spends about \$200 million annually on health care costs related to tobacco illnesses.

But the Massachusetts Department of Revenue annually takes in over \$300 million from state tobacco excise and sales taxes alone, paid only by smokers.

Therefore, smokers provide Massachusetts a net *profit* of \$100 million every year — *even before the \$7.6 billion "tobacco settlement"* ... which smokers are now *also* paying for in a 45¢ a pack price increase.

We should thank — not vilify — smokers for paying so much, much more in taxes than the rest of us ... and thank gun-owners too while we're at it. *They are the next targeted minority.*

Using the same litigious strategy that extorted the "tobacco settlement," government is now going after firearms manufacturers. "Junk food" and alcoholic beverages aren't too far behind.



A 25-Year History of CLT and the Parties

THE DEMOCRATS

CLT was born when Michael Dukakis was Governor (note the law of cause and effect). In 1978, our founder Edward F. King ran for Governor as a Republican, but lost the primary to moderate Republican Frank Hatch. CLT was more comfortable with conservative Democrat Edward J. King, who defeated Dukakis in that primary and ran on the repeal of the “Dukakis surtax” and property tax reform.

When Proposition 2½ passed in 1980, it was defended by a strong majority made up of Republicans and conservative Democrats. Gov. King protected it with his veto during the early years of its implementation. He later became a Republican and a member of CLT. We also worked well with Democrat Auditor John Finnegan and Secretary of State Michael Joseph Connolly.

CLT allied during the second Dukakis era with conservative Democrats in the Massachusetts House: Jack Flood, Greg Sullivan, Mike Ruane, Jim Miceli, Bob Cerasoli (now Inspector General) and enough others to form a strong block, with the Republican minority, for tax limitation. We had a good relationship with House Ways & Means Chairman Richard Voke (D-Chelsea) as he tried to slow the growth of the Dukakis budgets.

When Tom Finneran replaced Voke at Ways & Means, one of his first acts as chairman was to attempt a property tax increase by changing Prop 2½. With our coalition of Republicans and Democrats, we beat him on the House floor, a bad beginning to our relationship with the future Speaker of the House. As his power grew, his further attempts to raise property taxes were passed by the Legislature but vetoed by Gov. Weld at CLT’s request.

Finneran and Senate President Tom Birmingham both deny the undeniable, that we were promised that the income tax rate would be returned to 5 percent. But last year Finneran and the House voted to lower the rate to at least 5.7 percent before the Senate resisted, and we’ve heard that this year they may go along with some reduction in the rate. In an article in the December Boston Magazine, Jon Keller writes that education vouchers may be on the Speaker’s radar screen. If this is true, all if forgiven: as long as he leaves Prop 2½ alone.

THE LIBERTARIANS

There were several Libertarians among the founding CLT activists; black libertarian writer Ann Worham, a friend of economist Thomas Sowell, was one the original members of the CLT Board of Directors, as was Sandra Cohen, still a CLT member. Don Feder, now a Boston Herald columnist, was more libertarian than conservative when he was the first CLT executive director. Talk show hosts David Brudnoy, Avi Nelson and Gene Burns were intellectual mentors. The Libertarian Party helped us collect signatures for all of our tax limitation ballot questions and was especially active with Proposition 2½. Carla Howell, who ran last fall for state Auditor, has been a CLT member.

THE REFORMERS

CLT ballot committee chairman Phil Bator was one of the founders of the Massachusetts Reform Party, and Chip Ford was state media liaison for the first Perot presidential campaign.

Ross Perot attracted many citizens like CLT executive secretary Loretta Hayden, who became involved for the first time with his campaign and now continue their new-found activism with CLT. Perot earned his place in history by popularizing the campaign to balance the federal budget and making Americans aware of the dangerous level of our national debt. And now, Reform Party Governor Jesse Ventura is our new hero on the political scene.

THE REPUBLICANS

CLT’s relationship with the Republican Party has been as stormy as relationships between natural allies often are. When you agree 80 percent or so of the time, that other 20 percent can drive both of you crazy.

The Republican Party platforms support tax cuts, oppose tax increases, and speak of limited government. Our differences are usually political, as expediency or timidity occasionally replace principle for Republican political allies.

In 1978, House Republicans and CLT drafted the first version of Proposition 2½. By 1980, the Republicans had their own “responsible” (sic) version and opposed our ballot question. After we won, they became Prop 2½ defenders on Beacon Hill, and remain so to this day.

Early Republican State Committee Chairman have been strong CLT allies. Gordon Nelson suggested Barbara Anderson for her job at CLT in 1978, and years later as a CLT board member organized CLT fundraising dinners until he died. Andrew Natsios worked with us on legislative rules reform in the mid-80’s; he is about to become Cellucci’s Secretary of Administration and Finance. One of the CLT founders, Ray Shamie, helped orchestrate the Republican legislative campaign victories of 1990.

Republican Governors Bill Weld and Paul Cellucci took our “no new taxes” pledge, as did long-time friend and recent State Treasurer Joe Malone. New Department of Revenue commissioner Fred Laskey has been a good friend since he was a legislative staffer. CLT Republican allies are scattered throughout the Cellucci administration, which makes gathering information much easier than it was during the Dukakis years. We are, however, deeply concerned about the doubling of the state budget since 1987.

Until recently, CLT worked closely with the House and Senate minority party leadership, but the relationship was strained when we did our petition drive for a legislative paycut and six-month session. For awhile, it seemed as if Sen. Bob Hedlund, a CLT activist since college, was our only friend in the Senate. This year, we hope to work more closely with Senate leader Brian Lees and with the new House Minority leader, Fran Marini.

AND THEN THERE’S THE PARTY-HOPPER

CLT leader Chip Ford was born a Democrat, became a Republican during the Reagan years, then became a Libertarian, then joined the Perot movement as a spokesman, and is now an unenrolled Independent.



Despite its name, MTF has a spotty record helping taxpayers

By Barbara Anderson

Question: What do legislative leaders, the Massachusetts Teachers Association, the Tax Equity Alliance of Massachusetts (TEAM) and the Massachusetts Taxpayers Foundation (MTF) have in common?

Answer: They all oppose Gov. Paul Cellucci's plan to roll back the state income tax rate from 5.95 to 5 percent.

Next question: What is something called a "taxpayers foundation" doing on that list of tax cut opponents?

Legislative leaders often oppose tax cuts; they like having the money to spend. The teachers' union and TEAM are both liberal organizations that support big government and high taxes as a matter of principle. But MTF, which the media often refers to as "a conservative taxpayers' watchdog," would be expected to support, well, the taxpayers!

Chip Faulkner, who came to work at Citizens for Limited Taxation in 1979, still remembers his surprise at being assigned his first project — opposing an MTF plan to expand the sales tax to clothing. "Why," he wondered, "would a taxpayers' group want to tax our winter coats?"

We defeated that proposal, then created Proposition 2½, which cut and limited the property and auto excise taxes. Our chief ally in that ballot campaign was the Massachusetts High Tech Council. Our chief opponents were the Legislature, the public employee unions, the Massachusetts Municipal Association representing the cities and towns, and ... the Massachusetts Taxpayers Foundation!

The municipalities were concerned that legislators wouldn't share state revenues to make up for property tax cuts. The public employee unions feared layoffs. But what was something called a "taxpayers foundation" doing opposing a property tax cut?

Voters passed Prop 2½ anyhow. Six years later we and the High Tech Council worked for a state tax cap and repeal of the "temporary" state surtax — and this time we were joined by the MTF! The pleasure of this joint venture was diminished after the tax cap passed, when an MTF lobbyist at a public hearing recommended changes that would weaken the cap.

Yet for years, the MTF's voice was heard in the Statehouse warning about the dangers of overspending. It has always expressed legitimate concern that a temporarily strong economy would increase the state budget to a level that could not be sustained when the economy slowed.

Gov. Michael Dukakis and the Legislature didn't listen, and sure enough, the state spent itself into a fiscal crisis. In mid-1989, as revenues declined, an income tax increase was passed to cover the huge deficit. We were told by the Legislature that the tax increase was temporary.

The next year, with the state still in deficit, legislators proposed another income tax hike. Instead of joining those of us who were still trying to cut state spending, MTF supported a compromise proposal — a lesser income tax increase, and a sales tax broadened to include business-to-business services. It claimed to be surprised when the final package broadened the sales tax to include all services — accounting, legal, engineering, financial, plumbing, landscaping, etc. Eventually, the foundation went to court in opposition to this new service tax, which was repealed after Gov. Weld took office.

The MTF and its personable new president, Michael Widmer, became our ally again as we defeated the graduated income tax in 1994. It worked hard for last year's ballot question to cut the double tax rate on savings and investment income.

But now it's changed sides again, arguing that the state should be increasing tolls and restoring Registry fees that were cut by Gov. Weld — even as the ongoing, 5.95 percent, "temporary" income tax rate results in record revenue surpluses.

Widmer says he would support a gradual rate rollback after more state needs are met. This is the sort of thing the teachers' union and Tax Equity Alliance of Massachusetts say. A real taxpayer association says, "It's our members' money creating that surplus. Give it back!"

Some people are understandably confused by the discrepancy between the MTF's name and its often contradictory positions. There is certainly a place in the political arena for a business-funded association that analyzes the state budget and warns against overspending. But when the time comes to prevent waste and overspending, serious taxpayer advocates realize that the only way to stop politicians from wasting and overspending is not to give them the money in the first place.

If instead, during a period of record state surpluses, an organization opposes efforts to hold legislators to their promise that the last tax increase would be a temporary one, it should at least answer a final question: Why does it call itself the Massachusetts Taxpayers Foundation?

Understanding state budgeting

Governor Cellucci has proposed a \$20.4 billion state budget, which he says calls for "fiscal restraint."

The final FY'97 budget was 17.86 billion. The final FY'98 budget was \$18.89 billion. The Gov's proposed FY'99 budget last January was \$19.06 billion, appearing to be an increase of only \$170 million over FY'98. The FY'99 budget eventually passed by the legislature was \$19.5 billion.

But the final FY'99 budget, after supplementals, is estimated at \$20.06 billion. So the FY'99 increase that originally looked like \$170 million was in fact an increase of \$1.17 billion.

Therefore, the Gov's proposed \$20.4 billion budget seems like a \$340 million increase over FY'99 but in fact, by the end of the year, it could be ... another billion.

Fiscal restraint, my assets.





The Outsiders' Track

by Barbara Anderson

The other Track column talks about movie stars. Not to be outdone ... You've probably seen Hollywood liberals defending Bill Clinton. But when actor **James Wood** was asked about the President, he looked directly into the camera and said, "I loathe, I loathe liars." Don't you love, love, James Wood?

Couldn't find anything (that fit after the holidays) to wear to the ball, but I did attend **Governor Cellucci's** inauguration at the State House. If you were listening to his speech on radio or TV, you might have heard me cheering "bravo" when he called for the income tax rate rollback.

I was seated next to **Lynda Connolly**, wife of the former Secretary of State; what a nice lady she is. And **Howie Carr's** opinion notwithstanding, I think husband Michael Joseph is an excellent choice for Boston Licensing Board.

After the inauguration, I got a big hug from former Governor **Ed King**, who looks well and tells me he has been lucky with his investments and still travels often among Florida, California and the commonwealth.

As a member of the Governor's Fiscal Policy Transition Team, I am sworn to secrecy about its recommendations, but news reports indicate that at least one of them — to tighten up the state rainy day fund so that it can't be raided when the morning dew drops — will be supported by Gov. Cellucci. And any new proposed program must carry a five year estimate of cost. I can't wait to see what they estimate five years of the **Tom Finneran** early-childhood education plan will cost.

A warm thank you to CLT member **Dick Bertocchi** of Milton, who surprised me with a book about the lives of the pilgrim fathers and their families, *Saints and Strangers* by George F. Wilson. "These folks," he explained in the enclosed note, "were the original activists." **Chip Ford**, who once lived on a boat, likes the allusion, but taxes would have to be awfully high to get me into a tiny ship on the Atlantic Ocean. *Pass the Dramamine, Priscilla.*

We're still enjoying **P.J. O'Rourke's** *Eat the Rich*, which was sent to us by new CLT member **Dianna Thaler**, along with a lovely Maria Therese coin called, appropriately, a "thaler"!

Another CLT friend, who is known by the letters **TANSTAAFL**, has given us a subscription to *The Freeman*, a monthly journal of the *Foundation for Economic Education*. It may be true that "there ain't no such thing as a free lunch," but this generous contributor has provided many a meal with his monthly "tithe"

that helps pay our expenses.

I spoke to the Chelsea Kiwanis last month at the request of CLT member **Bob Shoemaker**. I was happy to learn that the emergency "temporary" trash fee that was instituted during that city's economic crisis is being phased down now that the crisis is over. Hope Chelsea's state senator, **Tom Birmingham**, is paying attention to one promise being kept.

Chip Ford has been appointed to the board of directors of *Massachusetts Consumers for Local Phone Competition*. This group plans to open up local Massachusetts phone service in direct competition with Bell Atlantic, as was provided for in the recently revised federal telecommunications law.

Chip Faulkner called from his home office to say "I quit" after dealing with Boston City Hall to determine why CLT — which gave most of its office furniture to charity when it left Boston last August — is still expected to pay the Boston personal property tax on that furniture through next July. Hey, it was his turn: I made the calls to determine why we had to pay it from August through last December.

CLT recently lost one of its long-time supporters when **Thorny Stearns** of Winchester passed away. Besides contributing generously, Thorny was an enthusiastic, friendly presence at our CLT annual dinners; we'll miss him.

Along with my 8:10 AM Thursday radio visit to WLLH in Lowell (1400 AM), I do a regular commentary on WESX (1230 AM) during the morning news (*see below for a recent sample*). The WESX monthly talk show (3rd Friday, 11:00-12 noon) is now also carried by WJDA in Quincy (1300 AM). Newly-elected House minority leader **Rep. Fran Marini** will be my program guest on Feb. 19th.

Jan. 20th commentary: "Last evening in his state of the union address, President Clinton spent the alleged budget surplus several times over on everything any of us could ever want from taxpayer dollars. This would be an impressive achievement even if there were a real surplus. But as of this week, the national debt is five trillion, four hundred and eighty nine billion, five hundred and seventy five million dollars and change. Each of us owes \$20,775.00 of that. And when the President is through showing us how much he cares, each of us will owe a great deal more. This is Barbara Anderson, with the state of the national debt." Thanks to **John MacMillan**, for providing the national debt clock that we have on our web site — <http://cltg.org>.

A Tax is a Pay Cut . . .

A Tax Cut is a Pay Raise



State Budget Doubles ... *Cont'd from Page 1*

They are laughing at Gov. A Paul Cellucci's proposal to roll back the state income tax from 5.95 percent to 5 percent. Their mantra is: We need to spend on government now, because good times won't last forever.

Here are a few points they — and we voters — should remember:

The hike in income taxes from 5 percent to 5.95 percent was supposed to be a temporary measure to get Massachusetts government through its self-induced fiscal crisis of the late 1980s.

Lawmakers promised the "temporary" hike would be rolled back as soon as the crunch was over.

They are now hoping we forget.

Massachusetts got in trouble the last time because it spent madly as the economy boomed and tax revenues flowed into the Treasury. If the government expands beyond its means again, it will face another budget crunch when the economy cools.

We live under a government founded on principles of freedom, guaranteeing us maximum opportunity to shape and enjoy our

lives with minimum intrusion from government. As government fattens up, growing more powerful and intrusive, freedom shrinks.

This surplus is on the backs of working families, who do not have it as easy as politicians seem to think. Because of a record burden of taxation, people find it desperately hard to save and many families need two incomes just to get by.

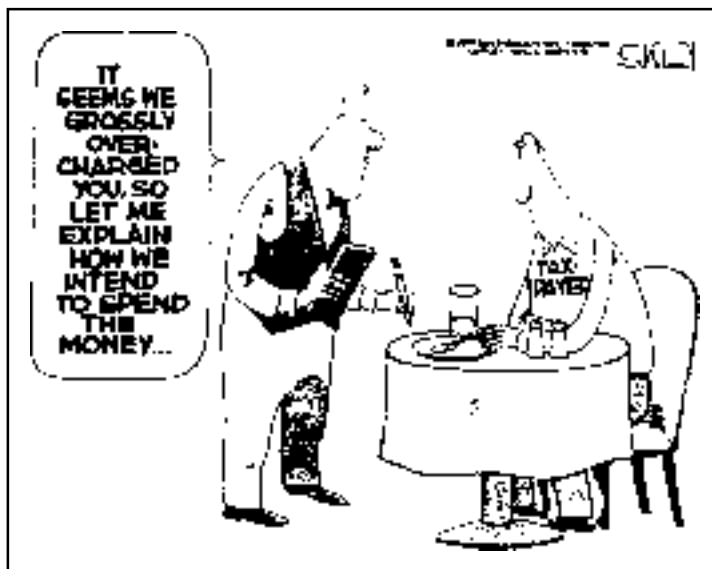
That has some serious consequences: Children are starved for attention from parents, family life is more strained than ever and the standard of living holds steady or declines as people work harder and harder.

It is human nature for politicians to want to absorb as much money from the taxpayers as possible. It means clout for them, patronage jobs to hand out, opportunities to take personal credit for being compassionate while using other

people's money.

That is why the citizenry has to step in and remind them: The money comes from somewhere. If families must live within their means, so must government.

The surplus must be returned to the taxpayers.



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State Budget Doubles in a Dozen Years, Surplus Mounts; But "Promise" is Still Broken