Michigan Voters Reject Education Spending Mandate

Fat pensions prompt rejection

By Ryan S. Olson and Ted P. O’Neil

Michigan voters overwhelmingly rejected a November ballot measure that would have mandated annual increases in funding for public education, in large part because school employee pensions became a major issue.

Proposal 5 lost by a whopping 62-38 margin. (See “Vote Seen as Referendum on Pensions,” on page 17, for more on how the pension debate affected the outcome.)

A majority of voters in every Michigan county rejected Proposal 5. In 70 of Michigan’s 83 counties, the margin of defeat was 20 or more points.

Citing decreased state per-student grants and asserting a connection between education spending and economic growth, the “K-16 Coalition” fought for the measure with dozens of glossy mailings, radio advertisements, and yard signs.

Citizens for Education, a political action committee backed by the

III. Town Hires Private Firemen

By John W. Skorburg

The village of Lakewood, Illinois, a northwest suburb of Chicago, has hired a private company to provide fire protection and emergency medical services as part of a long-term program to protect taxpayers and homeowners. The program includes construction of the village’s first fire station.

Lakewood had been paying neighboring Crystal Lake for fire and rescue services, but Crystal Lake’s insistence on higher payments prompted Lakewood officials to look for an alternative. Village officials hired American Emergency Service Corporation to begin providing fire and rescue services on January 1.

Lakewood, with slightly more than

Pensions

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Cable Franchise Reform Spreads

By Steven Titch

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Eight of those states—California, Indiana, Kansas, Michigan, New Jersey, North Carolina, South Carolina, and

Texas Budget Is a Rags to Riches Story

By Byron Schlomach

Going into its second regular legislative session following the financially harrowing 2003 session—when it faced a historic $10 billion shortfall—the Texas Legislature’s fortunes have reversed.

Early estimates indicate the Texas Legislature is facing a truly historic surplus situation. Estimates of the size of the surplus have ranged from $8 billion

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Low-Tax States Cut Poverty Rates: Study

By Jessa Haugebak

Fiscally prudent states appear to be winning the war on poverty, according to a recent study by the Goldwater Institute, which found low-tax and low-spending states are more successful at reducing poverty than their high-tax, high-spending counterparts.

“[L]ow-tax and low-spending states are more successful at reducing poverty than their high-tax, high-spending counterparts.”

The 10 states with the lowest tax burdens saw a 13.7 percent decline in poverty during the 1990s (more than double the national average), according to the study. Meanwhile, the 10 states with the highest tax burdens suffered an average poverty rate increase of 3 percent. The poverty rate dropped nationwide during the decade, the report notes.

The same correlation was found with spending. The 10 states with the lowest per-capita spending benefited from a sizable decrease in overall poverty. The 10 biggest spenders saw poverty increase 7.3 percent.


Private-Sector Jobs Vital

“Private-sector growth possesses much greater power in the fight against poverty than government programs,” said Ladner, vice president of research at the Goldwater Institute, in an interview for this article. “When the private sector grows, aided by low taxes, more jobs are created. When more people have jobs, per capita and median family incomes rise. Jobs, not government spending, lift people out of poverty.”

Ladner conducted his research using data from the U.S. Census Bureau. Letter grades were assigned to each state based on the amount of progress each made in reducing poverty.

Top scorers Minnesota and Mississippi each earned an A+ for reducing poverty by 22.5 percent and 21 percent, respectively. Rhode Island and Hawaii earned the lowest grade, an F-, for significant poverty increases of 24 percent and 29.9 percent, respectively.

Arizona/California Contrasts

The study also examines an interesting relationship between two states that embraced opposite fiscal strategies during the 1990s.

In 1990, Arizona had the nation’s fifth-heaviest tax burden and a poverty rate well above the national average. California’s tax burden was much lower, ranking 24th in the nation. In 1990, Arizona’s poverty rate was 25 percent higher than California’s.

During the 1990s Arizona cut taxes, bringing its tax burden down to 25th highest in 2000. California kicked spending and taxation into high gear, raising its tax rank from 24th to ninth highest by 2005.

Consequently, Arizona enjoyed a significant poverty rate decrease. California’s poverty rate actually increased, from 12.5 to 14.2 percent.

The study notes California’s high taxation has been so damaging to the economy that it is on track to have a higher percentage of its population living in poverty by 2010 than Mississippi.

“Private-sector growth possesses much greater power in the fight against poverty than government programs.”

MATTHEW LADNER
VICE PRESIDENT OF RESEARCH
GOLDWATER INSTITUTE

Big Government, Slow Growth

“There is a clear relationship between the size of government and economic performance,” said Daniel Mitchell, the McKenna Senior Fellow in Political Economy at The Heritage Foundation. “As taxes and spending rise, growth begins to suffer. The poor are the biggest victims of economic stagnation.”

Ultimately, “states that fail to limit the size of government will be harming the less fortunate,” said Mitchell. “People in other states will reap the benefits as jobs and capital flee for jurisdictions that encourage private-sector growth.”

Ladner’s study suggests the most effective way to reduce poverty is through private-sector job growth. The best anti-poverty strategy policymakers can employ, according to Ladner, is to cut taxes and lower government spending. That will create an economic climate favorable to business creation and job growth.

Jessa Haugebak (jahaugebak@goldwaterinstitute.org) is a research assistant at the Phoenix-based Goldwater Institute.
and Texas—created statewide video franchising processes.

Two other states, Arizona and Virginia, stopped short of creating a statewide process but established a basic framework for local franchise agreements that municipalities will use going forward.

In the 11th state, Louisiana, statewide franchising passed both houses of the state legislature by near three-to-one margins, but the measure was vetoed by Gov. Kathleen Blanco (D), who was concerned it might lead to a decrease in local franchise revenues.

In the U.S. House of Representatives, the Communications, Opportunity, Promotion, and Enhancement Act of 2006, a bill that would create a national franchising structure, passed 321-101. Franchise reform also was a provision in a telecom deregulation bill pending in the U.S. Senate, but the 2005-06 session adjourned without scheduling a vote.

In a separate but equally significant development, two states ruled that telephone companies do not need video franchises. In Connecticut, the Department of Public Utility Control ruled that existing right-of-way rules, regulations, and fees that apply to telephone companies do not change just because video programming, as opposed to merely phone calls, is being transmitted over the network. Oklahoma’s Attorney General reached the same conclusion in that state.

Rapid Evolution

Compared to most other policy initiatives, especially in telecommunications, video franchise reform has evolved relatively rapidly. Sparked largely by the move of the nation’s largest telephone companies—Verizon Communications and AT&T—into cable TV and cable-like multichannel video services, in less than a year franchise reform initiatives have earned bipartisan support.

Republican officeholders spearheaded the first initiatives in Texas and Indiana, but, as witnessed by the overwhelming passage of bills in states like California and Louisiana, where Democrats control the legislature, franchise reform is coming to be seen less as a partisan issue and more as a pro-consumer policy.

Moreover, predictions of slow rollout and phone company cherry-picking of wealthy customers have not come to pass. As described in Better Prices and Better Services for More People: Assessing the Outcomes of Video Franchise Reform, a new report from the Reason Foundation, within the past year, Verizon has launched its FiOS fiberto-the-home service to 500,000 homes, accounting for half of the 1 million homes now served by fiber.

AT&T has rolled out its television service offerings in the form of U-Verse IP video over digital subscriber line (DSL), supported by its $4 billion Project Lightspeed fiber-to-the-node initiative in San Antonio, Texas. AT&T has not disclosed the number of customers it has captured in San Antonio, but Time Warner, its cable competitor, continues to respond aggressively. In October, the company introduced an innovative new service feature called “Start Over” that allows viewers tuning in late to watch their shows from the beginning.

AT&T introduced service in Houston in December and was on track to offer U-Verse in a total of 15 markets by early 2007.

Better for Consumers

Few franchise reform opponents challenge the overwhelming evidence that competition produces lower prices and better service. Instead, they claim only the wealth benefit from competition—even though there is no evidence in any other competitive market to suggest this. In fact, judging from Texas and Indiana, the two states with the longest history of franchise reform, the outcome has been quite the opposite.

In Ft. Wayne, Indiana, Verizon began deployment of FiOS service in the low-income Hanna-Creighton neighborhood. AT&T has rolled out U-Verse service across all parts of San Antonio, not just the tony neighborhoods.

Where video franchises are still negotiated locally, the phone companies are not applying for franchises in only the richest communities. When Verizon began offering FiOS service in New York’s Nassau and Suffolk counties, it launched service in Laurel Hollow, where per-capita income is $83,366, as well as in Massapequa, Mineola, Valley Stream, and Roosevelt, where per-capita incomes are $32,532, $28,840, $25,636, and $16,950 respectively.

Franchise reform is expected to pick up more steam in 2007. Lawmakers in Florida, Pennsylvania, Tennessee, and Wisconsin hope to build on momentum established in 2006. Meanwhile, the Federal Communications Commission has weighed in with franchise guidelines of its own. (See sidebar.)

Steven Titch (titch@heartland.org) is senior fellow for IT and telecom policy for The Heartland Institute and managing editor of IT&T News.
Michigan OKs More Video Service Competition

By Diane Katz

After a year of bitter debate, the Michigan Legislature in December approved franchise reforms intended to increase competition in video services. No longer will municipal officials be permitted to dictate the terms and conditions under which service providers gain access to the local market.

The Uniform Video Services Local Franchise Act makes franchises for cable and other video services uniform statewide. Local authorities are prohibited from imposing fees or other requirements not stipulated by the statute.

“We stand ready to make a historic investment in network and human capital in Michigan,” said AT&T Michigan President Gail Torreano. “Video reform legislation holds great promise for our state, and we look forward to delivering new video options to Michigan consumers.”

“[T]he Michigan Legislature in December approved franchise reforms intended to increase competition in video services.”

Uniform Agreement Pending

Under the new Michigan law, video service providers will be required to remit up to 2 percent of gross revenues to support public access programming, plus a fee, as yet undetermined, to underwrite the new regulatory costs of the Michigan Public Service Commission.

The latter will develop the uniform franchise agreement to be used by all localities. At press time the agreement was expected to be finished by the end of January.

Municipalities will retain direct control of public rights of way. Michigan joins California, Connecticut, Indiana, Kansas, New Jersey, North Carolina, Oklahoma, South Carolina, Texas, and Virginia in enacting such franchise reform over the past two years.

Franchising ‘Outlived Usefulness’

The Michigan action coincided with the Federal Communications Commission’s finding that local franchising impedes cable competition and broadband deployment. In a December 20 order on franchising, the FCC eliminated local authorities for unnecessarily prolonging negotiations; imposing unreasonable build-out requirements; demanding unwarranted “in-kind” payments to subvert the cap on franchise fees; and imposing excessive requirements for educational and government programming access.

“If the goal of cable TV regulation is to maximize consumer welfare, the cable franchise has outlived whatever usefulness was claimed for the institution,” said economist Thomas Hazlett in “Cable TV Franchises as Barriers to Video Competition,” a study published recently by the George Mason University School of Law.

“Given the regulatory options available,” Hazlett noted, “there are no benefits associated with cable franchising that offset the losses emanating from reduced competition.”

Municipalities have long required cable firms to obtain franchises, under the assumption cable service was a “natural monopoly” in need of taming. But there exists an assortment of technologies and service providers that consumers could choose from, if given the chance.

Competition Brings Lower Prices

The benefits of competition in video services were underscored with the release on December 27 of the Federal Communications Commission’s latest figures on cable pricing. In markets where two cable operators competed, rates ran 17 percent lower than in communities without competition, according to the report.

The cable industry is challenging the report as misleading. They say it fails to account for programming improvements.

Fees Revenues Could Rise

There’s every reason to believe municipalities will actually receive greater franchise fees under the new system, analysts say. To the extent that competition creates lower rates, current customers are likely to upgrade their service, while some households that currently don’t subscribe will do so. Consequently, the gross revenues of video service providers will increase.

The Michigan reform measure, which was bitterly opposed by municipal officials, allows municipalities to assess new entrants for the same franchise fee paid by the cable incumbent, which is capped under federal law at 5 percent of gross revenues. In the absence of an incumbent, or upon the expiration of the incumbent’s franchise agreement, municipalities may levy a franchise fee up to 5 percent of gross revenues for a new franchise.

“Introduction of head-to-head wireline competition for video promises to significantly increase gross industry revenues and, therefore, could substantially increase local franchise fees,” noted Lawrence J. Spiwak, president of the Phoenix Center for Advanced Legal and Economic Public Policy Studies, writing in the Washington Times. “Indeed, recent research reveals that if wireline video competition is successful, then as price declines and consumers buy more, gross taxable revenues from the wireline video industry will increase by an estimated 30 percent.”

Many Regulations Remain

There’s still plenty of regulation in the new Michigan law, which requires the largest telecom companies to provide video service access to at least 25 percent of households in their service area within three years, and not less than 50 percent within six years.

The act does break new ground in allowing incumbent cable firms to terminate their existing franchise agreements and obtain the uniform statewide franchise instead. This provision will likely face a legal challenge, however.

The act also stipulates that existing franchise agreements cannot be renewed or extended beyond their current expiration date.

Net Neutrality Push Fails

The year-long battle over reform intensified unexpectedly in the eleventh hour when Google executives descended on the state capitol and unsuccessfully pressed lawmakers to amend the bill with so-called “net neutrality” provisions that would prohibit broadband networks from instituting tiers of transmission services.

“Video reform legislation holds great promise for our state, and we look forward to delivering new video options to Michigan consumers.”

GAIL TORREANO

PRESIDENT

AT&T MICHIGAN

Google and other content providers contend priority services such as high-speed transmissions would destroy the “neutrality” of Internet traffic, which moves on a first-come, first-served basis.

Network owners and economists say tier pricing could help generate revenue needed to expand broadband infrastructure, which is inadequate for widespread delivery of video and other new bandwidth-intensive services.

The Michigan Legislature refused to jeopardize the franchise legislation with an issue that many consider decidedly federal in nature. The federal courts have already invalidated a number of state laws intended to regulate the Internet, viewing any such regulation as a federal prerogative.

Similar showdowns are expected elsewhere this year as a multitude of other states prepare to address franchise reform.

Diane Katz (katz@mackinac.org) is director of science, environment, and technology policy at the Mackinac Center for Public Policy.

INTERNET INFO

“Cable TV Franchises as Barriers to Video Competition,” by Thomas Hazlett, is available through PolicyBot™, The Heartland Institute’s free online research database. Point your Web browser to http://www.policybot.org and search for document #19021.
Provo Municipal Broadband Stumbles as Others Have

By Steven Titch

After only two years, the municipal broadband system in Provo, Utah has begun to show the pattern of losses and declining net asset value experienced by other cities that have mounted expensive fiber optic networking projects, according to a report released by the Reason Foundation.

Provo, Utah was one of the first cities to install a fiber-to-the-home network for its residents. A new report from the Reason Foundation says the system is beginning to fail financially, as other municipal broadband systems have.

"After only two years, the municipal broadband system in Provo, Utah has begun to show the pattern of losses and declining net asset value experienced by other cities ..."

Cable and Internet prices charged by iPono partners are not significantly lower than pricing from Comcast or Quest. An original goal of iPono had been to offer broadband services at "affordable" rates, implying the rates charged by private service providers are too high. Yet, when compared with similar service packages from the incumbent cable and telephone companies, the two iPono retail partners that replaced HomeNet, Veracity Communications and MStar Metro, while less expensive, do not offer sizable discounts compared to the incumbents.

"There is little evidence to suggest iPono has generated any significant growth in broadband usage or penetration in Provo. All reports suggest the great majority of iPono's 5,000 customers had broadband service prior to iPono, either as customers of bankrupt Provo Cable or as customers of Veracity and MStar."

On the Defensive

iPono fired back with a response released in late December. "The project is on track, is growing, and is now fully covering all of its operating costs and contributing significantly to its capital costs. As technology communications technologies continue to evolve to broadband applications, as the need for more bandwidth capacity and services continues to grow, and as more and more of our residents and businesses subscribe to services offered over the iPono network, the financial gap will close."

While iPono pointed to revenues of $2.1 million in fiscal year 2006, numbers that were available after principal research had been completed on the Reason report, it did concede losses "were larger than expected." The municipal utility lists several reasons for the shortfall, stating that processes took longer to set up than anticipated, construction began later, transport fees were lower than expected, the retail partner failed, and the customer mix did not meet forecasts.

Municipalities, however, tend to run into these factors, in part because they function as an arm of local government, not under the market demand of a commercial company. The iPono report notes this, as does another Reason report, Dynamic Perspectives on Government Broadband by Jerry Ellig, issued concurrently. Scholarship on dynamic competition suggests seven issues that are likely to be significant in municipal provision of Internet service, Ellig writes. These are price competition, performance competition, the pressure for continuous improvement, technological change, obsolescence, risk, and uncertainty.

Senators Propose Wireless Tax Moratorium

By Jim Schuler

U.S. Senators John McCain (R-AZ) and Jim DeMint (R-SC) are leading a move against the imposition of new "discriminatory" taxes on wireless communications services.

On January 4 the two senators introduced the "Cell Phone Tax Moratorium Act of 2007," which would impose a three-year moratorium on state and local governments adopting discriminatory taxes on wireless services. "Discriminatory" is defined as taxes not generally imposed on other services or that are imposed at a higher rate.

"Senators McCain and DeMint are to be congratulated for their steadfast defense of the American wireless user, who continues to be the target of discriminatory taxation," said Steve Largent, president and CEO of CTIA-The Wireless Association.

"Today, the average wireless user in America pays more than 14 percent of his or her monthly bill in taxes and fees," Largent said. "This is an indefensible level of taxation for most any product, let alone one that allows more than 225 million Americans to constantly stay connected and in touch with the world around them."

"U.S. Senators John McCain (R-AZ) and Jim DeMint (R-SC) are leading a move against the imposition of new ‘discriminatory’ taxes on wireless communications services."

Some Pay 22 Percent

Largent and other industry representatives also note that in some locations, wireless subscribers pay upwards of 22 percent in taxes and government-mandated fees.

"As a nation, we simply cannot make the strides we have to make with regard to broadband adoption if we continue to tax this innovative and high-tech service in such an exorbitant and regressive fashion," Largent said.

McCain said in a floor statement, "During the three-year moratorium, it is my hope that state and local governments in cooperation with industry will work to eliminate discriminatory taxes and fees on wireless services."

In a corporate statement, Sprint Nextel Corp. praised the bill and said, "With passage of this act, state and local governments will stop treating our customers as human ATM machines."

Jim Schuler (jschuler@ctia.org) is assistant vice president, external & state affairs at CTIA - The Wireless Association.
Airplane Tax Hurting Kentucky Economy, Critics Say

By Steve Stanek

A tax on tangible personal property that is being collected in only four Kentucky counties is harming the state’s economy and holding down employment, according to a state senator and economic development advocates.

State law allows local governments to collect an optional tax on personal property. In four counties—Boone, Fayette, Jefferson, and Warren, which include the Lexington, Louisville, and Bowling Green areas—local school districts have begun levying the tax on private airplanes owned by corporations.

The result, according to state Sen. Richard Roeding (R-Lakeside Park), whose district includes all of Boone County, has been a loss of existing jobs and tax revenues, and difficulty attracting new businesses to Kentucky.

“This tax has been chasing the private aircraft industry out of Kentucky,” Roeding said. “Corporate jets are going away. ‘Corporate jets are going out of Kentucky,’ Roeding said. ‘Many aircraft owners were not aware of it. I’m not sure why they’ve started levying the tax.”

“A tax on tangible personal property that is being collected in only four Kentucky counties is harming the state’s economy and holding down employment …”

Barnett confirmed the tax is chasing airplane operators away. “Here in Bowling Green, we’re 20 to 30 miles from the Tennessee border,” Barnett said. “Up in Lexington and northern Kentucky, planes are going into Ohio.”

More Revenue and Jobs

Barnett said the airports benefit from the presence of corporate jets because revenues from items such as additional hangar leases and fuel sales increase.

Jobs at the airport also increase for support staff such as airplane mechanics.

In addition, funding from the Federal Aviation Administration depends on airport usage. The more planes that use an airport, the greater the funding, Barnett said.

Roeding said the tax brings in about $2 million a year in the four counties. Local school districts in the four counties oppose giving it up.

“A couple of liberal lawmakers won’t even talk about it. They say you’re helping the rich and hurting the poor,” Roeding said. “I say this is an economic development issue. Getting rid of the tax will help people.”

Four Hundred Jobs Missed

Roeding cited a recent conversation with Dan Tobergte, chief executive of the Northern Kentucky Tri-County Economic Development Corporation, who said consumer products company Procter & Gamble considered expanding in Kentucky and moving seven corporate jets there in 2006.

The company decided to expand in Ohio and keep the jets there.

Four hundred jobs that would have been created in Kentucky did not materialize, Tobergte noted.

“We’re not certain we would have won them, but this tax did put us at a disadvantage,” Tobergte said. “Most states have eliminated this tax for corporate jets. Ohio, across the river from us, eliminated it a while back.”

Tobergte said he and other economic development officials plan to lobby lawmakers for legislation mandating the elimination of the tangible property tax on aircraft.

Steve Stanek (stanek@heartland.org) is managing editor of Budget & Tax News.
Private Money, Tolls Roads Recommended to Reduce Atlanta Traffic Congestion

By Robert W. Poole, Jr.

Atlanta needs a major rethinking and rewriting of its long-range transportation plan, including four major toll road projects that would significantly reduce the region’s current and projected traffic congestion, according to a new Reason Foundation-Georgia Public Policy Foundation (GPPF) report.

“Reducing Congestion in Atlanta: A Bold New Approach to Increasing Mobility,” published in November, recommends four essential projects that would be paid for in large part by toll revenues, not tax dollars, and developed and operated by the private sector.

The Atlanta Regional Commission says by 2030 a rush-hour trip will take 67 percent longer than at off-hours. In a Reason report released in August 2006, University of North Carolina at Charlotte Prof. David T. Hartgen put that figure at 85 percent—meaning what should be a 30-minute trip would take more than 55 minutes. That’s worse than the infamous traffic in today’s Los Angeles.

Traffic Worse Than LA’s

To reduce Atlanta’s existing gridlock and accommodate future growth, the Reason-GPPF report recommends a network of variably priced toll lanes, a double-decked tunnel to reduce congestion on the 91 Freeway—a major east-west highway link, and a separate toll system for trucks.

Adding significant new roadway capacity is an integral part of reducing congestion in Atlanta. But capacity expansion needs to be coupled with better system management (such as ramp metering), faster clearance of traffic crashes and vehicle breakdowns, and better traffic signal synchronization. The 76-page report addresses those issues.

“Congestion costs this region economically, and it has become a huge quality-of-life issue,” said Benita Dobbs, vice president of the Georgia Public Policy Foundation. “Instead of penalizing Atlantans for their chosen lifestyle by neglecting the dire need for added capacity, we should make them consider the value of their trip. Toll lanes provide that option.”

State Toll Authority Interests

The Georgia State Road and Tollway Authority issued a statement expressing interest in the report:

“This report by Bob Poole and the Reason Foundation offers intriguing perspectives in the ongoing dialogue about how to address the metro Atlanta area’s traffic congestion concerns. It should be read and considered by all who are faced with making critical decisions regarding Atlanta’s transportation future. SRTA is particularly encouraged by the Reason Foundation’s endorsement of tolling and user-fee financing as an important component of any effort to improve mobility and funding options to the Atlanta region and the State of Georgia.”

Private-Sector Interest Expected

The Reason-GPPF study says by using toll lanes, Atlanta can get the private sector to pay for large portions of the construction costs. And the city will need fewer new lane miles because priced, managed lanes can carry more rush-hour traffic than non-managed lanes.

Citing experience in California, the study explains how two priced lanes on the 91 Freeway—a major east-west limited access highway in Orange County—handle 49 percent of rush-hour traffic on the highway despite representing just 33 percent of the physical lane capacity.

The report also recommends several other ways to reduce the region’s traffic delays.

Large-scale freeway ramp metering could save Atlanta’s drivers 5.75 million hours each year that are currently wasted sitting in traffic, the report says. Lowering incident response times and improved signal timing (already part of the Governor’s Fast Forward program) could also substantially ease traffic.

The Reason-GPPF study credits the Governor’s Congestion Mitigation Task Force with making congestion reduction its top focus. However, unless the Atlanta Regional Commission’s (ARC) long-range plan is dramatically changed, it will not achieve the task force’s congestion-reduction goal, the report says.

Tolls Offer Best Answer

The current long-range plan would spend only $8 billion on additional roadway capacity, while devoting $10 billion to transit projects.

Despite spending $10 billion on transit, the ARC projects just a 1.7 percentage point increase in transit mode share (to 8.4 percent of all commuters) by 2030. Likewise, the commission has $5 billion slated for additional carpool lanes even though it expects the percentage of carpool users to fall.

As Atlanta continues to grow, spending most of the available funding on transit and carpool lanes will mean even more congestion.

With limited resources available, the report says, money should be spent where it will most effectively reduce congestion. For the foreseeable future, toll lanes are Atlanta’s best answer, the report concludes.

Robert Poole Jr. is director of transportation studies at Reason Foundation. He has advised the last four presidential administrations on policy issues.

INTERNET INFO


Illinois
Continued from page 1

3,000 residents and 1,100 upscale homes spread over four square miles, is in McHenry County, one of the fastest-growing counties in Illinois. Crystal Lake, which abuts Lakewood, has about 12 times the population and a significant amount of commercial and industrial property.

‘Effective for Residents’
“Based on our research, we have determined that the construction of a Lakewood fire station would provide us with the greatest number of long-term options for the provision of fire protection services within our community,” said Lakewood Village President Julie Richardson.

“Given this decision, Richardson continued, “our efforts have focused on locating the service provider that can staff and equip the station in the manner that is most effective for our residents. At this time, we have determined that American Emergency Service Corporation is this company.”

“I actually think we’re going to exceed taxpayers’ expectations about service,” Richardson said. “The contract with American Emergency Service Corporation “will include a flat rate to save the village money.”

Avoids Tax Hike
Crystal Lake officials had demanded Lakewood residents pay a property tax rate of 41 cents per $100 of equalized assessed value in 2007, to match what Crystal Lake property owners pay for fire service. Lakewood residents in 2006 paid 28.5 cents per $100 of equalized assessed value in 2007, to match what Crystal Lake officials had demanded.

The proposed rate would have generated $464,578 from Lakewood for Crystal Lake. The proposed rate would have generated about $768,591 in 2007 from Lakewood for Crystal Lake’s emergency services, and future increases in the tax rate were possible, according to Lakewood officials.

“The City of Crystal Lake believes that this is the most equitable solution and will not consider any other basis for calculation of their fee,” said an October 23, 2006 letter from the Village of Lakewood to residents.

“We disagree, however,” the letter continued, “as our residents pay an average of $2,700 per call for service and Crystal Lake residents pay an average of $714 per call for service. As [local] representatives, we have long argued that a fee based on calls for service would be more equitable because it would more closely tie their fee to their costs to provide the service.”

Decades in Fire Service
American Emergency Service Corporation was featured in the April 2006 issue of Budget & Tax News for the fire protection services it provides the Elk Grove Rural Fire Protection District, which covers an area near O’Hare International Airport in Chicago and includes the corporate headquarters of United Airlines.

The firm’s president, Gary Jensen, has been in fire service all his life, starting as a graduate of the Oklahoma State University fire protection program.

In the late 1970s Jensen was working for an insurance trade association in Chicago and was a paid-on-call firefighter when he learned the Elk Grove rural fire district would lose service from the nearby City of Des Plaines. Jensen pitched a proposal to create a private fire and rescue operation, and fire district trustees accepted.

High Standards, Low Costs
Jensen said because the operation is private, wage and benefits costs are lower than those incurred by fire districts that hire their own firefighters and paramedics, even though his firefighters and paramedics must meet the same training and response standards.

Jensen also noted that because his company is non-union, he has more flexibility in hiring, firing, and disciplining employees.

High Service, Training Levels
“It’s rare to see four-member crews in rural county operations,” Morris said. “The town of Carefree, with a population of 3,800 in high-end luxury homes, passed a mix of taxes to fund their service. The town has one fire truck and an ambulance crew on duty every day. You don’t usually see that level of service for a town of that size.”

Morris said Rural/Metro prides itself on customizing service to communities, and on its training.

“Our recruit training academy program is longer than Phoenix’s fire training,” Morris said. “We have a five-station development center [with command simulators] that exceeds anything in the Phoenix area. [Officer candidates] must command residential and commercial property fires to pass the course. Our standards are high. We deliver equal or better training than other fire departments.

“There’s been a long argument about public versus private,” Morris said, “but the public really doesn’t care about that. They just want to know that when help is needed, it will be there.”

By Steve Stanek

Rural/Metro Corporation runs 37 fire stations in 24 states. Its main service is providing emergency and non-emergency medical transportation and other safety-related services to municipal, residential, commercial, and industrial customers in about 400 communities.

But in Arizona the company has also filled a niche by providing fire services in areas that otherwise would not have fire protection, such as unincorporated areas outside municipalities. The company’s main service areas are outside Phoenix, Tucson, and Yuma.

Service to Subscribers
While some of the service is provided to fire districts with taxing powers, most of it is provided on a subscription basis to property owners.

“Primarily, it’s an individual agreement between us and the property owner,” said Rural/Metro Fire Chief Gary Morris, who spent 30 years with the Phoenix fire department before joining Rural/Metro.

“Rates are typically below what it would cost for a fire district to offer the service,” Morris continued. “That’s the primary means of funding. The other method is if a property owner does not have an agreement with us, there is a standard charge for service that is delivered. It’s like calling out a plumber.”

“Use of private firefighters and paramedics has been a longstanding practice in Arizona, where Scottsdale-based Rural/Metro Corporation runs 37 fire stations ...”

“We don’t say no; we just go,” Morris said. “Dispatchers have no idea if a caller is a subscriber or not. We frequently go well outside service areas to assist on fire or medical emergencies.”

Paramedics in addition to firefighters man all apparatus in the Phoenix region. In the Tucson area there is at least one paramedic on each pumper crew, with four persons on each crew.
New Jersey Pension System Needs ‘Serious Restructuring’: Governor

By Steve Stanek

Soaring government pension costs have prompted New Jersey Gov. Jon Corzine (D) to call for “serious restructuring” of the state’s government employee pension system.

In a December 19 interview with reporter David W. Chen of the New York Times, Corzine said, “It’s impossible for us to stay on the course that we are on today, and deliver what people are asking for.”

He also said the state’s estimate of an unfunded pension liability of $18 billion may be too low.

State Rep. Gordon M. Johnson (D-Bergen) said he believes Corzine is serious about pushing for pension reform in 2007.

‘Going to be Difficult’

Johnson said Corzine “understands business, as opposed to politicians trying to negotiate without a background to do this,” Johnson said. “But the way I see this, it’s going to be difficult to do.”

Corzine’s business career includes a stint as chief executive officer at Goldman Sachs, one of the world’s leading investment banking firms.

Corzine was not specific about changes he’d like to see, but Johnson said he would not be surprised if Corzine proposes a “two-tier” pension system.

Separate Systems?

“Those not employed yet would enter [continued on right]

Pension Practices Angering Taxpayers

By Sandra Fabry

Recent news stories about questionable practices involving government employee pensions are creating a backlash among taxpayers and some lawmakers.

“At a time when middle-class families are struggling to meet their own retirement and health care needs, they are reading about state and local officials bending the rules of the program to increase their [own] pension benefits,” said Daniel Clifton, executive director of the American Shareholders Association (ASA).

“Moreover, a number of states are raising taxes in order to fund their pension system,” Clifton said. “Essentially, you now have a system where struggling families are reading about abuse in the system and then are told they have to pay higher income taxes and sales taxes to continue to fund this abuse. This is a clear recipe for major change at the state level.”

“Recent news stories about questionable practices involving government employee pensions are creating a backlash among taxpayers and some lawmakers.”

$100 Million in California

One of the most commonly highlighted practices is end-of-career pension increases (termed “spiking”), just one of several big problems with current government pension systems, according to critics.

Anthony Archie, a public policy fellow in business and economic studies at the Pacific Research Institute (PRI), estimates the cost of pension spiking to California taxpayers at roughly $100 million a year. He said that estimate does not include the costs of hiring and training replacements for retirees, which pushes the total cost of pension spiking even higher.

Abuse has become so widespread that a new term has been introduced to describe a certain form of fraud: “Chief’s Disease.”

The Sacramento Bee in 2004 reported about Chief’s Disease, a practice in which top-tier California Highway Patrol officers, usually near the end of their 30-year careers, aggressively pursue injury claims to inflate their retirement income.

Other forms of pension spiking include redeeming large amounts of unused vacation time or sick days shortly before retirement.

Part-Timers Cashing In

In New Jersey, one of the most common forms of spiking includes boosting pension credits by working for as many as 11 different local boroughs and towns.

In some cases, “the multitude of jobs entitled employees to annual pensions worth more than $130,000,” the newspaper reported.

Examples like these are leading New Jersey taxpayers to express keen interest in reform.

As reported by the Asbury Park Press last November 12, a Monmouth University/Gannett New Jersey newspaper poll found a majority of New Jersey taxpayers want newly hired government employees to be enrolled in defined-contribution retirement plans, such as a 401(k), instead of the state’s traditional pension system, which pays benefits based on a worker’s highest three years of salary.

Gov. Open to Reform

New Jersey Gov. Jon Corzine (D) appears open to the idea. Last summer, he raised the possibility of instituting a 401(k)-type plan for new state and local government workers. While he has since put the brakes on a public employee pension reform bill, saying pension system reform should be done in collective bargaining and not legislatively, he told the New York Times in a December interview that he was willing to look at “serious restructuring” efforts.

Corzine emphasized, “It’s impossible for us to stay on the course that we are on today, and deliver what people are asking for.” (See “NJ Pension System Needs ‘Serious Restructuring: Governor.”)

‘On the Right Track’

Clifton said he believes Corzine’s comments indicate that, on the whole, public pension reform is slowly but surely moving in the right direction.

“If even governors like New Jersey’s Corzine [a liberal with government union backing] begin discussing defined contributions in public, that tells you we’re on the right track,” Clifton said.

“Eight of the last 10 changes in the states were from defined-benefit to defined-contribution plans. A system that is so wide open to fraud, waste, and abuse is doomed to collapse at some point, and with baby boomers retiring, the breaking point is reached.”

Archie, though, doubts there will be widespread government pension reform until large tax increases or cuts in government services occur in numerous states and localities.

“A switch to a defined-contribution plan won’t be possible until the public realizes that public employees are benefiting at their expense,” Archie said.

Good Step in California

California Gov. Arnold Schwarzenegger’s (R) December 28 announcement that he would form a 12-member Public Employee Post-Employment Benefits Commission is a step in the right direction, Archie noted.

“I applaud the governor for tackling this issue again,” Archie said. “I hope the panel thoroughly examines all measures of pension reform, including a change to a defined-contribution plan. It would be extremely unfair to taxpayers and public employees alike if the panel didn’t analyze all the options.”

Sandra Fabry (sfabry@atr.org) is state government affairs manager for Americans for Tax Reform.
a defined-benefit system. That second system likely would have a higher retirement age and other features to make it less costly than the existing system. Johnson also said it’s possible some lawmakers may push to put new hires into a defined-contribution plan, such as a 401(k), rather than a defined-benefit system.

Either reform would take years, perhaps decades, to have any appreciable impact on the state’s pension costs, Johnson noted, because benefits to current employees and retirees may not be cut.

Generous retirement benefits are one factor in the state’s rising pension expenses, according to Johnson. Another big factor is that for five years, under former governors Christine Todd Whitman (R) and James McGreevey (D), local governments were not required to fund their share of pension contributions.

“Some towns socked the money away, knowing the bill would come due. Many others didn’t do that,” Johnson said. “They spent the money. Now we have this huge unfunded liability.”

Other Issues in Play
Johnson said he expects government employee unions to balk at attempts to hold down pensions. In addition, the state has other financial issues that may divert attention away from pension reform, including soaring government debt loads and a simmering tax revolt over having the nation’s highest property taxes, Johnson said.

“We have bonded for a lot of things for which the bill is now due,” Johnson said. “When the bubble burst, we ended up with this bond liability that’s astronomical and this pension system that’s just about bankrupt.”

Gregg Edwards, president of the Center for Policy Research of New Jersey, credits Corzine for requiring local governments and the state to resume funding pension contributions, but he questions the governor’s commitment to reform.

Edwards pointed out that in late 2006 the New Jersey legislature appeared ready to consider recommendations of a state-appointed group that studied ways to provide tax relief and improve the state’s fiscal situation.

Corzine told legislative leaders, including members of his own party, to pull back. He said he would directly negotiate with government employee unions.

Edwards doubts that will work.

Legislature’s Involvement Needed
“He can’t change the pension system without the legislature being directly involved,” Edwards said.

“First of all,” Edwards noted, “there’s no history [in New Jersey] of dealing with pensions in collective bargaining. Whenever unions get an enhancement in pensions, it’s because they lobby and pledge political support in return. That’s the way it goes. The other thing is, if the governor had let the legislature proceed with a bill, he could have said, ‘I have the legislature with me.’ It would have made him look stronger.”

Edwards pointed out the governor would be dealing only with state workers, not with teachers, police, firefighters, and other local government workers.

“How does he plan to extract concessions from them?” Edwards asked.

“Soaring government pension costs have prompted New Jersey Gov. Jon Corzine to call for ‘serious restructuring’ of the state’s government employee pension system.”

By Ryan Bedford

In states considering an increase in the minimum wage, news outlets have been profiling the struggles of those they call the “typical minimum wage worker.”

“They usually portray a mother or a father with at least two children, who are unable to make ends meet on the $10,900 provided by the minimum wage (the poverty line for one person is $9,827 for a parent and child $13,200, and for a family of four $19,806),” writes the Commonwealth Foundation, a nonpartisan free-market policy organization in Pennsylvania.

The people profiled, however, are not the “typical minimum wage worker.”

Fewer than 1.9 million workers earn the minimum wage, the foundation reports. It notes “only 12.7 percent of the benefits from a federal minimum-wage increase would go to poor families. ... [Sixty-three] percent would go to families earning more than twice the poverty line and 42 percent to those three times above the poverty line.”

The real beneficiaries of the increased minimum wage are not the working poor, but union bosses. In many states, union wages are tied directly to the minimum wage, so when the minimum wage increases, union worker wages increase, including the cut union bosses get.

“In states considering an increase in the minimum wage, news outlets have been profiling the struggles of those they call the ‘typical minimum wage worker.’”

AFL-CIO Bypasses Constitution
In “UN-American—The AFL-CIO Picks the U.N. Over the Constitution,” the Mackinac Center for Public Policy notes that in response to “widespread public revulsion” following the National Labor Relations Board’s 2006 decision in the Kentucky River cases, the AFL-CIO appealed the decision to the United Nations’ International Labor Organization. (The NLRB ruled that nurses who supervise other employees cannot be unionized.)

The AFL-CIO said the move was intended to gain “the authoritative voice and moral weight” of a U.N. labor committee. The committee includes representatives from Iran, Libya, Sudan, Venezuela, and Viet-

INTERNET INFO

“Fraudulent Compassion,” http://www.commonwealthfoundation.org/research/index.cfm?section=commentaries&articleID=1846&articleType=29

“Scratch the surface of the minimum wage hike and you’ll find trouble underneath,” http://www.citizen-times.com/apps/pbcs.dll/article?AID=20061229017

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Steve Stanek (stanek@heartland.org) is managing editor of Budget & Tax News.
Illinois Gov’t Pension Debt Deepens

Taxpayers stuck with $55 billion unfunded liability, report says

By Steve Stanek

A year after allegations of a huge extortion and kickback scheme against Illinois’ government pension system, the state’s pension system has slipped deeper into financial trouble, according to a prominent state senator and an independent civic group.

The Civic Committee of the Commercial Club of Chicago issued a report in December showing Illinois’ five major pension plans for teachers and other public employees have a combined unfunded liability of $45.7 billion, largest in the nation.

That figure does not include $10 billion borrowed in 2003 to shore up the system’s finances. Including that debt, which must be repaid at an annual interest rate of 5.05 percent, puts Illinois’ unfunded pension liability at $55 billion.

‘Horrendous’ Situation

“Facing Facts: A Report of The Civic Committee’s Task Force on Illinois State Finance” notes, “The $45.7 billion unfunded obligation—putting to one side the pension bonds—gives Illinois one of the lowest funding ratios for its state pension plans of any state in the country, and represents an obligation of approximately $3,800 per person for the 12 million residents of the State.”

“The situation is horrendous,” said state Sen. Bill Brady (R-Bloomington), who unsuccessfully ran for the Republican nomination for governor for the November 2006 election and who served on the Governor’s Pension Commission in 2004. Brady praised the Civic Committee report, saying, “I read the report and I didn’t find anything to take issue with.”

Illinois’ government pension ... has slipped deeper into financial trouble, according to a prominent state senator and an independent civic group.”

Senator Sees Big Benefits in Defined Contributions

Illinois state Sen. Bill Brady (R-Bloomington) said a defined-benefit pension plan and a defined-contribution plan such as a 401(k) “provide the same benefits under the actuarial averages, if the contributions are made and invested the same.”

Brady plans to introduce legislation that would put newly hired local and state government workers into a defined-contribution program instead of Illinois’ existing pension system.

Advantages to employees of a defined-contribution plan include the ability to transfer benefits from one job to another, whether in government or the private sector, Brady said.

“A big benefit to taxpayers [of a defined-contribution pension system] is they know they are not being misled. ... Politicians can’t defer payments and leave future generations to pay for it.”

BILL BRADY
STATE SENATOR
BLOOMINGTON, ILLINOIS

No ‘Job Lock’

“This eliminates the problem of job lock,” Brady said. “Some workers stay in a job simply because they don’t want to lose pension benefits. There is also arguably greater inheritability and survivability benefits with a defined-contribution plan. And there would be no Social Security offset for those who wish to seek employment outside of government.”

A provision in federal law reduces the Social Security benefit paid to the spouse of a retired, disabled, or deceased worker who receives a pension from government employment (federal, state, or local) that was not covered by Social Security. The offset reduction in Social Security spousal benefits is equal to two-thirds of the government pension.

No Deferred Payments

“A big benefit to taxpayers is they know they are not being misled,” Brady said. “The state has to make contributions under a defined-contribution plan. Politicians can’t defer payments and leave future generations to pay for it.”

With Republicans in the minority in the General Assembly, Democrat Rod Blagojevich as governor, and government employee unions wielding heavy clout, Brady said he knows he’ll have a tough time advancing his bill.

“Union leaders like the system the way it is because it gives them more influence over their members,” Brady acknowledged. “And the Blagojevich administration opposes it because they believe it would create a cash flow problem, and they’re right. Currently they’re not funding the actuarial liability.”

$2.3 Billion Diversion

Despite the pension system’s huge unfunded liability, Illinois over the past two years has diverted $2.3 billion of scheduled pension fund payments to other budget items.

Lawmakers diverted the pension payments even though state budget officials have been warning of the system’s dismal financial situation.

The state’s FY 2007 budget document notes, “The unfunded pension liability of the state’s five state retirement systems is our state government’s single greatest financial challenge. In fact, Illinois State Government’s unfunded pension debt has been significantly greater than all of the state’s bonded debt combined for several years.”

Fiscal Irresponsibility

David John, a retirement benefits expert and senior research fellow at The Heritage Foundation, said Illinois lawmakers could not have been more fiscally irresponsible.

“Everything you read and hear about state and local pensions warns against diverting scheduled pension payments [for other spending],” John said. “That is about as irresponsible as you can get.”

The other incredibly irresponsible thing lawmakers do is issue bonds, which Illinois did,” John continued. “In many cases they can sell the bonds, assuming they have a decent bond rating, but once they do that they not only have to repay the borrowed money and the interest on the bonds, they also need an investment return that is higher than the principal and interest payments. They can get suckered into investment strategies that are exceedingly high risk.”

Move to 401(k)

“In the long run,” John said, “a change to a defined-contribution plan [such as a 401(k)] would help, but the problem with that is you cannot take an individual who is in a defined-benefit plan and put that person into a defined-contribution plan.”

Only new hires could be placed into a defined-contribution system, and that is precisely what Brady said he hopes to do. He promises to introduce legislation this year to begin offering new government workers a defined-benefit plan instead of a traditional pension.

Brady introduced similar legislation last year. The Civic Committee report also suggests moving to a defined-contribution system for new hires.

Move to 401(k)

“I am managing editor of Budget & Tax News.
States Offer Organ Donors Tax Breaks

By Steve Stanek

A s chairman of organ transplantation
at University of Wisconsin Hospital in Madison, Dr. Hans Sollinger has seen hundreds of individuals and families undergo financial and emotional stress after donating an organ.

So when he learned state Rep. Steve Wieckert (R-Appleton) was working on legislation to ease the financial burden for Wisconsin residents who donate an organ, he was “excited.” After the legislation became law in 2004, he was thrilled.

He’s happy to know that versions of “Cody’s Law,” as it is known, have been adopted in 10 other states and are being considered in more than two dozen others.

“The law as originated was very innovative,” Sollinger said.

“There was some discussion with the Department of Justice that any compensation [for organ donation] would be against the law,” Sollinger continued. “When I found out that Mr. Wieckert’s office was working on that problem, I was excited but at the same time pessimistic because I was aware of the Justice Department position. But he found a way to help donors families without violating federal law by restricting the tax credit to expenses.”

Travel, Lodging, Lost Wages

Wieckert wrote the law to allow donors to deduct from their Wisconsin taxable income costs they incur from donating all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. Eligible expenses include travel, lodging, and lost wages, up to $10,000.

Actual savings for organ donors work out to $600 to $700, because it is a tax deduction and not a credit. In Idaho, where a version of the law was adopted in 2006, the state allows a $5,000 credit, said Scott Becher, Wieckert’s chief of staff.

A few hundred dollars may not seem like much, but any savings is big to many prospective organ donors, Sollinger said. “Obviously, donating a kidney is hard enough for any family, regardless of whether they are rich or poor,” Sollinger said. “It’s a big commitment, especially for people on the lower end of the economic scale and in a rural state like Wisconsin, where you have long drives to get to hospitals. They must stay overnight, come several times for evaluation. And kidney disease seems to affect lower economic groups.

“This law makes it a lot easier on donors and their families,” Sollinger said.

Life Saved, Income Lost

Wieckert said he came up with the idea for the tax break after learning of Cody Monroe of Menasha, Wisconsin, who was five years old in December 2001 when his kidneys stopped working. Cody received a lifesaving kidney from his father Marty, a truck driver who lost three months of wages before he could return to work.

“I wanted to find a way to help people in this kind of situation,” Wieckert said.

“I think this is a wonderful concept to help people who donate organs,” Wieckert continued. “It can be a real strain. This lifts some of that strain. No one makes money on organ donation. They just lose a little less.”

Troy Zimmerman, director of government relations at the National Kidney Foundation, said the organization likes the Cody’s Law concept “because all it does is assist living donors with expenses. Medicare and private insurance won’t cover travel, hotels, and other incidental expenses. This helps remove a disincentive to donation.”

Steve Stanek (stanek@heartland.org) is managing editor of Budget & Tax News.

10 More States Offer Tax Break to Organ Donors

Since 2004, when Wisconsin became the first state to offer residents an income tax break for donating an organ, 10 other states have adopted similar legislation: Georgia in 2004; Arkansas, Iowa, Minnesota, New Mexico, North Dakota, and Utah in 2005; and Idaho, Mississippi, and New York in 2006, according to Scott Becher, chief of staff for Wisconsin state Rep. Steve Wieckert (R-Appleton).

Oklahoma’s House and Senate passed separate versions last year, but the bills could not be reconciled in committee. Legislators in several other states, including Indiana, Maryland, and Kentucky, have also passed versions, but the bills are not yet law.

Oklahomans Want to Trim the Fat

Just released: Fall 2006

Oklahoma Piglet Book

...my admiration for their work in Oklahoma continues.*

—Tom Coburn M.D., United States Senator

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—Michael Anthony Lawrence

Winner of the December 2006 Lysander Spooner Award

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to a jaw-dropping $15 billion.

Texas Lieutenant Governor David Dewhurst (R) said, “The great news here in Texas is that conservative budgeting and not raising taxes the past two legislative sessions have turned a $10 billion shortfall into a surplus.

“Early estimates indicate the Texas Legislature is facing a truly historic surplus situation. Estimates of the size of the surplus have ranged from $8 billion to a jaw-dropping $15 billion.”

“By being disciplined and having a conservative team of leaders who hold the line on unnecessary spending,” Dewhurst continued, “we will continue our current trend, which has seen state general revenue spending grow less than 2.5 percent per year since 2002 and continue to strengthen Texas’ fiscal condition.”

$15 Billion Surplus Projected

Texas sets budgets on a two-year (biennial) cycle. State officials estimate the current biennium will end with $7.5 billion in the state’s bank. The state’s growing economy is expected to generate another $7.5 billion in state revenues over and above current spending by the end of the next biennium, for a total of $15 billion in estimated surplus at that time.

Last May, the state’s business and tobacco taxes were increased by an estimated $9 billion per biennium in order to help fund a $13.5 billion per biennium reduction of local school property taxes. The additional $4.5 billion will have to come out of the state’s original revenue stream.

That still leaves $7.5 billion in the bank at present and an estimated $8 billion in future revenue for the Texas Legislature to spend as it sees fit.

Medicaid enrollment growth alone will cost an additional $2 billion during the next biennium, fiscal years 2008 and 2009. Texas’ public education student population grows by about 70,000 per year as well, costing at least another $1 billion during the next biennium. Other spending growth can be expected in higher education and other health care areas, as well as on prisons.

Nevertheless, state Sen. Steve Ogden (R-Bryan), who chairs the state Senate Finance Committee, which is responsible for preparing a budget, said, “The legislature is in as good a financial shape as it’s been since I’ve been elected.”

Ogden’s counterpart in the Texas House, state Rep. Jim Pitts (R-Waxahachie), chair of the Appropriations Committee, echoed Ogden’s optimism but cautioned, “Before you start figuring out ways to spend the surplus, keep in mind we have to take care of these pressing issues of the state.”

Spend More or Return Money?

Some eye the funds the legislature now has at its disposal as an opportunity to expand government services, especially in areas that were reduced in size or whose growth was arrested in recent lean years. Others see it as an opportunity to return funds to taxpayers.

Texas Gov. Rick Perry (R) has suggested several budget-oriented reforms, including tax rebates when surpluses occur. Perry also has suggested cutting the business tax that was enacted in May 2006.

One issue that must be confronted is Texas’ constitutional spending limit. It prohibits certain spending from growing faster than estimated growth in Texans’ personal income.

As it stands, estimated state-financed property tax relief alone is going to cause state spending to grow faster than the limit. A vote by the legislature declaring an emergency is required for spending over the limit.

Byron Schlomach (bschlomach@texaspolicy.com) is chief economist for the Texas Public Policy Foundation.
Link Tax Day with Election Day: Congressman
An interview with Congressman Roscoe Bartlett
By Pete Sepp and Kristina Rasmussen
Congressman Roscoe Bartlett (R-MD) has sponsored a bill, H.R. 442, to move the deadline for filing federal income tax returns from April 15 to the first Monday in November—the day before Election Day. He proposes the move as a way to strengthen the link between the politicians we elect and the taxes we pay.

Pete Sepp and Kristina Rasmussen of the National Taxpayers Union spoke with Bartlett about his proposal.

Sepp & Rasmussen: Moving tax filing day right before Election Day is an ingenious way to connect tax policy with politics. When and where did you first pick up on this idea? What response have you received from your constituents and taxpayers across the country?

Bartlett: Pocketbook issues are among the most important considerations for voters. Taxes are the most visible price we pay for our government. So taxes are among the most important issues in any election. However, the tax filing deadline on April 15 is about as far away in time from Election Day as it can be on the calendar.

Columnist Jane Chastain has said the April 15 date poses an "out of sight, out of mind" challenge for taxpayers. I agree with Kristina [Rasmussen] who wrote recently [for the November 6 National Review Online] that the current filing deadline amounts to the "ultimate buy now, pay later scheme."

After Labor Day is when most Americans decide whether they should participate in elections. It's when Americans are most interested and get the most information persuading them how to cast their vote. They weigh the performance of incumbents. They consider the promises of candidates. They consider if they're getting their money's worth from their government.

It just made sense to me that having the most visible price of government at the top of their mind at this time would be valuable and useful information.

I think the appropriate judgment was made to pursue comprehensive tax and Social Security reforms with a Republican president and Republican Congresses. This proposal was buried by that larger effort.

Sepp & Rasmussen: This proposal has mainly garnered support from conservatives, but could this bill find additional support from champions of higher taxes and more spending by connecting tax dollars paid to the funding of pet programs? Will this argument have any kind of resonance with the incoming Democratic members of the House?

Bartlett: Most members, frankly, have never heard about the proposal. The bill has been supported in the past by the National Taxpayers Union and Americans for Tax Reform. However, it just hasn't been among their highest priorities.

"After Labor Day is when most Americans decide whether they should participate in elections... It just made sense to me that having the most visible price of government at the top of their mind at this time would be valuable and useful information."

"I think the appropriate judgment was made to pursue comprehensive tax and Social Security reforms with a Republican president and Republican Congresses. This proposal was buried by that larger effort."

Sepp & Rasmussen: Eighteen of your House colleagues have co-sponsored H.R. 442, and they represent a "who's who" list of taxpayer advocates. Aside from these folks, how have other members reacted to the proposal?

Bartlett: Most members, frankly, have never heard about the proposal. Since all workers have to file income taxes, I think this change would encourage more workers to vote.

Consumer advocacy, good government, and "progressive" groups should welcome a proposal that would encourage more workers to vote and more voter participation in general.

These are arguments that should resonate with Democrats. However, they are arguments that have yet to be made.

Sepp & Rasmussen: Some skeptics worry that shifting tax filing day would, at least initially, create record-keeping headaches for individual taxpayers and place a large compliance cost burden on private enterprise. What is your response to these concerns?

Bartlett: I don't think these are serious impediments. Congress has shifted the tax filing day twice in the past, from March 1 to March 15 to the current April 15.

The National Taxpayers Union found it cost $1.20 per person to inform affected taxpayers about increases in the child tax credit in 2003.

Sepp & Rasmussen: Some states use April 15 as a due date for filing state taxes. How might moving the federal filing date affect state tax filings?

Bartlett: I think there would be momentum for states to shift their filing dates to match the federal government.

Sepp & Rasmussen: How might the results in the 2006 elections have differed if voters had filed their taxes on November 6 before voting on November 7? How might the policy priorities of your colleagues have changed?

Bartlett: We can't go back and redo the 2006 elections. We can only move forward.

This proposal is a simple change that would have profound results. The biggest effect of this proposal would be to encourage Americans who think they pay too much in taxes to register and vote for candidates who promise to reduce them.

That's why I hope there will be more enthusiasm and support in the 110th Congress for this proposal by taxpayer advocacy groups.

Encouraging more voter participation could be the most important variable in shifting the campaign focus from pocketbook issues to the candidate's position on larger issues like Social Security and Medicare reform. It is the only way to move as a way to strengthen the link between the politicians we elect and the taxes we pay.

Some tax policy experts say income tax withholding is likewise responsible (perhaps even more responsible) for the disconnect between paying taxes and voting, because deducting taxes from each paycheck makes the yearly total amount less discernible. Do you think this issue should be addressed in separate legislation?

Bartlett: Withholding would be a much more significant structural and costly change that is a non-starter for a Democratic Congress. I would definitely pursue these as separate pieces of legislation.

Sepp & Rasmussen: The majority of American households received income tax refunds, averaging more than $2,400 last year. Could this trend pull some taxpayers into thinking the system is fine, even though they falsely believe they "got money from the government" when they simply received their own money back without earning interest on it?

Bartlett: The perception among those expecting refunds that they get money back from the government might make advocates of higher government spending more enthusiastic about shifting the tax filing day to the day before Election Day.

Sepp & Rasmussen: Moving tax filing day right before Election Day is an ingenious way to connect tax policy with politics. When and where did you first pick up on this idea? What response have you received from your constituents and taxpayers across the country?


"I think the appropriate judgment was made to pursue comprehensive tax and Social Security reforms with a Republican president and Republican Congresses. This proposal was buried by that larger effort."

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Ohio City Contemplates Local Beer Tax

Other revenue options also under consideration

By Steve Stanek

City officials in Kent, Ohio may seek authority from state lawmakers to levy a local tax on beer, one of a number of options under consideration to boost city revenues.

Councilman John Kuhar (I) raised the idea of a local beer tax late last year, but as of press time the idea had not advanced as a formal request to lawmakers.

Kent’s law director is researching what changes might be needed to state law to allow for the imposition of local “sin” taxes.

Regardless of the law director’s conclusions, a local beer tax is not a done deal, according to Kent City Manager David Ruller.

Not Yet Ready

“Don’t get me wrong, we’re very interested in exploring as many different options as possible for solving our fiscal challenges, and there is interest in exploring the idea of a sin tax by City Council, but the media reports seem to suggest that we’re ready to implement a sin tax next week, which isn’t exactly accurate,” Ruller wrote in a November 28 blog posting at Kent360, a blog he runs to discuss city business.

“I keep reiterating that this is just an item we’re being asked to research at this point, and our Law Director is doing just that, but we are nowhere near a position to recommend to Council whether or not to pursue such an option,” Ruller wrote.

“City officials in Kent, Ohio may seek authority from state lawmakers to levy a local tax on beer, one of a number of options under consideration to boost city revenues.”

Informal Poll Shows Support

Kuhar has suggested a tax of 4 cents for each beer served at drinking establishments.

In a Kent360 blog posting December 2, Kuhar wrote, “Prior to any mention of the beer tax I interviewed well over 100 local beer consumers about their opinions and I was happy to hear that all but three supported the idea.”

Kuhar added, though, that some people said “they had concerns that the tax would be squandered if it was not earmarked. One group of KSU [Kent State University] students suggested earmarking most of the funds to reimburse our safety forces for extra public activities and overtime and mutual aid needed to quell disturbances caused by wild parties etc.”

Kuhar also pointed out that beer tax money could be used for “road repairs, sidewalk installation and repair etc. and other needed items” that need funding.

High Taxes Noted

David Hansen, president of the Buckeye Institute, said taxes are already too high in Ohio.

“There has been a significant loss of economic freedom in Ohio because of taxes like this,” Hansen said. “Is it any wonder we’re not adding jobs and are losing people? I would ask, ‘Has Kent worked hard at reining in the costs of public employees in their city? Have they competitively outsourced things like street maintenance? City garage services? Fire hydrant maintenance? Other services?’”

Steve Stanek (stanek@heartland.org) is managing editor of Budget & Tax News.

Spending Limits Don’t Inhibit Effective Government: Report

By Jason Fortin

For many, the management of government boils downs to two options: either higher taxes and spending, or fewer services. A new report from a state-based think tank lays out examples of strategies that move the debate over government management beyond those suppositions.

“How Local Government Can Thrive with Spending Limits,” from The Maine Heritage Policy Center, examines ways in which local governments in other states have managed their operations in order to achieve the same or better service outcomes at a lower cost to the taxpayer.

Such management tools allow local governments to maintain services under an environment with spending limits.

The analysis was written by Geoffrey F. Segal, director of government reform at Reason Foundation and an adjunct scholar at The Maine Heritage Policy Center.

Increased Efficiency, Quality

“Policymakers must get beyond the mindset that, while managing a budget, the only options available are to either raise taxes and increase spending, or to cut back on services,” said Segal in an interview for this article.

“There are great examples of local governments employing effective management tools that have achieved an increase in government efficiency and the quality of services while spending the same or fewer tax dollars,” Segal noted.

Four Policy Tools

Segal surveyed management strategies employed across the country that allow governments to operate successfully within budget constraints.

The research revealed four policy tools with which government officials increased efficiency in the delivery of government services, resulting in greater service quality and reduced costs. While these are not the only such tools available to policymakers, the four tools repeatedly achieved measurable results, according to Segal’s study.

Reorganization, Competition

One tool was identifying and using shared services. That requires looking for common function areas to share the expense of providing services across a larger group.

Segal’s study identified many benefits of shared services. They save money and achieve economies of scale, but equally important is that they help in retaining local control, standardizing processes, and flattening unexpected peaks and troughs.

“A new report ... examines ways in which local governments in other states have managed their operations in order to achieve the same or better service outcomes at a lower cost to the taxpayer.”

Efficiency, Performance Requirements

The study also observed that successful governments introduce competition into public services. Competition typically can lower costs 15 to 30 percent while maintaining or improving service levels.

“The goal, Segal notes in the study, should not be to reduce service delivery but instead to increase the value of services to taxpayers by providing more and better services for less money.”

Competition, Segal notes in the study, is a powerful tool for policymakers to find the most effective and efficient means of delivering services to taxpayers. It shines light on how governments operate and helps change antiquated practices.

“High taxes are one of the many reasons why government services cost so much more than the same services in the private sector,” Segal said. “Competition can thrive in this environment with spending limits, but instead to increase the value of services to taxpayers by providing more and better services for less money.”

Efficiency, Performance Requirements

The study also observed that successful governments fully use the value of public assets (through, for example, enhanced use of leasing, concessions, and divestiture).

An often-overlooked policy management tool, the study notes, is extracting value from assets. Increasingly, governments are tapping their portfolios of real property assets to raise revenue, reduce expenditures on maintenance, and increase the tax base.

Finally, successful governments tie budget appropriations to performance, the report observes. This involves nothing more than measuring for outcomes and budgeting based on achieving goals. All “investments” by government are routinely assessed for their actual effectiveness. Only activities that provide the greatest benefit should be funded, and at a level relative to the goals and priorities set by the people, the report concludes.

“Local governments should take the management approach used by families: When resources are limited, maximize every dollar and live within its means,” Segal said. “By maximizing efficiency and effectiveness, local and state government can thrive under spending limits or lean budget years.”

Jason Fortin (jfortin@mainepolicy.org) is director of communications/project manager at The Maine Heritage Policy Center.

“|INTERNET INFO|
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Michigan
Continued from page 1

Michigan Education Association union, received more than $4 million in contributions, including $3.4 million from the National Education Association teachers union. Its other supporters included local unions and union officials.

Those contributions were about double what the groups opposing Proposal 5 received, according to campaign disclosures filed with the Michigan Secretary of State.

Smart Voters
State Rep. Jack Hoogendyk (R-Kalamazoo), a member of the state House Tax Policy Committee, attributes the defeat of Proposal 5 to the intelligence of voters.

“People are a little smarter than some gave them credit for,” Hoogendyk said from his Lansing office. “They do read and understand the proposals, and Michigan by and large is a conservative state when it comes to fiscal or tax or social policy. It’s more than just the results of Democrats versus Republicans.”

“Michigan voters overwhelmingly rejected a November ballot measure that would have mandated annual increases in funding for public education …”

Hoogendyk said the Proposal 5 defeat should not be seen as an anti-education vote. “About the only local [tax increase] you can get passed anymore is for the schools, but only when they believe it’s for the kids.”

The majority of the cost behind Proposal 5, Hoogendyk said, was for teachers pensions.

Opposition Coalition’s Influence
Tricia Kinley, director of tax policy and economic development for the Michigan Chamber of Commerce, said Proposal 5’s defeat means “taxpayers are not willing to just keep throwing money at the education system without getting a return on their investment.”

Kinley served as spokeswoman for the “Coalition to Stop the K-16 Spending Mandate,” consisting of the Chamber and more than 30 taxpayer, local government, law enforcement, and health care organizations and professional associations. At least four school boards voted not to support the ballot measure.

“I have to give the Chamber credit,” said Ken MacGregor, spokesman for the K-16 Coalition. “The education community was out there all along while all the special interests were arrayed against it.”

Kinley said the K-16 proposal was “a blank check with no accountability measures.” MacGregor said his group was not avoiding accountability.

“This was not a constitutional amendment; it was a legislative initiative, just like any other appropriations process,” MacGregor said. “The accountability part is already in place through the school codes.”

Ryan S. Olson (olson@mackinac.org) is director of education policy and Ted P. O’Neil (oneil@mackinac.org) is communications associate at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Michigan.

Vote Seen as Referendum on Pensions
School employee pensions are widely cited as a major reason for Michigan voters’ landslide rejection of a November ballot initiative that would have mandated automatic annual increases in funding for public education in the state.

The initiative, Proposal 5, lost by a whopping 62-38 margin. (See “Michigan Voters Reject Education Spending Mandate.”)

“Proposal 5 was a referendum on the cost of public education pensions,” said Ken Braun, a policy analyst for the Mackinac Center for Public Policy in Midland, Michigan, who wrote an extensive policy study about the issue prior to the election. “Its resounding defeat demonstrates that Michigan taxpayers are cost conscious and demand reform of the teacher pension system, not papering over the problem with more dollars.”

While it was well known that Proposal 5 would have mandated annual funding increases for public schools, community colleges, and public universities at an amount equal to the rate of inflation, the greater costs would have been tied to shifting future increases in pension funding to the state.

$1 Billion Pension Shift
Various analyses pegged the total cost of the proposal at as much as $700 million in the first year. That could have skyrocketed to more than $1 billion in additional funding per year, due largely to the pension-funding shift.

“There are only two ways to pay for that,” said Tricia Kinley, director of tax policy and economic development for the Michigan Chamber of Commerce. “You either increase taxes or cut services.”

Kinley said voters also realized shifting pension and retiree health insurance costs to the state could harm local schools.

“It ultimately removed any incentive for school boards to make tough decisions at the bargaining table,” Kinley said. “They would have been absolved.”

Reform Possible
Given the prominence of pension funding during the election season, many now think policymakers will more seriously consider reform. Some have suggested switching public education employees from a defined-benefit pension plan to a defined-contribution plan.

Legislation that passed in the state Senate last year but failed by a half-dozen votes in the House would have created a defined-contribution pension plan for new teachers, while keeping current teachers and retirees in the same defined-benefit plans they’ve always had.

“This should send a message and embolden the legislature that it’s okay to vote for this change,” said state Rep. Jack Hoogendyk (R-Kalamazoo), a member of the state House Tax Policy Committee.

“The people want it,” Hoogendyk continued. “This kind of change wouldn’t take anything away from anyone; it would simply ask future employees to accept what is the standard in the private sector and is fast becoming the standard in the public sector.”

Like ‘the Real World’
Braun noted many public- and private-sector pensions are moving from defined-benefit to defined-contribution systems. Most Michigan state employees have already made the change.

“Conventional defined-benefit pensions are being rapidly phased out because of their substantial cost,” Braun said. “If there is a message in the lopsided vote against Proposal 5, it is that Michigan taxpayers want the cost of public school employee benefits brought back into line with the rest of the real world.”

— Ryan Olson and Ted P. O’Neil
Review by Randal O'Toole

The Road More Traveled: Why the Congestion Crisis Matters More Than You Think, and What We Can Do About It

By Ted Balaker and Sam Staley
Rowman & Littlefield Publishers, Inc. 2006
208 pages, hardcover, ISBN 0742551121, $24.95
Available through Amazon.com

The Texas Transportation Institute, a department at Texas A&M University that does research on transportation issues, estimates traffic congestion costs American commuters at least $63 billion a year, and it probably costs businesses at least that much more.

Yet, like the weather, everyone talks about traffic, but no one seems to do anything about it.

“Imagine if our leaders decided that public schools were going to get worse,” and “that their plan was simply to slow the rate at which education got worse,” suggest Ted Balaker and Sam Staley in The Road More Traveled: Why the Congestion Crisis Matters More Than You Think, and What We Can Do About It.

No sensible American would accept such a plan, yet that is the approach almost every American city has for dealing with traffic congestion. Don’t fix it; simply slow its increase.

Transit No Answer

The book shows this happens because most transportation planners believe “we can’t build our way out of congestion.” The problem, they think, is too much driving, and their solution is to pour money into transit rather than roads. Yet transit accounts for only about 2 percent of urban travel, and its share continues to decline.

Balaker and Staley are a part of the Reason Foundation’s Mobility Project, which is promoting transportation policies and plans that can actually reduce urban congestion. The benefits of such policies would be enormous.

Among other things, Balaker and Staley cite research showing that increasing average commute speeds directly increases worker productivity because it gives employers access to a larger pool of more highly skilled workers.

“Their book debunks numerous myths that infect transportation planning, including myths that transit can relieve congestion; that forcing people to drive less is the solution to air pollution; that roads are paving over America; and that we are running out of oil.”

Myths Debunked

Their book debunks numerous myths that infect transportation planning, including myths that transit can relieve congestion; that forcing people to drive less is the solution to air pollution; that roads are paving over America; and that we are running out of oil.

Most important is the myth that planners actually can reduce the amount of driving people do, when in fact per capita driving is increasing everywhere in the country.

The authors show these myths are promoted by a congestion coalition (whoever thought up that name should receive a medal) that actively opposes any plan to relieve congestion.

This Baptists-and-bootleggers alliance includes groups that actually benefit from congestion: transit agencies, rail contractors, downtown property owners (the “bootleggers”), as well as environmental groups that simply oppose driving (the “Baptists”). This loose coalition dominates transportation planning in many American cities.

Americans have allowed this to happen, the book points out, because highways are a government monopoly. If a cell phone company repeatedly gave us an “all circuits busy” message, we would change to a different provider.

But virtually all U.S. highways are government-run, and this “near uniformity of road service...makes [American consumers] naive. When innovation fades, consumers’ imaginations atrophy. When it comes to roads, customers don’t matter.”

Innovation in Europe

Members of the congestion coalition often point to Europe as a place where governments have invested hundreds of billions of dollars in transit. So it is ironic that Balaker and Staley must go to Europe for examples of innovative solutions to the congestion problem.

Britain, France, and other nations are promoting private construction of roads that are paid for out of tolls. Such public-private partnerships are a key component of Reason’s Mobility Project.

Another component is to allow tolls to vary according to the amount of traffic. Airlines, hotels, and other businesses subject to cyclical demand have long charged more for peak-period usage. With the advent of electronic toll collection systems, such peak-period pricing on highways can guarantee an end to congestion.

Rather than propose that existing freeways be tolled, Balaker and Staley take the less-controversial step of advocating that cities build a new network of high-occupancy-lane (HOT) lanes parallel to existing freeways, an idea first proposed by Reason’s former executive director, Robert Poole.

Such HOT lanes would give free access to buses and other high-occupancy vehicles but would also be open to low-occupancy vehicles willing to pay a toll.

Tampa’s Success

A toll road authority in Tampa recently built three new lanes elevated above an existing highway, paid for exclusively with electronic tolls. The new lanes completely eliminated rush-hour congestion in the highway corridor.

In addition to suggesting expansion of limited-access roads with a HOT-lane network, the authors promote such ideas as improving traffic signal coordination (probably the most cost-effective way of relieving congestion) and converting more two-way streets to one-way complete.

The congestion coalition is actually converting one-way streets back to two-way; and once in Boston I saw a road sign reading, “Signals Timed to Require Frequent Stops.”

Congestion is a problem that can be fixed, and this book shows how. It should be required reading for every transportation planner and urban activist in the country.

Randal O’Toole (rot@ti.org) is senior economist at the Thoreau Institute in Bandon, Oregon.
One and two are where numbers start — not where they end. And in politics, right and left are part of the equation, but not the sum total. That’s why so many people say “right” and “left” fall short of properly defining their politics.

No wonder. A simple line from “left” to “right” isn’t sophisticated enough to include every possible variety of political ideology.

That’s where the World’s Smallest Political Quiz comes in. It’s a better “map” of politics. Answer 10 questions about personal and economic issues, and the Quiz points your political identity on its innovative political “Diamond Chart” that includes liberal, conservative, libertarian, statist, and centrist.

The World’s Smallest Political Quiz has been praised by the Washington Post, and more than 7.8 million people have taken it online. What’s your real political identity? Take the Quiz. For each statement below, circle A for agree, M for maybe/not sure, and D for disagree. Then find your position on the chart.

**How do you stand on PERSONAL issues?**

<table>
<thead>
<tr>
<th>Issue</th>
<th>A</th>
<th>M</th>
<th>D</th>
<th>Points</th>
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<tbody>
<tr>
<td>Government should not censor speech, press, or media.</td>
<td>A</td>
<td>D</td>
<td>M</td>
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<tr>
<td>Military service should be voluntary.</td>
<td>A</td>
<td>D</td>
<td>M</td>
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<td>There should be no laws regarding sex between consenting adults.</td>
<td>A</td>
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<td>There should be no draft.</td>
<td>A</td>
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<tr>
<td>Religion and Liberty</td>
<td>A</td>
<td>D</td>
<td>M</td>
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</table>

**Personal Scoring:** Take 20 for every A, 10 for every M, and 0 for every D.

**How do you stand on ECONOMIC issues?**

<table>
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<th>Issue</th>
<th>A</th>
<th>M</th>
<th>D</th>
<th>Points</th>
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<tbody>
<tr>
<td>Government should not own banks, utilities, or transportation.</td>
<td>A</td>
<td>D</td>
<td>M</td>
<td></td>
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<tr>
<td>Government should reduce barriers to international free trade.</td>
<td>A</td>
<td>D</td>
<td>M</td>
<td></td>
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<td>Let people control their own retirement: privatize Social Security.</td>
<td>A</td>
<td>D</td>
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<tr>
<td>There should be no welfare to adult possession and use of drugs.</td>
<td>A</td>
<td>D</td>
<td>M</td>
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<tr>
<td>There should be no National ID card.</td>
<td>A</td>
<td>D</td>
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**Economic Scoring:** Take 20 for every A, 10 for every M, and 0 for every D.

**Find Your Place on the Chart**

In every stripe of the chart’s economic score on the lower right. Follow the grid lines until you meet at your political position. The chart shows the political groupings known as: LIBERALS tend to value personal freedom, CONSERVATIVES tend to value economic freedom.

**TO LEARN MORE ABOUT THE QUIZ, VISIT:** www.TheAdvocates.org

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HAS YOUR STATE REDUCED ITS WELFARE ROLLS BY 86%?

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Author Gary MacDougal spent years working in Illinois inner cities and rural communities—talking with “ladies in the backyard,” befriending community leaders, and working with local organizations in his quest to find solutions that have long eluded academic researchers and politicians. As chairman of the Governor’s Task Force on Human Services Reform, MacDougal was the catalyst for the complete overhaul of the state’s welfare system, which included the largest reorganization of state government since 1900.

Eight years after MacDougal’s suggestions were implemented, Illinois now stands well ahead of California, New York, and other big-city states, with a spectacular 86 percent reduction in the welfare rolls since reform implementation in 1996, second only to Wyoming among all 50 states. The welfare rolls in Chicago’s Cook County have been reduced an amazing 85 percent, with studies showing that most who left the rolls are working, and at pay above minimum wage.

MacDougal’s extraordinary journey shows the way for the rest of the nation and proves there are ways we can all help provide a ladder of opportunity for those in poverty. We each can *Make a Difference* in the ongoing effort to end America’s poverty problem.