

**Testimony on Pennsylvania Taxpayer Protection Act  
Before the Senate Policy Committee  
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Good morning. Let me first thank Senator Folmer and the rest of the Committee for the opportunity to present my views on a subject of great importance to every Pennsylvanian, the future of our economy and our competitiveness as a state.

I'm Charlie Gerow, CEO of Quantum Communications, a public relations and marketing firm with offices in Harrisburg and Washington, DC. Quantum Communications is a Pennsylvania Corporation and like many other businesses pays among the highest Corporate Net Income Taxes and Corporate Stock and Franchise Taxes in the nation. If I'm correct in my understanding, Only West Virginia assesses BOTH of those taxes like we do.

For many years I've been a volunteer advocate for taxpayers here in the Commonwealth, including as state chairman of Citizens Against Government Waste. I also served as counsel to Citizens Against Higher Taxes, the state's largest taxpayer organization. Their chairman, Dr. Jim Broussard, who incidentally is a professor here at Lebanon Valley College, was scheduled to testify today. However, the good doctor is at home recuperating from surgery. He asked me to convey to you the fact that my remarks mirror his views.

I am a Pennsylvania resident, business owner, and taxpayer. Most important, I'm a parent whose children will have to some day decide whether they want to spend their lives and raise their families in a state where family income is depressed, job creation stifled, and economic growth stunted buy the high taxes required to pay for runaway government spending.

You don't have to be an Accounting Professor at Lebanon Valley College to know that state spending is out of control. All you have to know is how to count. Look at the facts: 1990 and 2006 state spending from the General Fund more than doubled going from \$12.4 to \$26.1 billion—a whopping 110% increase. If we go back two decades before that we realize that state spending has increased by 160%—and that's adjusted for inflation. Meanwhile we have languished near the bottom in job growth, personal income growth and population growth. Those trends must be reversed if we are going to *Build the future our children deserve.*

As we all know, state spending increases must be funded by tax and fee increases. Again, the facts are simple to understand. Just 16 years ago, the personal income tax rate in Pennsylvania was 2%. We were one of the lowest rates among the states that had a personal income tax. Today it is more than 50% higher (3.07%).

Pennsylvanian's aren't stupid. They know that when government grabs 53% more of every dollar they earn than it did just 17 years ago, things are out of control in Harrisburg. While state spending grows and taxes increase, our economy lags. The inevitable result of more government spending and higher taxes is slow job growth—or none at all, slow personal income growth, and slow population growth. And, of course, those factors result in a smaller tax base that mean higher tax rates that starts the self destructive cycle all over again.

The people of Pennsylvania are looking to you and your colleagues in the General Assembly to provide the tax relief they need and deserve. In fact, 70% of Pennsylvanians in a recent survey said that they want spending controls placed on state government. Across the nation, 30 states already have spending controls, revenue controls, or both. It is time for Pennsylvania to join them, and the Taxpayer Protection Act is a good place to start.

Is it unreasonable to expect state government to manage itself with the same frugality and good judgment that the average Pennsylvanian uses to manage their household? Let's require state government to do what every responsible citizen in the Commonwealth must do---grow within their means.

I don't know too many people that complain that their taxes are too low. Most people need and want tax relief because their taxes are too high. And why is that? It is because our state government can't seem to kick its addiction to more and more spending. In recent years our spending has dramatically exceeded inflation and population growth.

The simple truth is this: as state government consumes more in taxes, families and individual citizens have less. When the family budget gets bigger and the bureaucracy's gets smaller, we'll all be better off. Allowing people to keep more of what they earn and decide for themselves how their hard earned dollars are spent is the heart of good economic policy and a better society. Let's face it: when tax rates go up every wage earner gets a pay cut.

So I'm pleased to see the Taxpayer Protection Act come to the forefront. I note with interest that all of the Senate GOP leadership has signed on as a co-sponsor to the bill. This begs the question, where are the Democratic leaders? This should not be a partisan issue---this is the people's business.

I have no doubt that the polls that say that the vast majority want spending limits are correct. Nearly 30 years ago we nearly got spending limitations like the Taxpayer Protection Act provides. House Bill One passed the House by an overwhelming majority of both Democrats and Republicans. Sadly it got bottled up in a Senate Committee and never was finally passed.

The Taxpayer Protection Act will limit spending from the Commonwealth's General Fund to the lesser of: a) the average rate of personal income growth for the three previous years; or b) the average inflation rate for the three previous years plus the average percentage change in population growth for the three previous years. If the Taxpayer Protection Act were in place today, the allowed spending increase for the upcoming year would be 3.15 percent. What a contrast this is to Governor Rendell's proposed 9.8 percent increase.

It is important to note that there are a number of other states where tax and spend limitations have been put in place. Voters in Colorado approved a referendum in 1992 that has helped keep the state's spending in check. Critics will tell you that it was a failed policy. But that's not the case. Following the mild recession of several years ago, Coloradans found that the law didn't allow the budget to return to previous levels as the economy recovered. So in 2005, voters gave the state the ability to retain surpluses for 5 years, which allowed the budget to return to pre-recession levels. Practical solutions like these are an important way to make sure spending limitations are effective.

We have the privilege of living in historically the freest nation on earth. Freedom isn't limited to what we say or where or how we worship or with whom we associate. Economic freedom is an essential ingredient to our strength as a nation. Economic freedom allows individuals to keep more of the money they earn; to work as hard or as little as they wish; to risk capital; to save and invest. It is this economic freedom that allows a young boy who grew up poor in inner-city Pittsburgh or Philadelphia to grow up and go to college and get a good-paying job, buy a home, build equity, and invest in their future. The same economic freedom that allows a young girl who grew up on a farm in Lancaster County, whose parents scraped and saved for her to go to college and become a doctor or a lawyer. It is the ladder to a better life for many.

Therefore, let me suggest that our government has a MORAL obligation to responsibly live within its means, keeping the tax burden on Pennsylvanians low, and providing the greatest economic freedom for the greatest economic growth, so that our greatest prosperity is ahead.

Thank you for the opportunity to be here with you today.