

“Chasing Fiscal Responsibility”

Hon. Maurice McTigue

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Commonwealth Foundation
Harrisburg, PA

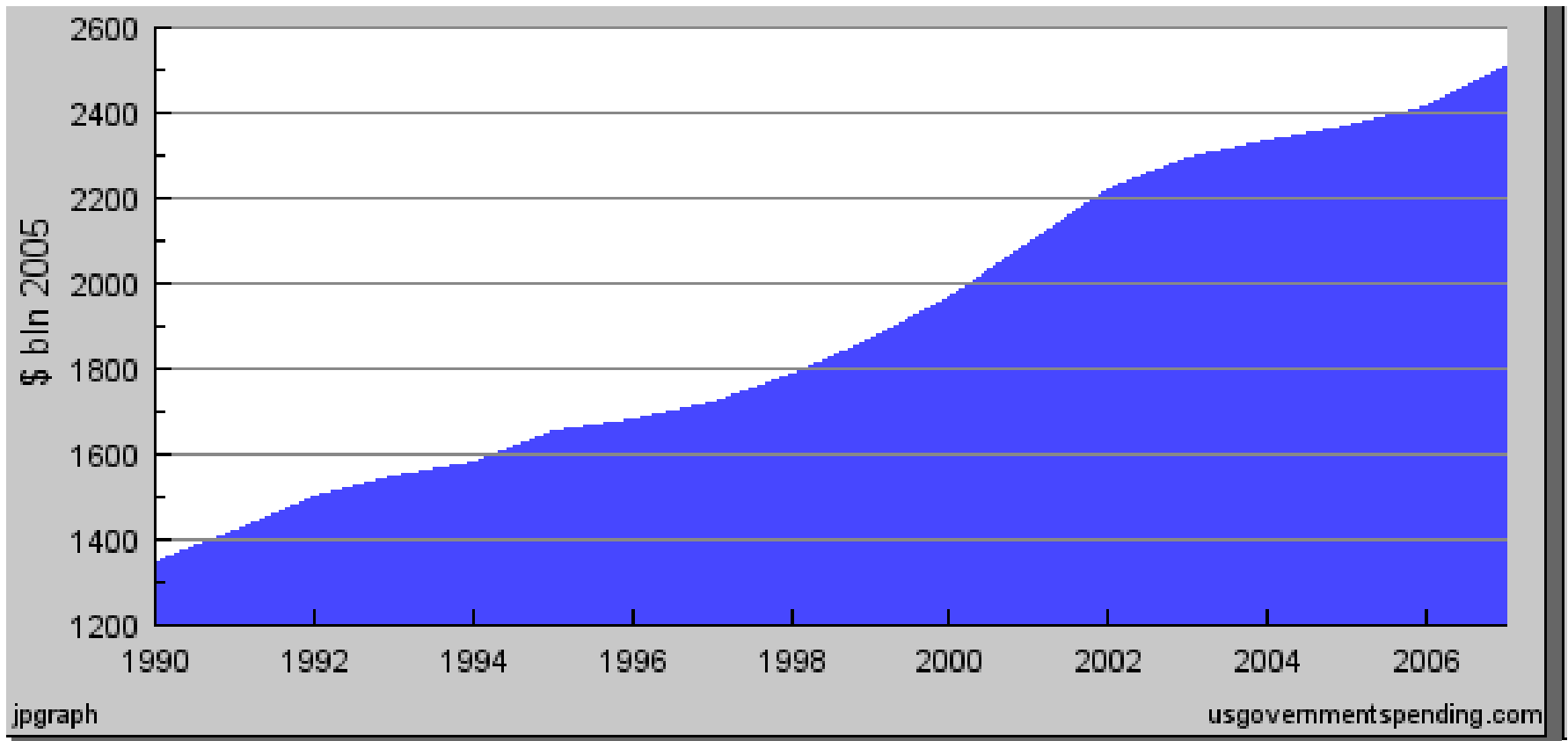
- *"We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them."*

Thomas Jefferson, 1802

The Hidden Debt

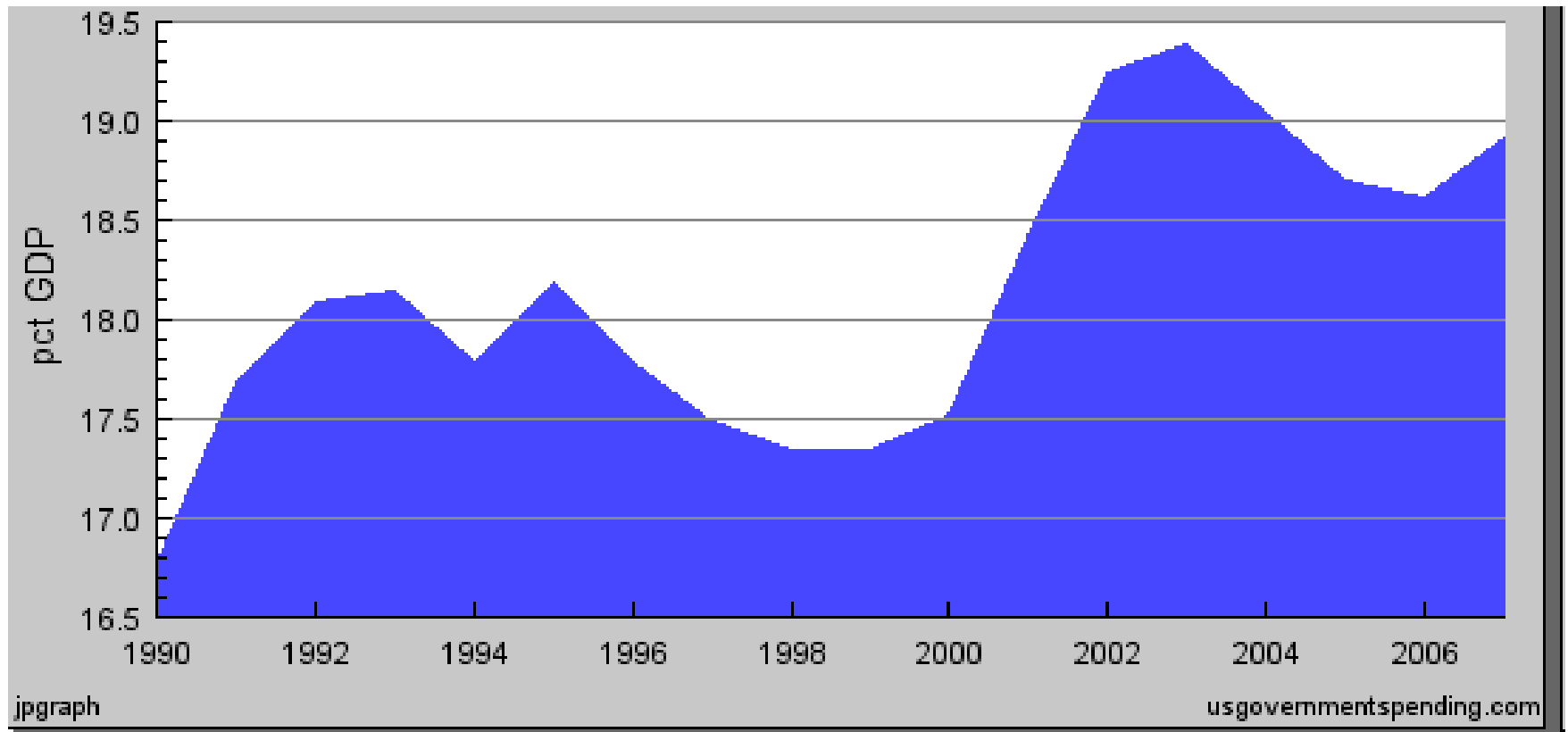
- Some ideas about debt consciousness
- Require that every “bond election” be accompanied by full disclosure of debt
- Require that every budget be accompanied by a statement of debt and liabilities
- Require that prior to every election a fiscal “state of the state” statement be released
- Require that every organization that receives government money publish its spending online

State and Local Government Spending, 1990-2007



Note: Figures are billions of 2005 dollars

State and Local Government Spending as Percent of GDP: 1990-2007




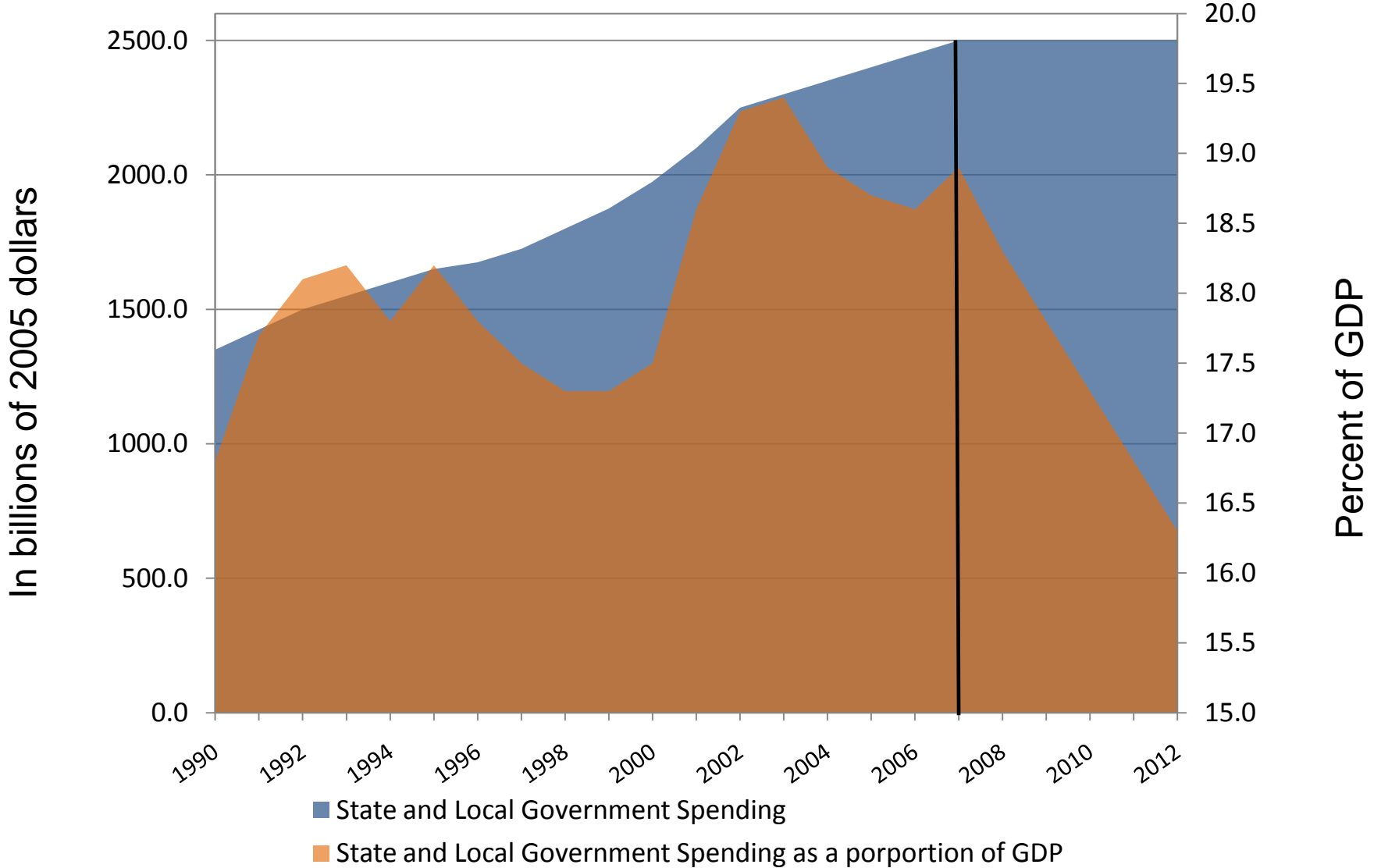
Some Ways to Save Money

- Take surplus revenue off the spending table
- Take a productivity dividend each year
- Don't spend on things that don't work
- Across government spending evaluations
- Adopt a full cost recovery policy
- Adopt an evidence based budget approach
- Government Service Centers

State and Local Spending, 1990-2012

For 2007-2012, assume GDP growth of

Projected if spending remains at 2007 level




Spending & Prosperity

- Current budget problems – a surplus of revenue
- Spending is the problem
- Growing your way out of debt
- Creating an investment friendly environment
- The growth equation never alters
- Investment – Jobs – Prosperity

Comparative Costing & Benefits

- Army Corps of Engineers: **\$3900 per acre**
 - Will build you a new wetland
 - \$1 million buys **256** acres of wetland
- Dept. of Interior: **\$2250 per acre**
 - Will buy you a wetland
 - \$1 million buys **444** acres of wetland
- US Dept. of Agriculture: **\$1200 per acre**
 - Will negotiate partnerships
 - \$1 million buys **833** acres of wetland

Fiscal Responsibility Markers

- Tax & Expenditure Laws – Oregon, Texas
- Identifying fiscally responsible behavior
- Adopt a fiscal responsibility indicator
- Lay down a public marker - % of GSP

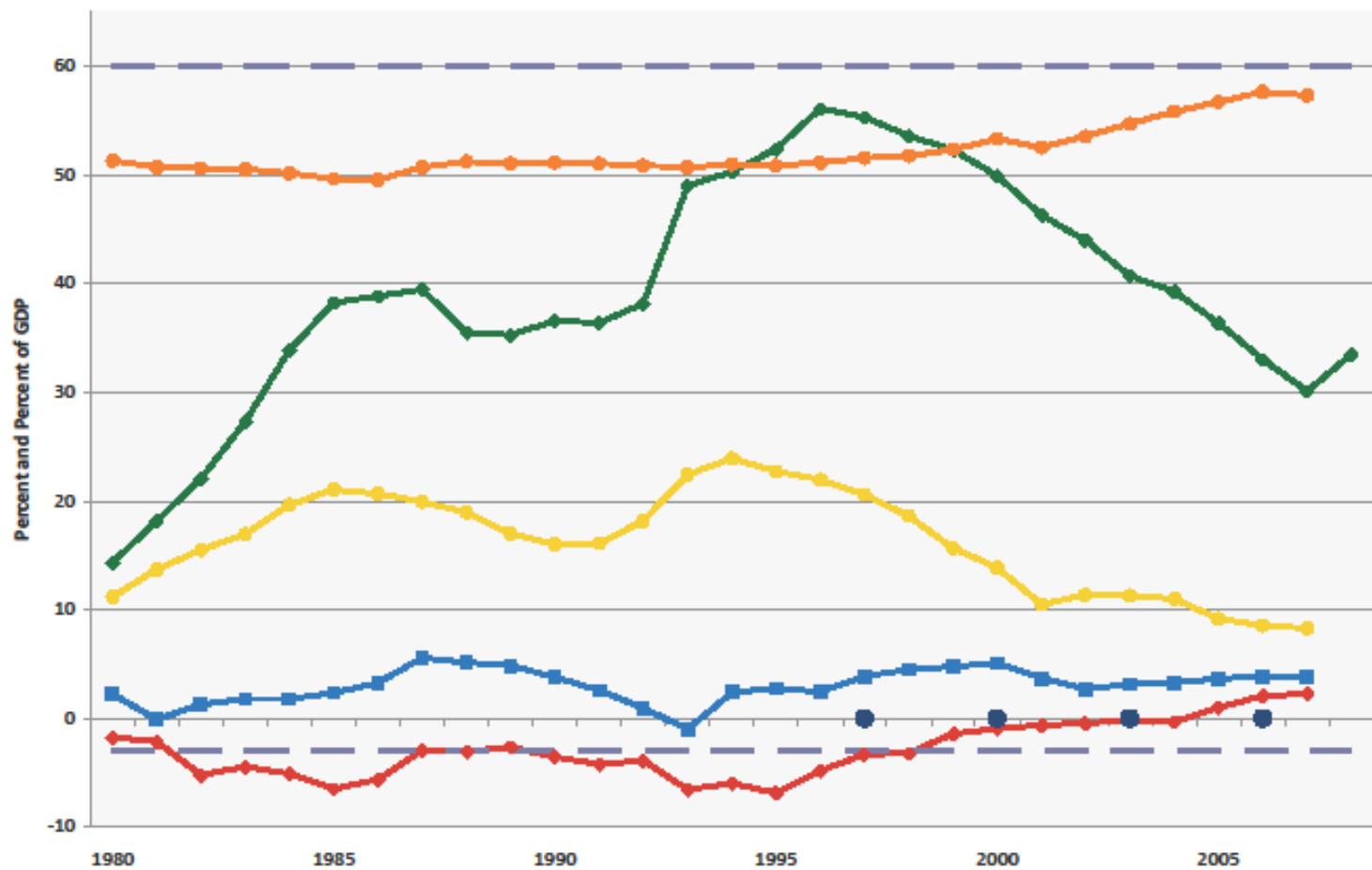
Our Research

- Examined 60 countries – narrowed down to 26
- Did fiscal rules work?
- Did more responsible fiscal behavior improve prosperity?
- What were common tools that produced improved results?

FISCAL RESPONSIBILITY INITIATIVES

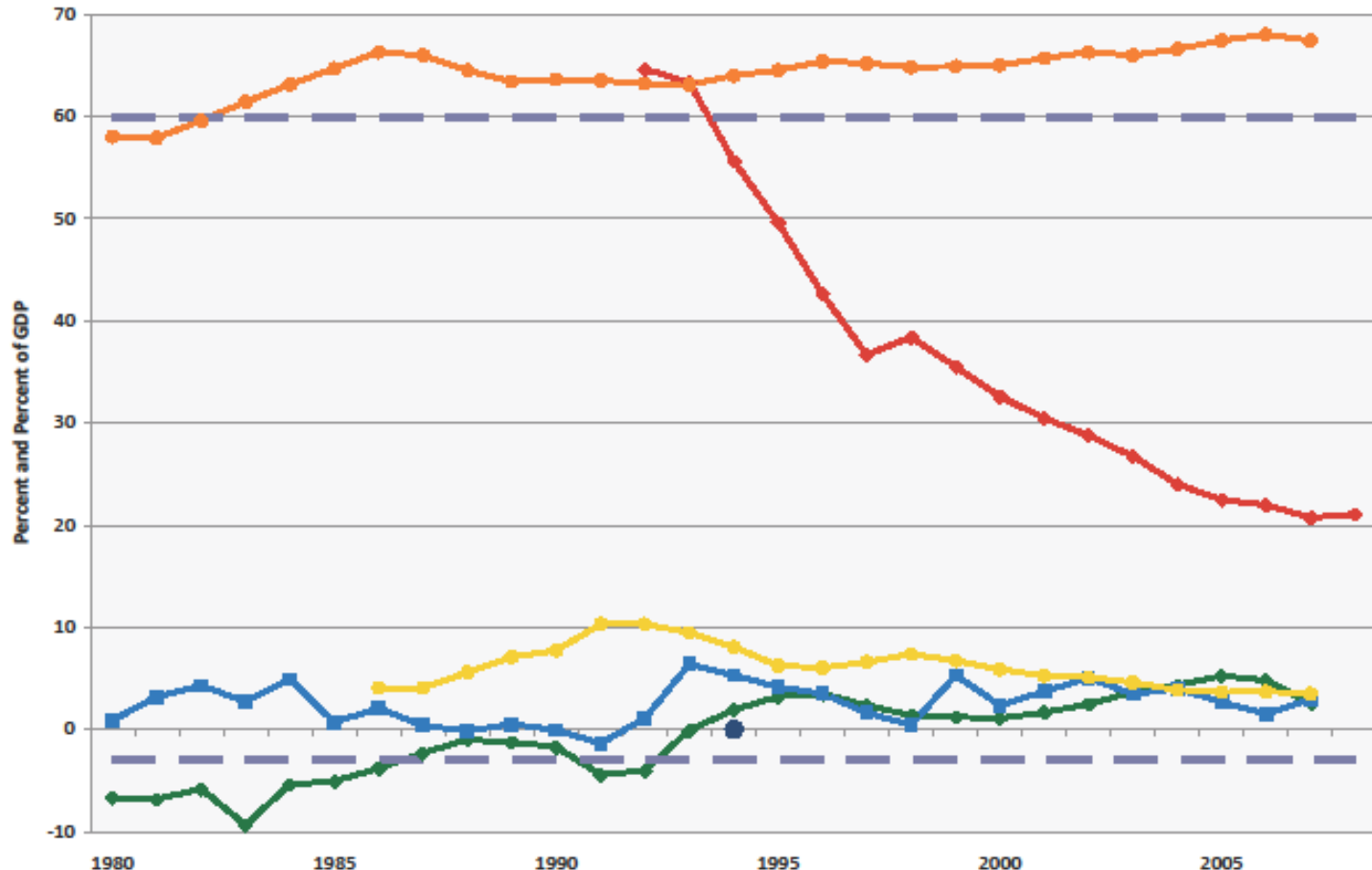
- Maastricht Treaty
- New Zealand: Fiscal Responsibility Act
- Australia: Honesty in Budgeting Act
- Canada: Various Acts (4)
- United Kingdom: Code of Fiscal Stability
- States of United States – Spending Limitation as a proportion of GSP – 17% ???

SPAIN



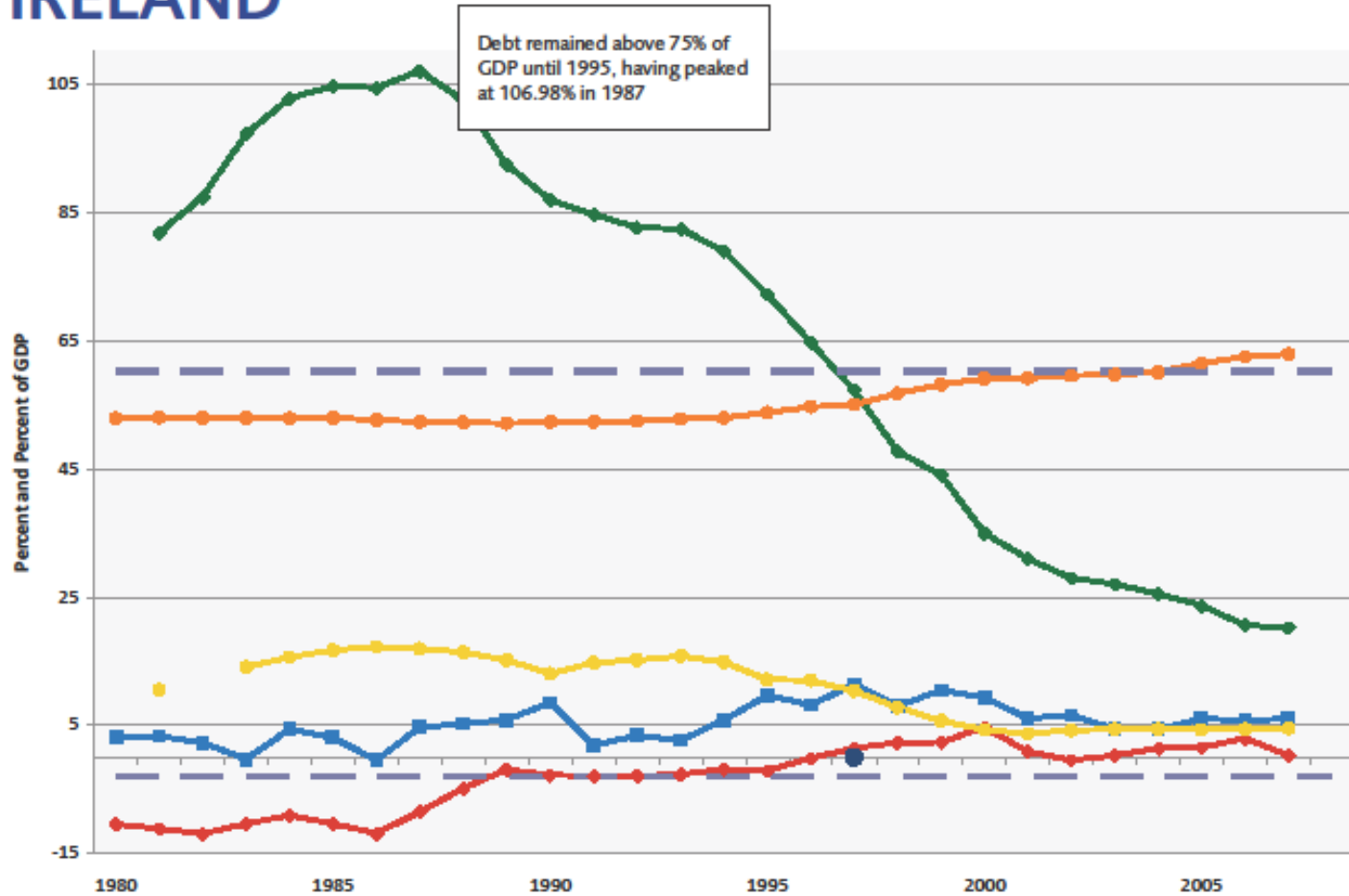
Fiscal Stability Legislation: The EU Stability and Growth Pact, the Organic Supplementary to the General Act on Budgetary Stability of 2001, and the General Budgetary Act of 2003 (effective as from 2005)

NEW ZEALAND



Fiscal Stability Legislation: The Fiscal Responsibility Act of 1994

IRELAND



Fiscal Stability Legislation: The EU Stability and Growth Pact

DOMESTIC MIGRATION 1998 - 2007

Florida	+1,579,704	Massachusetts	-335,391
Arizona	+817,169	Louisiana	- 390,998
Texas	+763,903	Ohio	- 397,899
Georgia	+679,420	Michigan	- 419,961
N Carolina	+646,284	New Jersey	- 468,024
Nevada	+481,534	Illinois	- 735,768
S Carolina	+295,074	California	- 1,438,480
Tennessee	+278,698	New York	- 1,936,127

MARYLAND MILLIONAIRES WILL SAVE US?

Proposal: Pass millionaire tax and collect \$106 million more

- In 2007, 7,898 millionaires filed returns
- In 2008, 5,529 millionaires filed returns
A 30% decrease
- One-in-eight millionaires who filed in 2007 filed no return in 2008

Because of this, millionaire revenue was down \$257 million in 2008

A 22% decrease

Outcome: net revenue loss \$363 million

Source: Wall Street Journal