Budget & Tax News

$8.6 Billion Tax Hike Plan Comes Under Fire in Illinois

By Steve Stanek

By a 107-0 vote, Illinois state representatives sent a resounding message of disapproval to Gov. Rod Blagojevich (D), rejecting his plan to impose a tax on business gross receipts that would purportedly bring in more than $7 billion a year.

The May 10 vote was called by House Speaker Michael Madigan (D-Chicago) on a resolution asking members if they backed the governor’s proposal.

Though the vote was nonbinding, it sent a powerful message that state lawmakers will not allow Blagojevich to move ahead with the proposed $8.6 billion tax increase. Blagojevich’s finance director, Tim Geoghegan, said that with the vote, “the public finance reform process is now at an end.”

House unanimously rejects governor’s gross receipts tax

Ky. Candidates Debate Ideas for More Gambling

By Jim Waters

Proposals to expand gambling at Kentucky’s famous horse racing tracks became the talk of the just-completed gubernatorial primary.

Five of the six Democratic candidates expressed strong support for placing on the ballot a tax on business gross receipts that would purportedly bring more than $7 billion a year.

Tax Hikes Are ‘Off the Table’ In California

By Sandra Fabry

All 15 Republican members of the California Senate and all but one of the 32 Republican members of the California Assembly have joined state Sen. Tom McClintock (R-Thousand Oaks) and oppose proposed tax hikes.

Tax Code Complexity Is Growing

By Pete Sepp

Americans who struggled to finish their tax returns in April needed more than a little aspirin and a lot of luck to cope with new filing burdens and increased costs, according to the nonpartisan National Taxpayers Union’s annual study of tax law complexity trends.

Taxpayers using any of the 1040 tax form series spent an average of 24.2 hours and $207 completing their returns this year, up from 23.3 hours and $179 three years ago.

“The federal income tax system has become so complex that no one outside or even inside the Internal Revenue Service understands it,” said NTU Executive Director Peter Schmidt.

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Unions Throw Weight into New Chicago City Council

By John W. Skorburg

Union-backed candidates won five seats on the Chicago City Council in the April run-off election, and local unions vowed to press their agenda there.

Unions had targeted seven incumbents for defeat in retaliation for their votes to uphold a mayoral veto of an ordinance that would have required high-value retailers such as Wal-Mart to pay $11.50 an hour in wages and health benefits.

Several other longtime council members had to work unusually hard for reelection against union-backed opponents.

The Chicago City Council consists of 50 aldermen, one representing each city ward. When no candidate receives at least 50 percent of the vote in a field of three or more candidates, the top two finishers face off in a runoff.

“Union-backed candidates won five seats on the Chicago City Council in the April run-off election, and local unions vowed to press their agenda there.”

Veto Stirred Unions

Against the wishes of Mayor Richard M. Daley (D), the city council in July 2006 voted 35-14 in favor of the wage and benefits ordinance. Daley issued his veto September 11 and said in his veto statement, “I understand and share a desire to ensure that everyone who works in the city of Chicago earns a decent wage. But I do not believe that this ordinance, well intentioned as it may be, would achieve that end. Rather, I believe it would drive jobs and businesses from our city, penalizing neighborhoods that need additional economic activity the most.”

It was the first veto in Daley’s 17 years as mayor. Two days later the City Council sustained the veto, failing three votes short of the minimum needed to override it.

Union groups had strongly supported the ordinance and began organizing opposition to selected aldermen who stood with Daley.

At a news conference immediately after the election, Daley said the vote to sustain his veto of the ordinance was not the main issue.

“The people spoke, and there are other issues,” Daley told reporters. “No one [group] gets all the glory, and if you think so, you are mistaken.”

Alderman Joe Moore (D), a favorite of labor and original sponsor of the “big-box” ordinance, survived his runoff election against Chamber of Commerce-backed candidate Don Gordon. Moore also sponsored the highly controversial foie gras ban now in effect in all Chicago restaurants.

Leader Makes Promises, Threats

Members of the Service Employees International Union (SEIU) staffed phone banks and went door-to-door in Chicago neighborhoods to work for their chosen candidates.

Union-backed winners included a bakery employee at a Chicago Jewel grocery store and member of the United Food and Commercial Workers Union; a former American Federation of State, County and Municipal Employees member and recent director of a community development corporation; and the wife of U.S. Rep. Jesse Jackson Jr. (D-Chicago).

Union officials said they plan to use the election to resurrect the minimum wage issue and other union-backed initiatives.

“This isn’t a one-time deal,” said Dennis Gannon, president of the Chicago Federation of Labor. “We’re going to be involved in aldermanic politics forever and ever. We’re not going to walk away from our friends. We’re not going to forget our enemies.”

John W. Skorburg (skorburg@heartland.org) is a visiting lecturer in economics at the University of Illinois at Chicago and associate editor of Budget & Tax News.

Tell Me What You Think!

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States See the Need for Spending Transparency

By Sandra Fabry

This spring several states either passed or went to the verge of passing legislation that would mandate the creation of comprehensive databases detailing government expenditures in a clear and consistent format accessible to all taxpayers. Other states are just gearing up or are already drafting legislation for next year.

Oklahoma became the first state to legislate spending transparency, inspired by federal spending transparency efforts led by a favorite son, U.S. Sen. Tom Coburn (R-OK). Coburn was joined by Sen. Barack Obama (D-IL) in taking the lead on the Federal Funding Accountability and Transparency Act, which passed last year and mandates the creation of a Web-based database for federal grants and contracts.

“[S]everal states either passed or went to the verge of passing legislation that would mandate the creation of comprehensive databases detailing government expenditures in a clear and consistent format accessible to all taxpayers.”

Unanimous Support in Oklahoma

Oklahoma state Sens. Randy Brogdon (R-Owasso) and Jay Paul Gumm (D-Durant) introduced legislation February 5 mandating the creation of a state spending Web site.

The Taxpayer Transparency Act passed both legislative chambers unanimously, in the Senate on March 1 and in the House on April 10. To be able to make minor technical corrections, the Senate rejected amendments to the House bill, and a conference was requested. The bill was in conference at press time, but observers say the legislation will be passed and signed by Gov. Brad Henry (D) in the next few weeks.

Brandon Dutcher, vice president for policy at the Oklahoma Council on Public Affairs, who had joined Coburn to build the case for transparency in Oklahoma, explained the relevance of the issue. “Dr. Coburn and I made the argument last year that as conservatives, we favor low taxes, limited government, and spending limitations. Many of the people and organizations who fight for bigger government do so because, you guessed it, they receive taxpayer dollars.

“Those who take the king’s shilling do the king’s bidding. Taxpayers deserve to know who they are,” Dutcher continued.

Kansas Measure Passes

While the budget Gov. Kathleen Sebelius (D) of Kansas signed in April spends $526 million more than anticipated revenues, state Sen. Tim Huelskamp (R-Fowler) and state Rep. Kasha Kelley (R-Arkansas City) succeeded in getting attached to the budget Kelley’s “Taxpayer Transparency Act” (see “Other States Take Up Transparency Measures,” Budget & Tax News, June 2007).

Huelskamp said it was not an easy fight. Senate President Steve Morris (R-Hugoton) referred the bill to two different committees on February 28, and the issue was never allowed a hearing in the session in which it passed.

“I was not ready to see this critical issue of government accountability die,” Huelskamp said. “So when the state budget was being debated on the Senate floor, I offered an amendment requiring the implementation of the Taxpayer Transparency Act. By a narrow margin the amendment was successful and is now part of the Kansas budget.

“It is government by and of the people—so why shouldn’t they know exactly how their money is being spent?” Huelskamp continued.

Hawaii’s Law Limited

Hawaii also has passed legislation mandating the creation of an online government expenditure database. The legislation passed easily but is more limited than the Kansas law. For example, the Hawaii version includes a $25,000 threshold for disclosure.

“We would have liked to see them drop or even eliminate the disclosure threshold, but this bill is certainly an important step in the right direction,” said Grover Norquist, president of Americans for Tax Reform.

Texas is likely this year to join Kansas, Hawaii, and Oklahoma in passing comprehensive spending transparency legislation.

Three bills by state Reps. Brian Hughes (R-Mineola), Ken Paxton (R-McKinney), and Corbin VanArsdale (R-Houston), each of which focused on a different aspect of spending transparency, were rolled into state Rep. Mark Strama’s (D-Austin) House Bill 3430. It passed the House unanimously at the end of April and is currently moving through the Senate.

“[Oklahoma’s] Taxpayer Transparency Act passed both legislative chambers unanimously ... [and] observers say the legislation will be ... signed by Gov. Brad Henry in the next few weeks.”

“Direct citizen access to information has already created a powerful additional check and balance on government and the media,” Strama said in an April 27 press statement.

Strama added, “With HB 3430, citizens will be able to conduct their own research and hold government accountable in ways that were not possible before.”

Bipartisan Support Everywhere

Virtually all measures to this effect across the country enjoy broad bipartisan support.

Alan Cobb, state director of Americans for Prosperity in Kansas, who pushed for and testified in favor of Kelley’s bill, explained why.

“Anybody, no matter right or left, wants responsible and effective and responsive government, and this will certainly help that,” Cobb said. “Nobody wants the government to be hiding things, and this is certainly not a ‘conservatives only’ issue by any means.”

“Those who take the king’s shilling do the king’s bidding. Taxpayers deserve to know who they are.”

Brandon Dutcher

VICE PRESIDENT FOR POLICY

OKLAHOMA COUNCIL ON PUBLIC AFFAIRS

‘Next New Big Thing’

“Next big thing...will transform America,” Norquist said.

I believe the next new big thing has arrived. This spending transparency movement has the potential of changing the way government is run once and for all—and for the better.

“We look forward to continuing to work with state legislators, governors, state constitutional officers, and activists on this important issue,” Norquist said.

Brogdon urges his peers around the country to join Oklahoma and the other states in passing this type of legislation.

“I would encourage every state legislature to pass a sunshine taxpayer transparency bill,” Brogdon said. “I was amazed at the overwhelming support from so many diverse groups. My greatest lesson learned was, they can’t say yes unless you ask. Ask the taxpayers if they are happy with the way government is run, and you will find the answer is no.”

Sandra Fabry (sfabry@atr.org) is state government affairs manager for Americans for Tax Reform.
Michigan Governor Opposes Privatization, Wants More Tax Money

By Kenneth M. Braun

Just before proposing the largest budget in the history of the state—and a new service excise tax of almost $1.5 billion to pay for it—Michigan Gov. Jennifer Granholm (D) wrote a letter to state employees:

“It is a bitter irony that many of the critics who say we aren’t doing enough are the same ones to suggest we can continue to make cuts,” Granholm wrote in her February letter. “They are wrong. If we are to maintain our standing as one of the best-run states in the nation, then a funded, effective, and committed team of public servants is absolutely essential.”

The governor’s remarks were made as part of a campaign to convince the public the state government has been “cut to the bone.” In fact, it’s barely been scratched, and many opportunities to realize huge savings have been ignored. Among these is the option to pay someone besides government employees to do the work.

For example, the corrections budget accounts for about 30 percent of all state government workers. Private prisons save money in other states, but they have never housed more than 1 percent of Michigan’s inmates.

Private Prisons Save Money

The Rio Grande Foundation in New Mexico examined that state’s prisons in 2001. Its 2003 report, “The Pros of Privately-Housed Cons: New Evidence on the Cost Savings of Private Prisons,” found private guards were watching more than 45 percent of the inmates.

“Just before proposing the largest budget in the history of the state ... Michigan Gov. Jennifer Granholm [tried] to convince the public the state government has been ‘cut to the bone.’”

New Mexico’s annual cost per prisoner was 32 percent lower than the national median and $9,600 per prisoner less than in states with no prison privatization.

Numerous other studies have demonstrated that prison privatization nets savings of 5 to 15 percent. Nearly $1.3 billion has been appropriated for Michigan’s prison facility operations in 2007. Cutting that figure by just 5 percent through competitive contracting would save more than $63 million annually, before a single felon is released under a plan proposed by the governor.

In addition, private prisons would pay taxes, like all other businesses, rather than spend them.

Outsourcing can also yield significant savings when a service is shifted to a less-costly level of government. When the city of Mount Clemens closed its 118-year-old police department and hired the Macomb County Sheriff’s Office to do the work in 2005, the city realized annual savings of 38 percent, or about $1.4 million.

Sheriffs Patrol for Less

Likewise, the yearly cost of policing the state’s highways could be reduced by more than $60 million by switching state police patrol duties to local sheriffs’ deputies, according to “County Police Can Patrol Highways for Less,” a 2003 analysis by Jack McHugh, a legislative analyst at the Mackinac Center for Public Policy.

Motorists would scarcely notice the color of the highway patrol’s uniforms had changed, the report noted; only the state employees union would. The state police troopers union recently denounced this idea as “foolish” and predicted it would be “extremely unpopular” with voters.

Studies also show public school districts should contract out costly non-instructional services, including transportation, food service, and custodial work. The decision by the Jackson Public Schools in September 2006 to switch to a private custodial company is expected to save the district nearly $200 per pupil each year. (See also “Chicago-Area School District Privatizes Student Bus Service,” Budget & Tax News, June 2007.)

Custodial Outsourcing Cuts Costs

Mackinac Center research shows savings from custodial outsourcing ranges between $100 and $200 per pupil for other schools that have taken this step, but only 63 of 552 Michigan school districts now report doing so.

Cutting annual non-instructional costs by just $150 per pupil at all public schools would save Michigan $255 million per year. Why wouldn’t one of the “best-run states in the nation” encourage—indeed, demand—this reform? Part

In Other Words

“We have come to the conclusion that the crisis Michigan faces is not a shortage of revenue, but an excess of idiocy. Facing a budget deficit that has passed the $1 billion mark, House Democrats Thursday [April 5] offered a spending plan that would buy an MP3 player or iPod for every school child in Michigan.

“No cost estimate was attached to their hare-brained idea to ‘invest’ in education. Details, we are promised, will follow.

“The Democrats, led by their increasingly erratic speaker Andy Dillon of Redford Township, also pledge $100 million to make better downtowns.

“Their plan goes beyond cluelessness. Democrats are either entirely indifferent to the idea that extreme hard times demand extreme belt tightening, or they are bone stupid. We lean toward the latter.”

Detroit Press
House Editorial
April 6, 2007

INTERNET INFO


Gross Receipts Tax Slammed Before Illinois Lawmakers

On May 9 the Illinois House of Representatives convened a rare “Committee of the Whole” meeting to discuss a proposal by Gov. Rod Blagojevich (D) to raise taxes more than $8 billion, most of it through a tax on business gross receipts. The governor’s proposed tax hike would be three times larger than the next-largest tax increase in any state in the past decade and possibly the largest state tax increase ever, according to the Washington, DC-based Tax Foundation.

Trevor R. Martin, director of government relations at The Heartland Institute, testified before the lawmakers. Here are his remarks.

By Trevor R. Martin

Mr. Speaker, Chairman Bradley, thank you for allowing me the opportunity to appear before you today.

The Heartland Institute is a 23-year-old nonprofit research and education organization based in Chicago. My testimony is based on research conducted by the Heartland Institute in its mission to discover, develop, and promote free-market solutions to social and economic problems. The opinions in this testimony are my own.

This panel representing distinguished organizations from across Illinois has been invited to spend time today speaking about a tax plan that will take more than $8 billion from businesses, and ultimately from families and consumers. The plan includes a gross receipts tax and is being put forth by Governor Blagojevich.

CONTINUED at right

Illinois

Continued from page 1

ich’s plan to advance. The governor’s plan also calls for a $1.3 billion payroll tax on businesses that do not provide health insurance coverage to employees, for a total tax hike of $8.6 billion.

Blagojevich has spent two months touring the state, holding rallies, and broadcasting television commercials in which he called his tax scheme a “tax fairness” plan. He regularly demonized businesses by accusing them of putting their tax burdens on the backs of working families. He even evoked the rhetoric of fundamentalist preachers in claiming to be “on the side of the Lord” in trying to impose the largest tax hike in state history.

Speaker Sees ‘Regressive Tax’

Moments before the vote on the resolution, Madigan made his position clear, calling the governor’s proposal a “recessive tax” that ultimately would be paid by consumers and workers.

That is exactly the message a long line of experts have been sending for weeks, and that was delivered loud and clear one day before the vote on the resolution during a rare meeting of the House as a committee of the whole to hear testimony on the tax proposal.

Blagojevich addressed the lawmakers for two hours but apparently could not persuade any of them to support him, even though the General Assembly is dominated by fellow Democrats. Not even Lt. Gov. Patrick Quinn, also a Democrat, backed the governor.

Quinn testified, “It’s a consumer tax. The little guy will end up paying.” He drew laughs when he quoted Benjamin Franklin’s famous dictum that the only sure things in life are death and taxes and then said, “Franklin didn’t say we should be taxed to death.”

Legislators Applaud Opposition

Trevor Martin, director of government relations at The Heartland Institute, also addressed lawmakers and drew applause, mainly from the Republican side of the aisle, when he said runaway spending and unfunded promises motivate terrible ideas like the proposed tax hike. (See Martin’s testimony, this page.)

Martin drew head shakes and grumbles of assent from lawmakers when he ended his presentation by reiterating the spending problem, saying:

“Nearly everyone has recognized the problem, including Governor Blagojevich himself when he famously accused you, Illinois lawmakers, of spending money like ‘drunken sailors.’ The governor wants additional revenue for more spending proposals and more promises—and to get there, he is asking you to support his proposal to implement a fundamentally unfair and regressive tax system.

“It’s time for everyone, including the governor, to sober up,” Martin said.

Governor Insistent

In his testimony, Blagojevich promised he “would do everything in my power” to pass the tax plan. “If it means we are here all summer, I am determined to do that.”

Some lawmakers have been pushing a substitute plan to hike the state income tax from 3 to 5 percent and use some of the money for property tax relief, but Blagojevich forcefully declared his opposition to any hike in the state’s income or sales taxes.

“I will not raise taxes on people,” Blagojevich said. “I won’t do it tomorrow. I won’t do it the next week, next month, next year. I believe it’s wrong, and this is not an issue I’m prepared to horse trade.”

But Martin and others who opposed the governor’s plan, including professional economists, explained businesses would pass on the costs of a gross receipts tax by raising prices, lowering wages and benefits, reducing hiring, laying off existing workers, or doing a combination of these things.

Nation’s Largest Tax Hike

The Blagojevich tax hike would be three times larger than any tax increase anywhere in the United States in the past decade, and possibly the largest state tax increase in history, according to the Washington, DC-based Tax Foundation.

If approved, the additional $8.6 billion in taxes would represent an increase of 30 percent in the Illinois state government’s annual operating revenues of $28.4 billion.

The Blagojevich plan has strong support from labor and government unions, including those representing public school teachers.

‘Bold Action’: Union Leader

“Now is the time for bold action,” said Ken Swanson, president of the Illinois Education Association, to lawmakers.

Blagojevich has promised to use the additional money to expand subsidized health care to 1.4 million state residents and send $10 billion more to public schools over the next four years.

His press office boasts in an official statement the education funding increase would be “three times bigger than any increase in state history.”

Steve Stanek (stanek@heartland.org) is a research fellow of The Heartland Institute and managing editor of Budget & Tax News.
CONTINUED from left

Spending Is Culprit
Before detailing why the plan is such a bad idea, I feel the need to mention what motivates ideas like this—it’s increased spending. If it weren’t for existing commitments, not to mention huge new spending proposals, there would be no talk of raising taxes by billions of dollars. Universal preschool, socialized health care, subsidized prescription drugs—the list of unfunded promises keeps getting added to, while the state can barely manage its existing obligations.

Now I’ll briefly discuss the governor’s gross receipts tax proposal.
Gross receipts taxes apply to all transactions, including business-to-business purchases of supplies, raw materials, and equipment. Under other corporate tax systems, these expenses can be deducted—but not under a gross receipts tax system. A gross receipts tax is simply a tax on doing business—not on profits, but just on doing business.
So Illinois will become a state that taxes business simply for the privilege of locating within the state. Is this the image we want to project?
Applying the tax to all transactions creates what is known as “tax pyramiding,” or the layering of taxes at each stage of production, which results in higher costs and hidden taxes.

Workers, Consumers Share Burden
Don’t get me wrong. I am not here to defend “big business.” I’m not even here to defend “little business.” But I am here to defend the state’s workers and consumers.
Gross receipts taxes get passed along to consumers and workers because businesses end up charging their customers more, or reducing workers’ wages and benefits, or hiring fewer workers, or laying off existing workers, or doing a combination of these things.
I am especially here to defend low- and middle-income families in Illinois, because they would pay the highest percentage of their income in gross receipts taxes—taxes they have no way to calculate because they are hidden, buried in the final price of goods and services they buy.

“If it weren’t for existing commitments, not to mention huge new spending proposals, there would be no talk of raising taxes by billions of dollars.”

Yes, businesses suffer heavily from this pyramid effect as well. Manufacturers that buy component parts from outside suppliers would be at a disadvantage compared to companies that make their own parts or to companies based in states without a gross receipts tax. Furthermore, firms with low margins—like start-ups, small retailers, and restaurateurs—pay a far higher effective tax rate than do firms with high profit margins.
Because the tax applies to gross receipts, not net, even a firm that loses money must pay it. Two firms in the same town can end up paying radically different effective tax rates, depending on profit margins.

New Spending Untenable
The gross receipts tax is unfair, and the governor’s tax plan is not the right approach to restoring fiscal stability in Illinois. A “new tax,” a “tax swap,” or tinkering with tax rates will not solve our state’s fundamental problem: uncontrolled spending.
Nearly everyone has recognized the problem, including Governor Blagojevich himself when he famously accused you, Illinois lawmakers, of spending money like “drunken sailors.”

The governor wants additional revenue for more spending proposals and more promises—and to get there, he is asking you to support his proposal to implement a fundamentally unfair and regressive tax system. It’s time for everyone, including the governor, to sober up.

Karl Peterjohn is executive director of The Kansas Taxpayers Network.

Kansas Hikes Spending, Cuts Business Taxes

“One hundred sixty-six drunken sailors would have done better than Governor Sebelius and her Legislature. In my 11 years in the Legislature, 2007 certainly qualifies as the most expensive session in state history.”

TIM HUELSKAMP (right)
STATE SENATOR
FOWLER, KANSAS

By Karl Peterjohn

Kansas legislators approved a 10 percent spending hike and targeted tax cuts as their legislative session ended May 2. This is the second year spending growth has been close to $500 million in the state’s general fund, and general fund spending passes the $6 billion mark for the first time.

Kansas legislators are in the second year of a three-year mandate from the Kansas Supreme Court to increase state school spending by $852 million. This year’s increase totaled $194 million. Kansas started the 2007 fiscal year with a $734 million cash balance.

State Sen. Tim Huelskamp (R-Fowler) criticized the spending growth by comparing legislators and Gov. Kathleen Sebelius (D) to drunken sailors.

“One hundred sixty-six drunken sailors would have done better than Governor Sebelius and her Legislature,” Huelskamp said. He noted lawmakers approved spending $500 million more than projected revenues. “In my 11 years in the Legislature, 2007 certainly qualifies as the most expensive session in state history.”

Business Tax Cuts
On the plus side for taxpayers, sizable business tax cuts were enacted, enabled in part by drawing down the surplus in the unemployment insurance tax fund by $175 million during the next two years. The bill reduces unemployment insurance taxes in Kansas by at least 40 percent, with larger reductions for some employers.

About $35 million in additional tax cuts were also enacted. The state is starting to phase out the business franchise tax and raise the initial threshold on this net asset tax from $100,000 to $1 million.

Some Subtle Increases
In addition, some Social Security payments will be exempted from the Kansas personal income tax.
Currently, government pensions are tax exempt in Kansas, but private pensions and Social Security payments are taxable. The threshold for the Social Security tax break for 2007 will be $50,000, rising to $75,000 next year.
A small increase in the state’s homestead exemption and a larger rise in the earned income tax credit were also added.

“Kansas businesses have been growing and creating jobs, and we want to continue that progress,” Sebelius told reporters. Because of that growth, state revenues have been growing, as have state financial reserves.

Concerns Over Spending
“Based upon listening to our members ... they seem to be pleased” with the 2007 session, said Cliff Sones, president of the Wichita Independent Business Association.

However, Sones said he was worried about the spending growth. So did his Topeka Independent Business Association counterpart, Ken Daniels, who warned on his Web site (http://www.kssmallbiz.com), “You simply can’t sustain spending in excess of personal income. Some day we will need to pay the piper.”

Daniels said that despite the spending growth there were some good steps taken this year to improve the Sunflower State’s fiscal climate.

Karl Peterjohn (kpeterjohn@prodigy.net) is executive director of the Kansas Taxpayers Network.

Trevor R. Martin (tmartin@heartland.org) is director of government relations for The Heartland Institute.
Telecom Taxes Are Unduly Harsh, Regressive: Study

By Steven Titch

Taxes and fees imposed on cable TV and phone services in 59 U.S. cities cost the average household approximately $264 a year, according to a new report from a team of researchers at The Heartland Institute and Beacon Hill Institute at Suffolk University.

On average, communication services are taxed at 13.32 percent, twice the average rate of other products, the study found.

The heavy taxes impose a major burden on consumers, particularly on low-income households. Taxes and fees also vary considerably from state to state and depending on the technology used to deliver otherwise-similar services.

“Telephone and cable companies remain easy targets for taxation because nearly everyone is a customer and because the companies bill their customers every month,” said Paul Bachman, director of research at the Beacon Hill Institute and a coauthor of Heartland Policy Study No. 113, “Taxes and Fees on Communication Services,” released in April. “Furthemore, these taxes and fees have morphed into sources of revenue for the general fund and support programs, benefiting small but highly leveraged interest groups as well as federal programs such as the federal Universal Service Fund [USF].”

“Taxes and fees imposed on cable TV and phone services in 59 U.S. cities cost the average household approximately $264 a year ...”

$41 Billion Price Tag

Taxes and fees on communication services nationally add up to nearly $41 billion a year, the report found. Such taxes are highly regressive: Families in the lowest quintile of earnings pay 10 times as much as families in the highest quintile, as a percentage of their income.

Communication taxes also vary dramatically from city to city, with consumers in some cities paying more than three times as much as those in others, the report finds. In some cities, taxes on wireline telephone service are even higher than those on beer, liquor, and tobacco.

According to the report, economists estimate the value of services lost due to high taxes and fees on communication services represent a “deadweight loss” to society of $11.4 billion a year.

“Taxes on long-distance and wireless create big hidden costs for our economy, because consumers use a lot less of these services when the price goes up,” explained Jerry Ellig, senior research fellow at the Mercatus Center at George Mason University in Arlington, Virginia. “The hidden cost, or ‘deadweight loss,’ of taxes on long-distance and wireless is between 45 and 70 cents per dollar raised—far more than the cost of more broad-based taxes.”

“While the technological hurdles that once limited competition in telecommunications services have been overcome, policymakers have not reduced the high tax rates that are a legacy of the monopoly era,” Bachman noted.

Wide Disparities in Rates

The report spotlights the dramatic difference between tax rates when consumers use different technology for the same services.

“A typical phone call placed with a wireline phone is taxed at 17.23 percent, while a call placed over a cell phone and billed at the same rate is taxed at 11.61 percent. If placed using a Voice over Internet Protocol (VoIP) service like Vonage, or the ‘digital phone’ services increasingly offered by cable companies, the call in most states isn’t taxed at all,” the report observes.

Similarly, “A typical pay-per-view movie ordered through a cable TV box is taxed at 11.69 percent, while the same movie downloaded over the Internet using a service such as Vongo is not taxed. The new video services being offered by wireline phone companies will probably be taxed at 5 or 6 percent,” the report continues.

“Time spent on the Internet using a broadband connection is not taxed, except in the eight states with grandfathered taxes, but the same amount of time spent on the Internet using a wireline dial-up connection is taxed as heavily as a wireline phone call—17.23 percent,” the report notes.

The problem is getting worse. “The seeming absurdity of the current tax regime is growing worse over time as people increasingly watch videos over their cell phones, place calls using their cable modems, and connect with the Internet with devices ranging from personal computers to cell phones to iPods,” the authors write.

Calls for Reform

The report offers recommendations for reform at the federal, state, and local levels. It suggests Congress could adopt legislation prohibiting discriminatory sales, use, or business taxes on communication services and reform the Universal Service Fund.

The report suggests states can replace, reform, or eliminate video franchise laws, following the example of states such as Texas, which in August 2005 became the first state to pass legislation creating statewide franchising.

On the local level, the report recommends video franchise fees be brought in line with the actual opportunity cost incurred by a business’s use of the public right-of-way, and that non-price concessions required of video franchise operators—such as demands that cable companies fund parking lots, swimming pools, and other projects unrelated to video service—be reduced or eliminated.

In March, the FCC issued an order requiring local governments to decide on video franchise applications within 90 days and prohibiting build-out requirements and other nonprice concessions that may block or delay entry by competitors.

“The hidden cost, or ‘deadweight loss,’ of taxes on long-distance and wireless is between 45 and 70 cents per dollar raised—far more than the cost of more broad-based taxes.”

Steven Titch (titch@heartland.org) is senior fellow for IT and telecom policy at The Heartland Institute, managing editor of IT&T News, and coauthor of “Taxes and Fees on Communication Services.”
Maine Government Pay Outstrips Private Sector

By Steve Stanek

In Maine, government employees receive substantially more compensation than private-sector workers, according to a new study published by The Maine Heritage Policy Center.

“The Government Gravy Train: An Analysis of Private versus Public Sector Compensation,” released April 17, was written by J. Scott Moody, the organization’s vice president of policy and chief economist, and Jason A. Fortin, its director of communications.

Using data published by the Bureau of Economic Analysis of the U.S. Department of Commerce, Moody and Fortin compared compensation levels in Maine between calendar year 1969 and 2005 for private-sector employees and both state and local government employees (the “public sector”).

“In Maine, government employees receive substantially more compensation than private-sector workers ...”

Employment compensation has two components. The first part is the wage or salary paid to the employee for services rendered. The second part is benefits—commonly health insurance, retirement, etc.—which are paid in addition to a wage or salary.

Private vs. Public

“This report reveals that in Maine it pays to work for the government,” said Fortin. “Government employees earn equal salaries and wages [when compared with their private-sector counterparts], but receive substantially richer benefits.”

The analysis revealed that in 2005, public-sector employees on average received 12.6 percent higher overall compensation than private-sector employees—$43,487 versus $38,617.

“The large disparity in compensation levels is disturbing on several levels,” added Moody, “but none more than the fact that these relatively well-paid government positions are funded by private-sector employees who are paid much less.”

The report also revealed compensation varies significantly between state government workers and local government workers. The average state position was compensated at $51,003 per year, while the average local position was paid $40,268. In both cases, compensation exceeded the private sector.

Impact of Benefits

“Clearly, the rich benefits being paid to government employees are driving the enormous gap,” said Fortin. “Government employees receive benefits packages that are nearly two times more than someone working for a private company.”

In 2005 in Maine, the report notes, public-sector wages and salaries were 1.2 percent lower than the private sector, or $31,428 versus $31,812. But the average benefits package in Maine for the public sector was 77.2 percent higher than in the private sector—$12,059 versus $6,805. That ratio was the fourth highest in the nation.

Tax Implications

The report calculated the potential tax implications if in 2005 the ratio of private- to public-sector compensation had been reduced to the national average. Such a reduction would have shrunk the compensation gap to 1 percent from 12.6 percent. The potential tax savings would have been up to $392.2 million.

“If Maine policymakers are serious about lowering taxes, they must look at bloated benefits packages and higher salaries paid to government employees,” said Moody. “Simply reducing government compensation to the U.S. average would save taxpayers hundreds of millions of dollars. And even at the U.S. average, these employees would be earning more than private-sector employees.”

Lawmaker, Taxpayer React

When presented the findings of the report, state Rep. Richard Cebra (R-Naples) was surprised by the size of the benefits difference between the public and private sectors.

“It is common at the State House to hear of anecdotal evidence that the compensation gap exists, but to see the difference quantified is quite telling,” Cebra said. “This new evidence will definitely lead to a more honest budget debate about government pay levels and the high tax burden in Maine.”

Mary Adams, a long-time citizen activist and leader of a citizens’ initiative referendum last year that would have enacted a Taxpayer Bill of Rights tax and expenditure limitation, was not as surprised about the report’s results.

“This report reveals that in Maine it pays to work for the government. Government employees earn equal salaries and wages [when compared with their private-sector counterparts], but receive substantially richer benefits.”

JASON A. FORTIN
DIRECTOR OF COMMUNICATIONS
THE MAINE HERITAGE POLICY CENTER

“The findings in the report are expected,” said Adams. “Maine has one of the nation’s most oppressive tax burdens, a burden that is driven by excessive spending. Government employee benefits are clearly one of the drivers of Maine’s high tax burden.

“There is no question that the state employee union’s ardent opposition of the Taxpayer Bill of Rights referendum can be attributed to the desire to protect their rich benefits,” Adams said.

Steve Stanek (stanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of Budget & Tax News.
Profile in Civic Commitment: Michael Dunmire

By Amber Gunn

In November 2005, Washington State voters restored the state auditor’s authority to conduct independent performance audits of state and local government. Lawmakers in the 1960s had removed that authority after a performance audit documented waste and abuse in the executive and legislative branches of state government.

In a state of almost six million people, one man was pivotal in the voters’ approval of the 2005 good-government initiative. Michael Dunmire, an investment fund manager, spent hundreds of thousands of dollars of his own money to promote Initiative 900, which dedicates 0.16 percent of the state’s sales tax revenue for the state auditor to conduct performance audits.

“Michael Dunmire, an investment fund manager, spent hundreds of thousands of dollars of his own money to promote Initiative 900, which dedicates 0.16 percent of the state’s sales tax revenue for the state auditor to conduct performance audits.”

Last year Dunmire bankrolled Initiative 917, a measure to limit motor vehicle registration fees to $30 a year, which just missed qualifying for the ballot. Both I-900 and I-917 were sponsored by perennial initiative promoter Tim Eyman.

‘Doer, Not a Talker’

“Mike Dunmire is a friend and a mentor. He’s a doer, not a talker, who views his initiative donations as an extension of his other philanthropic projects,” said Eyman. “Taxpayers will benefit for decades from his instrumental support for I-900’s performance audits, which have become a national model. His commitment to providing voters with a greater voice in their government is truly inspirational.”

Dunmire said his support of performance audits “was a way for me to give back to the [citizens of the state] some of the success I have enjoyed.”

State Auditor Brian Sonntag is thrilled by the authority granted by I-900. “Citizens expect openness and transparency from their government,” Sonntag said. “They deserve this level of accountability.”

Decade of Work

The passage of I-900 was the culmination of more than a decade of effort by the state auditor and other concerned citizens and groups advocating more transparent and efficient government. When asked whether he still believes groups that would like to eliminate the direct voice of taxpayers.

‘People’s Only Voice’

“The initiative process is the people’s only voice in the state and important to protect,” Dunmire said. “Washington State is full of politicians conveying favors [rather than going about] the people’s business. Legislators spend anordinate amount of energy to destroy the initiative process under the guise of making it better.”

Dunmire said the initiatives he has supported identify and address what he considers major problems for the state: “unfettered spending, lack of transparency, and lack of accountability.” He believes initiatives represent democracy at its best.

Supporting initiatives that benefit the citizens of Washington State is one of the ways Dunmire enjoys making a difference.

“Probably my biggest passion is being creative and solving issues using a unique approach to get better results, whether I manage a group of 10 employees or as many as 600,” Dunmire said.

“Thanks to the civic commitment of individuals like Mr. Dunmire, Washington State finally has meaningful performance audit authority for the state auditor,” said Jason Mercier, director of the Evergreen Freedom Foundation’s Economic Policy Center. “If more Washingtonians follow Dunmire’s lead, state officials will pay closer attention to the demands for an accountable and transparent government.”

Amber Gunn (agunn@effwa.org) is a policy analyst for the Evergreen Freedom Foundation’s Economic Policy Center.
Beyond Charity: Organization Mobilizes Churches for Employment Outreach

By Amber Gunn

A pastor and a building contractor make for an unlikely partnership, but the Reverend Donald L. McCoy, pastor of the Pleasant Hill United Church of Christ, and Chris Magnum, head of a major contracting company in Raleigh, North Carolina, have joined forces to mobilize churches through a business venture called Jobs for Life.

Jobs for Life was launched more than a decade ago, after Magnum mentioned to McCoy over lunch that many of his company’s trucks were parked because of a lack of good drivers. McCoy replied that many in his congregation were effectively “parked” because of a lack of meaningful employment.

The conversation sparked a movement rooted in the principle of instilling attitudes, values, and life skills that people can apply in the context of employment. Jobs for Life, a 501(c)(3) nonprofit organization formerly known as National Jobs Partnership and based in Raleigh, centers on a strategy of bringing businesses together with churches and community organizations.

Today, Jobs for Life has more than 80 active sites and 1,200 to 1,500 volunteers engaged in implementing the program across the country.

The majority of program participants are homeless, chronically unemployed, or formerly incarcerated—which makes the success rate for the program especially impressive. The organization estimates about 80 percent of Jobs for Life graduates remain employed more than a year after completing the program.

“Jobs for Life was launched more than a decade ago, after Magnum mentioned to McCoy over lunch that many of his company’s trucks were parked because of a lack of good drivers. McCoy replied that many in his congregation were effectively ‘parked’ because of a lack of meaningful employment.”

Life Skills

Jobs for Life CEO David Spickard, who has been with the nonprofit since 1999, attributes the program’s success to the unique idea of teaching individuals life skills rather than just employment skills.

“Many companies teach the hard employment skills, but they have little time to teach individuals values and attitudes that make a person whole. That must be taken care of before they arrive,” Spickard said.

“Jobs for Life teaches a man or woman life principles that can be applied in the marketplace,” Spickard continued. “Things like conflict resolution, respect for authority, and taking responsibility for one’s own actions are concepts we try to cultivate in people through the program.”

Spickard highlighted the positives that accompany employment.

“When someone has a meaningful job, it enables the person to get out of debt and save for a home or retirement,” Spickard explained. “Communities are given hope, marriages are restored, and positive behavior is modeled to children who see their parents working.”

1,500 This Year

Jobs for Life expects to serve about 1,500 people this year, up from 300 a few years ago. The cost per person served has dropped from around $2,000 when the organization began to approximately $150 today.

Spickard says these positive changes are due mostly to a change in strategy implemented a few years ago. Rather than try to create a new nonprofit in each community to work with local churches, they decided to equip existing organizations with the Jobs for Life tools. This strategy offers a more efficient approach.

Under the new plan, churches and community organizations can purchase a Jobs for Life toolkit complete with 10 student workbooks, instructor guides, student progress reports, and other tools. Each participant attends about 16 two-hour training sessions and meets with a mentor, called a “Champion,” outside the class at least once a week.

“It is a real honor for us to reach out to those hurting the most and to equip organizations with the right tools and let them implement the program as part of what they already do,” Spickard said.

Volunteers Key

Volunteers are pivotal to the success of the program. On average, each Jobs for Life site has about 15 to 20 volunteers who regularly help with the program, plus extra volunteers to help with food and transportation. Business leaders often speak to groups or do mock job interviews pro bono.

The majority of funding for Jobs for Life comes from individual donations. The organization accepts no government funds, which gives them added flexibility, Spickard said.

By partnering with churches to help individuals gain vital skills for meaningful employment, Jobs for Life has tapped into a resource that has traditionally not been used for employment assistance.

New Message

“Only 1 percent of churches in America do any outreach related to employment. Jobs for Life is treading new ground and carrying a new message to churches and community nonprofits,” Spickard said.

“We are showing them how they can teach people to fish, rather than just giving them a fish.”

Free market and limited government advocates applaud Jobs for Life for demonstrating the private sector is capable of replacing employment programs financed and operated by the state.

“Jobs for Life is putting into practice what we’ve been saying for years: The private sector is more than capable of stepping in to meet the needs of the community without first resorting to taxes and government programs,” said Jason Mercier, economic policy director for the Evergreen Freedom Foundation in Olympia, Washington. “To help spur new charitable employment programs, state officials need to facilitate the market by scaling back government-run and-funded work programs.”

Amber Gunn (agunn@effwa.org) is a policy analyst for the Evergreen Freedom Foundation’s Economic Policy Center.
May 2, 2007

Dear National Policymaker:

We are writing to call your attention to a deeply important and controversial bill pending once again before Congress. It is the Akaka bill (S. 310/H.R. 505, Native Hawaiian Government Reorganization Act of 2007). It would create a separate sovereign government of, by and for one race (native Hawaiians); break up and give away much of the land owned by the State of Hawaii; and possibly set a precedent for similar separatist actions by other ethnic groups in the mainland United States.

The bill’s supporters say it would just give native Hawaiians the same legal status as native Americans, who have their own sovereign tribal governments with their own legislatures, laws, courts, taxation powers, and government officers. They want to use Indian legal precedents, but not necessarily results.

Opponents point out that U.S. courts have ruled that native Americans cannot qualify for tribal recognition merely because they share a common ancestry. They must also have a long-standing autonomous governing entity and reside in a separate, distinct community, neither of which requirements are met by native Hawaiians. Native Hawaiians have for over 150 years lived in racially mixed communities and have indeed intermarried to such an extent that Hawaii is widely known as one of the most racially integrated places in the entire world.

Supporters of the bill maintain that the grant of sovereignty, along with lands and other assets currently owned by the State of Hawaii, would simply redress wrongs committed by non-native Hawaiians before the Hawaiian islands were annexed to the United States in 1898.

Opponents point out that those with less than one percent Hawaiian blood will qualify as “Native Hawaiians” and qualify for the benefits of citizenship in the new sovereign Hawaiian nation. In addition, the provisions of the bill open a Pandora’s box of potential problems because details are to be negotiated with no limits specified.

At present there is much uncertainty as to how much popular support exists in Hawaii for the sovereignty movement. Supporters point to polls that purport to show overwhelming popular support. Opponents point to other polls that show overwhelming opposition to the bill, and point out that there is at present no plan to give the citizens of Hawaii, who voted 94% in favor of statehood in 1959, an opportunity to vote on this issue.

We are finding that the more people are educated about this proposed bill, the more questions they ask about specific, real results should the bill pass. Most of those questions are unanswerable.

Because this is such a controversial and confusing issue, we are asking you to inform yourself very carefully about these issues and possibly propose constructive amendments, before you vote on the Akaka bill.

At the least, the bill should be amended to require a plebiscite of Hawaii voters before any separate nation could be approved at the national level.

Warm Regards,

Richard O. Rowland, President
Grassroot Institute of Hawaii

Sam Slom, President
Small Business Hawaii

Grover Norquist, President
Americans for Tax Reform

Elaine Willman, President
Citizens Equal Rights Alliance

Ron Williamson, President
Great Plains Public Policy Institute

Chris Derry, President
Bluegrass Institute

Gregory Blankenship, President
Illinois Policy Institute

John McClaughry, President
Ethan Allen Institute

Matt Kibbe, President
FreedomWorks

Lewis Andrews, Executive Director
Yankee Institute for Public Policy

INTERNET INFO


Pa. School Districts Overwhelmingly Reject Tax Shift

By Eric Montarti

Voters across Pennsylvania have overwhelmingly rejected a proposal to shift public school tax burdens from property taxes to income taxes.

In a May 15 election in 498 school districts across the Commonwealth, voters in only a handful of districts approved the tax shift. Early returns on May 16 showed only four of 377 school districts with complete election results going for the shift.

In the 42 suburban and rural school districts in Allegheny County, none approved the shift.

Overwhelming Opposition
Prior to the vote, an official from the Pennsylvania School Boards Association was quoted in the Pittsburgh Post-Gazette expecting “about 20 percent of the referenda would pass.” Nowhere near that many school districts voted for the shift.

The tax shift referenda were included as part of Act 1, the Taxpayers Relief Act, which Pennsylvania lawmakers implemented one year ago after years of looking for ways to lower school property taxes. Act 1 included a provision for voters in individual school districts, excluding Pittsburgh, Philadelphia, and Scranton, to choose whether to hike local income taxes to lower property taxes.

In addition to the option for voters to approve a higher income tax to lower property taxes by a flat dollar amount, Act 1 also provides school property tax relief for homeowners through an expansion of the senior citizen rebate program and distribution of funds from legalized slot machine gaming.

Tax Relief Uncertain
The question of how much net tax relief a person or business could expect by shifting some of the burden to income taxes was a driving factor in the voting booth.

Eligible seniors could get the rebate and lower taxes through gaming money, and possibly pay no income tax. Renters and businesses would receive no tax relief and would pay higher income taxes.

Homeowners would be either winners or losers depending on their household income and the amount of the property tax reduction.

By and large, the question of how much net tax relief taxpayers in individual school districts might enjoy is still up in the air. School districts have yet to be told how much of a distribution they will receive from the slot machine money, and they will have to opt in to take the money. If they refuse, voters can override them in another referendum.

In addition, school districts will be responsible for collecting the income tax if passed. Evelyn Weaver, president of the Keystone Oaks School Board in the South Hills of Allegheny County, said the tax shift would “adversely impact the district’s ability to accurately predict cash flow.” Municipalities and school districts may levy a wage tax and collect it themselves or hire a private tax service to collect it. The state collects a personal income tax.

Real Control Over Spending?
Where homeowners agree to a tax shift and will get some gaming money, there is still the issue of whether school spending will eat away at the savings.

Since passage of Act 1, school districts must submit tax increases to the electorate if the increase outpaces a Pennsylvania Department of Education (PDE) index. That provision has been sold as a surefire method for giving some spending control to the taxpayers.

“After years of looking for ways to lower school property taxes, Pennsylvania has implemented ... the Taxpayer Relief Act, [which] includes a provision for voters in individual school districts to choose whether to hike local income taxes to lower property taxes.”

But nothing prevents a district from steadily boosting its taxes at a rate lower than the index. Year-over-year increases smaller than the index can happen, and the index is revised each year. To date, 233 districts have passed resolutions indicating they will not increase taxes above their index amount for the 2007-08 school year.

In addition, 10 exceptions built into Act 1 allow school districts to raise taxes above the index and avoid a referendum. Exceptions include emergencies, court orders, and school construction. The PDE has approved exceptions for 210 school districts for next year.

Pension Obligations Might Hurt
One exception—for retirement payments to the Public School Employee Retirement System (PSERS)—could significantly affect how much tax relief there will be from Act 1.

At the end of 2006, PSERS had 263,000 active members, $52 billion in assets, and $65 billion in liabilities. This means the system was 81 percent funded in 2006, about in line with other state employee retirement systems.

But PSERS’ “projection of contribution rates” shows the employer share will increase sharply to 18.7 percent in 2013 and will remain in double digits annually through 2032.

In 2001 the state sweetened benefits for active employees and in the following year did the same for retirees. Susan Madeja, president of the Mars Area School District, noted, “If a district had salaries of $15 million, they currently pay a $1,069,000 pension contribution. If the rate jumped to 18.7 percent, it would double to $2,089,000. ... To fund only the increase, [Mars Area] would need to raise our property taxes [$12.50 per $1,000 of assessed value].”

Madeja notes that because Act 1 does not mandate any control over pension funding, which will be of utmost importance in the coming years, it could be a recipe for disaster and could eat away at any property tax savings after income taxes are raised.

Eric Montarti (eric@allegheny institute.org) is a policy analyst for the Allegheny Institute for Public Policy.

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STATE OF THE UNIONS

Nevada, New Jersey at Opposite Ends of Public-Sector Growth

By Ryan Bedford

The average state employs 530 government workers per 10,000 residents, according to a study by the Manhattan Institute reported in the spring issue of City Journal.

New York has 616 state government employees per 10,000 residents and New Jersey employs 587, the study notes.

In addition, the New Jersey government payroll is rapidly expanding. Since 2000, when there were 530 state government employees per 10,000 residents, New Jersey agencies have hired 63,000 new full-time workers and “full-time equivalents.”

Only three states hired more public-sector employees during the same period: California, Florida, and Texas, but their growth stayed even with population growth, according to the study. New Jersey’s 14 percent growth greatly outpaced the 4 percent growth of its population and increased government payroll by 38 percent.

“The average state employs 530 government workers per 10,000 residents, according to a study by the Manhattan Institute ...”

Meanwhile, the Rio Grande Foundation reports, “Nevada governments have the smallest workforce in the nation at 4.2 percent of the state’s population,” citing U.S. Census data. Nearby New Mexico, at more than 6.6 percent, is among the states with the largest government workforce, behind only Alaska and Wyoming.

Unions Thwart School Reform

Former U.S. Secretary of Education Rod Paige meant what he said in early 2004 when he described the National Education Association as a “terrorist organization.” When he apologized, he apologized only for the words he used.

Paige’s new book, How Teachers’ Unions Hurt Children, Hinder Teachers, and Endanger Public Education, backs up his statement with proof that the nation’s teacher unions are doing all they can to sabotage promising education reforms.

In an April 18 interview with the New York Sun, Paige revealed the key to union success in thwarting reform.

“The union is sitting on both sides of the negotiating table,” Paige said, referring to the ability of unions to get politicians elected who then return the favors through legislation and collective bargaining. The result, he said, is “systems whose main purpose is the employment well-being of the adults in the system.”

Tax Code

Continued from page 1

Service understands it,” said NTU senior counselor and study author David Keating. “Last year taxpayers were forced to give up half a billion hours more of their time than they did in the year 2000, all because of new IRS paperwork burdens.”

The NTU study, released April 16, is the ninth comprehensive examination of tax code complexity the group has conducted since 1999. It provides long-term data on increasingly daunting obstacles in the task of complying with IRS demands.

Burden Grows

Among the findings of the study:

- Americans spent 6.65 billion hours in 2006 complying with federal tax laws. The IRS accounts for nearly four of every five paperwork burden hours imposed by the entire federal government.
- Approximately 3.45 billion of those hours were incurred by businesses. The value of this time is $156.5 billion—an amazing 44 percent of total corporate income taxes collected in 2006.
- When examining all individual taxpayers, from those who file the simplest 1040EZ to those using the 1040 long form, the average compliance time (not including tax planning or minimization strategies) surged past a full day (24.2 hours), according to the most recent data. According to a 2006 IRS estimate, self-employed taxpayers had to toil for more than 80 hours to satisfy filing requirements.
- Counting expenses for software, tax preparers, postage, etc., along with time, individuals incurred an incredible $102 billion in expenses to meet the IRS’s tax-filing rules.
- Although computers and printers have gained dramatically in capacity over the past 10 years, this efficiency has likely been overwhelmed by tax complexity. The average fee charged by tax preparer H&R Block increased roughly 150 percent during that period (unadjusted for inflation), even as the ratio of taxpayers using computers or paid preparers rose from seven in 10 to nine in 10.
- Between the 108th and 109th Congresses, the Joint Committee on Taxation’s General Explanation of Tax Legislation went from 593 to 841 pages—a 42 percent increase.

‘Hopelessly Muddled’

Keating noted the Alternative Minimum Tax, a Byzantine scheme that may trap more than 30 million taxpayers by 2010, could make compliance burdens much worse before they get better.

“America’s hopelessly muddled tax system is already sagging under the weight of its own complexity,” Keating said. “Hopefully, policymakers will recognize this crisis by considering fundamental tax reform this year, so our civil liberties and our economy won’t suffer any longer.”

Pete Sepp (pressguy@ntu.org) is vice president for communications with the National Taxpayers Union, a nonpartisan citizen organization in Washington, DC.

INTERNET INFO


Many Americans Profit from Tax System: Study

By Andrew Chamberlain, Gerald Prante, and Scott A. Hodge

Are Americans getting a good deal for their tax dollars? While many studies answer the question of who pays taxes in America—and how much they pay—the question of who gets the most government spending in return for their tax dollars is almost always ignored.

The Tax Foundation set out to answer that question. We studied household tax payments (local, state, and federal) and government spending in calendar year 2004. The findings were released in March 2007, “Who Pays America’s Tax Burden, and Who Gets the Most Government Spending?”

Looking at taxes alone doesn’t tell us how much America’s fiscal system is helping or hurting low-income households. To answer that, we must look at government spending as well.

Majority Subsidized by Taxes

Among other things, we concluded:

• America’s lowest-earning one-fifth of households receives about $8,21 in government spending for each dollar of taxes paid.
• Households with middle incomes receive $1.30 per tax dollar paid.
• America’s highest-earning households receive 41 cents for every dollar of taxes paid.
• Government spending targeted at the lowest-earning 60 percent of U.S. households is larger than what they paid in taxes in 2004. Overall, between $1.03 trillion and $1.53 trillion was redistributed downward from the two highest income quintiles to the three lowest income quintiles through government taxes and spending.

$81,933 Tax Bill

The top 20 percent of earners paid an average of $81,933 in taxes in 2004—$57,512 to the federal government and $24,421 to state and local governments.

Households in the middle income group—which some refer to as the “middle class”—paid an average of $24,194 in taxes, or $13,028 in federal taxes and $8,166 in state and local taxes.

America’s lowest-earning households—those earning less than $23,700 in cash income in 2004—face the nation’s lowest tax burden but still pay thousands of dollars to finance government spending at all levels. Households in the bottom income quintile paid an average of $4,325 in taxes in 2004—$1,684 to the federal government and $2,642 to state and local governments.

“While many studies answer the question of who pays taxes in America—and how much they pay—the question of who gets the most government spending in return for their tax dollars is almost always ignored.”

Spending $31,108 per Household

In 2004, governments at all levels spent about $3.5 trillion—an average of $31,108 from each household. About $2.2 trillion was spent by the federal government and $1.3 trillion by state and local governments.

That $3.5 trillion of total government spending amounted to nearly 30 percent of the U.S. economy in 2004. That’s larger than the combined gross domestic product of Austria, Belgium, Canada, Denmark, Finland, Greece, Hungary, Mexico, and New Zealand in that year.

Two trends in recent years have made it more important than ever for Americans to look beyond tax burdens and focus on who’s on the receiving end of government spending.

Tax Code Manipulation

First is the rapid growth in what economists call “tax expenditures” and “targeted tax credits.” These policies implement social and economic policy through the tax code instead of traditional government spending.

Lawmakers have come to prefer tax expenditures and credits because they are less transparent to taxpayers, face less budgetary scrutiny, and allow lawmakers to funnel taxpayer dollars from one group to another without facing criticism that they are big-spending politicians.

For instance, the federal Earned Income Tax Credit (EITC) dispenses aid to low-income Americans through the tax code rather than direct welfare. Similarly, the Child Tax Credit gives generous subsidies to parents through the tax code rather than through direct welfare payments.

And various targeted tax credits offer a wide range of tax bonuses to companies that produce alternative fuels, locate in politically favorable areas, or engage in other activities Congress deems worthy of subsidy.

Looming Spending Crisis

Another concern is the looming crisis of growing federal entitlement spending, which is on an unsustainable long-term path. In coming decades Americans face a stark choice between sharply higher taxes or dramatic cuts in Social Security, Medicare, and Medicaid.

On the tax side, there is plenty of information available to guide decisions about reforms. But on the spending side there is little information available about who gets the most from government spending programs and who gets little.

“Who Pays America’s Tax Burden, and Who Gets the Most Government Spending?” helps provide that important spending information.

Andrew Chamberlain (chamberlain@taxfoundation.org) and Gerald Prante (prante@taxfoundation.org) are staff economists at the Tax Foundation in Washington, DC. Scott A. Hodge (hodge@taxfoundation.org) is president of the Tax Foundation. This article was adapted from “Who Pays America’s Tax Burden, and Who Gets the Most Government Spending?”

INTERNET INFO

Continued from page 1

Assemblywoman Mimi Walters (R-Laguna Niguel) in pledging not to vote for any tax increases during their tenure in the body to which they have been elected.

California has a two-thirds supermajority requirement to enact a tax hike. Because more than one-third of the lawmakers in each legislative chamber have made a commitment against tax hikes, lawmakers will be forced to look for alternatives to raising taxes if they keep their promise.

McClintock and Walters are the Senate and Assembly chairs, respectively, of the Taxpayer Protection Caucus in California. At an April 9 news conference, they were joined by other state lawmakers and Grover Norquist, president of Americans for Tax Reform, in announcing, “Tax increases are off the table in California.”

The Taxpayer Protection Caucus is made up of lawmakers who firmly believe in the rights of the taxpayers and are committed to stop tax increases. Each member must sign Americans for Tax Reform’s Taxpayer Protection Pledge, which commits lawmakers to “oppose and vote against any and all efforts to increase taxes,” and keep it in order to belong to the caucus. More than 1,200 office holders in every state have signed the pledge.

Opposes All Tax Hikes

McClintock, who organized the news conference, said he believes the signing of the pledge by more than one-third of California’s lawmakers is of great importance.

“California state government is now consuming a larger portion of personal income and bearing a larger debt burden than at any time in our history, and yet we can’t seem to scrape together enough money to build a decent road system or educate our kids or protect our families from predators,” McClintock said. “This isn’t the fault of taxpayers for not paying enough taxes,” McClintock continued. “It is the fault of years of waste and mismanagement of our ample resources, and that management problem will not be addressed until and unless we can draw—and hold—a solid line against further tax increases.”

Norquist agreed, saying, “There are two reasons the Taxpayer Protection Pledge is important. First, stopping tax increases allows Californians to keep more of the money they earn. Second, only when tax increases are off the table will the politicians in Sacramento be forced to actually govern.”

“All 15 Republican members of the California Senate and all but one of the 32 Republican members of the California Assembly have pledged not to vote for any tax increases during their tenure in the body to which they have been elected.”

Norquist said tax increases “allow politicians to avoid the tough questions and the tough actions. The Taxpayer Protection Pledge is good for taxpayers. And it is necessary for the politicians to force them to focus on governing.”

Signing Sends Message

Walters said she thinks the message of the pledge-signing is clear.

“The fact that nearly all Republican lawmakers in California signed the Taxpayer Protection Pledge sends a strong message to the majority party that it is a waste of time to attempt to raise taxes while Republicans have a two-thirds block,” Walters said.

The day after the news conference, the Orange County Register editorialized, “If you’re sympathetic to more taxes, consider this partial list of the types of taxes we already pay.” The newspaper then listed more than 30 items or commodities that are being taxed.

The editorial continued, “You’re even taxed when you give away (gift taxes) what you’ve managed to hang on to after taxes. And after you die, you’re taxed on what you leave behind (inheritance taxes). That’s why the McClintock-Norquist pledge Monday warmed our heart.”

McClintock said he believes the pledge will help redefine public policy, which he says is the area in which California ran astray.

“Those who remember what California once was know what California can be,” McClintock said. “A generation ago, paying far lower taxes than we pay today, California enjoyed a booming economy, the finest highway system in the world, the finest public schools in the country, abundant electricity, water, and affordable housing. The only thing that has changed is the area between these days and whose public policy is.”

Governor Calls Taxes ‘Fees’

The timing of the news conference had relevance. Gov. Arnold Schwarzenegger (R), while not a signer of the Taxpayer Protection Pledge, ran for election on a no-new-taxes platform. Since then he has deviated from his fiscally conservative stance and is currently proposing new taxes on employers, doctors, and hospitals … but he is calling them “fees” because fees require only a simple majority to be enacted.

“Signers of the Taxpayer Protection Pledge have their work cut out for them,” Norquist said, “but as a unified caucus, they are ready to tackle the challenge. We’re looking forward to working with them and Pledge signers around the county to identify alternative solutions and develop good public policy.”

Sandra Fabry (sfabry@atr.org) is state government affairs manager for Americans for Tax Reform.
the ballot a constitutional amendment to allow expanded gambling. Both former Lt. Gov. Steven Beshear and Louisville businessman Bruce Lunsford—the top Democratic vote-getters in the May 22 primary election—support expanded gaming.

**Candidate Expects $500M Boost**

Beshear offered the more aggressive position, promising to use the governor’s bully pulpit to persuade Kentuckians to support a plan for casino gambling that would generate an estimated $500 million annually. Lunsford supported more limited casino gambling and emphasized the need for strict regulation and steps to ensure it provides the promised financial boost.

Such proposals won’t help the economy, says Chris Derry, president of the Bluegrass Institute, a free-market think tank.

“Expanded gambling is a horrible excuse for the absence of economic development in Kentucky,” Derry said. “Instead, we need to take proven steps such as passing a right-to-work law that would reduce our sky-high unemployment rate and reduce the ranks of people who depend on the state government to pay their bills.”

**Republicans Opposed**

None of the three Republican gubernatorial candidates supported expanded gambling, although Gov. Ernie Fletcher (R) promised not to stand in the way of a referendum. But Fletcher made it clear he does “not believe [gambling] would have a significant positive economic impact on our state.”

Conservative groups such as The Family Foundation agree.

“If gamblers lose their paychecks—their discretionary income—they won’t be able to buy a new car or get new clothes,” said Richard Nelson, a policy analyst with the foundation. “The research indicates that bankruptcies go through the roof, sales go down in the retail sector, tax revenues go down, and unemployment goes up.”

**Others Not Convinced**

But Patrick Crowley, a political reporter for the *Cincinnati Enquirer* who has covered the issue of gaming in Kentucky for more than a decade, said selling additional gambling opportunities as a way to prop up Kentucky’s horse industry likely will not succeed.

“I don’t think you’re ever going to pass gambling by getting people to feel sorry for the horse industry,” Crowley said. Still, he doesn’t deny the impact of expanded gaming in other states.

“The horse industry is under siege,” Crowley acknowledged. The Family Foundation’s Nelson is not convinced racinos would provide the windfall its supporters claim.

“Businesses are hurt; communities are negatively affected; and families end up picking up the tab,” Nelson said. “It’s a poor way to develop any economy.”

Jim Waters (jwaters@bipps.org) is director of policy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky.
Experts Urge Rejection of Kennedy-Enzi Tobacco Bill

A group of free-market advocates and experts in tobacco and health issues has sent the following letter to Sens. Edward M. Kennedy (D-MA) and Michael B. Enzi (R-WY) regarding the Family Smoking Prevention and Tobacco Control Act. These experts fear the act, now under consideration in the Senate Health, Education, Labor, and Pensions Committee, could have a variety of harmful consequences, outlined in the letter.

April 17, 2007

The Honorable Edward M. Kennedy, Chairman
The Honorable Michael B. Enzi, Ranking Member
Senate Health, Education, Labor, and Pensions Committee
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Kennedy and Enzi:

We are writing to express our concern about and opposition to the Family Smoking Prevention and Tobacco Control Act, a bill that would raise taxes, hinder economic competition, impose punitive regulations on business, and potentially worsen the health of Americans. S. 625 seeks to give the Food and Drug Administration unprecedented regulatory authority over legal tobacco products.

This legislation is deeply flawed on several counts. S. 625 would harm American consumers, cause injury to a competitive business environment, overtax our federal bureaucracy, dilute FDA’s vital mission to protect America’s food supply and approve life-saving drugs, and ironically create a federally sponsored tobacco cartel system. Specific flaws include:

Unintended Consequences
FDA regulation could actually worsen the health of Americans. FDA Commissioner Dr. Andrew von Eschenbach contends that government regulation of tobacco could backfire. He maintains that government efforts to regulate nicotine levels could lead smokers to smoke more cigarettes or inhale more deeply, worsening the effects of smoking. “We could find ourselves in the conundrum of having made a decision about nicotine only to have made the public health radically worse. And that is not the position FDA is in; we approve products that enhance health, not destroy it,” said the FDA chief.

“FDA regulation threatens to undermine free markets by imposing punishing regulations on legal products. ... Neither grandstanding politicians nor benevolent regulators can make better consumption decisions than the individual himself.”

Double Regulation
Tobacco products are already properly regulated by the Federal Trade Commission, Department of Agriculture, and several state and municipal entities. FDA regulation of tobacco products would not only infringe upon the jurisdictional authority of lawful government agencies, but it would prove redundant, costly, confusing, and ignite needless turf warfare within the federal bureaucracy.

No Jurisdictional Authority
The FDA does not and should not have legal jurisdiction over tobacco products as tobacco fails to sufficiently satisfy the definition of either food or drug. It would be inappropriate and injurious to the FDA to dilute its mission by charging it with tasks that fall outside its regular domain. The FDA is already overburdened with the vital missions of ensuring that America’s food supply remains secure and that life-saving drugs make it to the marketplace in a timely fashion. Ensuring that candy cigarettes don’t end up in the hands of children denigrates and distracts the FDA from this important work.

Free Markets
FDA regulation threatens to undermine free markets by imposing punishing regulations on legal products. The laws of supply and demand and consumer choice should determine which market transactions occur. Neither grandstanding politicians nor benevolent regulators can make better consumption decisions than the individual himself. This is the essence of a free market economy and free society.

Picking Winners and Losers
Ironically, this new legislation is expected to benefit America’s largest tobacco company by creating a non-competitive, protectionist environment. Restrictions on how tobacco companies market to adult consumers will stifle competition and create barriers to entry. America’s largest tobacco manufacturer actually supports this legislation, as it will virtually guarantee that the tobacco behemoth will maintain its market share.

This company’s share of the U.S. cigarette market was 50.1 percent in the fourth quarter of 2006. Its closest rival, which had a 29.8 percent share in the same period, and other leading tobacco manufacturers rightly argue that advertising restrictions will have minimal impact on reducing overall smoking levels, while ensuring the permanent dominance of one company.

“The United States economy and the American people thrive because of our country’s unique commitment to limited government, consumer choice, and free markets. This bill threatens these freedoms.”

New Taxes
This legislation will also carry a hefty price tag. In addition to threatening the American economy, jobs, and tobacco farmers, the bill orders an initial $300 million in annual “user fees” to be levied on tobacco companies. These euphemistic “user fees” will likely rise, and will almost certainly be passed on to already overtaxed consumers.

Direct Sales Channel Under Siege
Up until now, the FDA’s role has been properly limited to ensuring the safety of food and drug products. This bill would redefine the FDA’s mission dramatically by giving the FDA power over the marketplace—not just products. This legislation permits the FDA to limit the sale of cigarettes to “face-to-face” transactions, potentially killing the innovative direct sales channel that allows small and independent manufacturers a marketplace through which to compete with larger national brands.

Sixty-three percent of teen smokers cited face-to-face sales as the source of their tobacco products in a CDC study, and 56 percent reported not being age verified. The Internet, a vehicle for delivery sales, was cited by only 2.3 percent.

Nanny State
FDA regulation of tobacco is another example of a growing “nanny state” in which liberal government officials regulate personal behavior and politicians work with special interests to impose compliance and politically correct values. Adult consumers have the right to be free from regulations that have the effect of limiting consumer access to legal tobacco products. Like Prohibition, overzealous regulation only undermines consumer choice, personal liberty, and consumer safety—while creating a black market for more expensive, potentially hazardous products that can harm the very health and safety of consumers that the FDA has been charged to protect.

Individual vs. Collective Responsibility
Supporters of the bill argue that this legislation is justified because smoking costs the nation nearly $100 billion annually in health care bills, including medical expenses and direct Medicaid costs to pay for smoking-related illnesses. This collectivist mentality is extremely dangerous and challenges the basis of individual rights by proclaiming that the government can outlaw certain behaviors if it can also identify a social cost to “negative” behavior.

CONTINUED at right
We urge you to protect America’s free-market system, and the health and freedom of our nation’s consumers, by rejecting S. 625. The United States economy and the American people thrive because of our country’s unique commitment to limited government, consumer choice, and free markets. This bill threatens these freedoms.

We look forward to working with you and hope that you will resist anti-competitive and protectionist proposals that harm our economy and the American people.

Sincerely,

Former Congressman Bob Barr

Christine Hull
Communications Director, Competitive Enterprise Institute

Chuck Muth
President, Citizen Outreach Project

Dr. Elizabeth Whelan
President, American Council on Science and Health

Jon Utley
The American Conservative

Dr. Jane Orient
Executive Director, Association of American Physicians and Surgeons

Jason Wright
Executive Director, Institute for Liberty

Colin Hanna
President, Let Freedom Ring

Stephen Gordon
Smoker’s Club

Cc:

The Honorable Harry Reid
The Honorable Richard Durbin
The Honorable Mitch McConnell
The Honorable Trent Lott
The Honorable Christopher Dodd
The Honorable Tom Harkin
The Honorable Barbara Mikulski
The Honorable Jeff Bingaman
The Honorable Patty Murray
The Honorable Jack Reed
The Honorable Hillary Clinton
The Honorable Barack Obama
The Honorable Sherrod Brown
The Honorable Judd Gregg
The Honorable Lamar Alexander
The Honorable Richard Burr
The Honorable Johnny Isakson
The Honorable Lisa Murkowski
The Honorable Orrin Hatch
The Honorable Pat Roberts
The Honorable Wayne Allard
The Honorable Tom Coburn
The Honorable Bernard Sanders

CONTINUED from left

$280 Billion a Year in Federal Waste, Abuse Is Identified

By Tom Schatz

According to current budget proposals, Congress cannot find a single wasteful program or project it wants to cut. But in April, Citizens Against Government Waste (CAGW) released Prime Cuts 2007, a comprehensive look at the depth and breadth of waste throughout the federal government. The annual publication provides recommendations to create a more efficient and less wasteful government.

Prime Cuts includes examples of agencies, programs, and policies that are plagued by fraud or negligence, serve political or parochial interests rather than the general good, do not demonstrate good results, duplicate efforts in the private sector, circumvent procedural checks for transparency and accountability, or exceed their original mandate.

During fiscal 2007, 14 Prime Cuts recommendations were implemented under the Congressional budget, saving taxpayers almost $3 billion in the first year and $46.5 billion over five years.

$2 Trillion Over Five Years

This year’s report catalogues 750 recommendations throughout the federal government which, if enacted, could save taxpayers $280 billion over the next year and $2 trillion over the next five years.

Included in the 2007 Prime Cuts are some longstanding proposals to terminate specific programs, such as the White House’s National Youth Anti-Drug Media Campaign (saving $512 million over five years), sugar subsidies (saving $800 million over five years), and the Advanced Technology Program (saving $721 million over five years).

Created to reduce marijuana use, the National Youth Anti-Drug Media Campaign has been the target of a lawsuit concerning the integrity of the campaign’s ad agency, two government reports detailing the failure of the campaign, and another study showing the ads have a reverse effect.

In June 2006, CAGW released “Wasted in the War on Drugs: Office of National Drug Control Policy’s Wasted Efforts,” a report that criticized the Office of National Drug Control Policy (ONDCP) and the youth anti-drug campaign for functioning inefficiently and failing to achieve their core objectives.

New Targets

New recommendations in the 2007 Prime Cuts report include eliminating the Historic Whaling and Trading Partners Program and the Denali Commission, which together would save $80 million over five years.

The purpose of the Historic Whaling and Trading Partners program is to develop culturally based educational activities, internships, apprentice programs, and exchanges to assist Alaska Natives, native Hawaiians, children and families living in Massachusetts, and certain Indian tribes in Mississippi.

Projects funded by the program in 2006 include the New Bedford Whaling Museum and the Peabody Essex Museum, both in Massachusetts, the Alaska Native Heritage Center, and the Bishop Museum in Hawaii.

Established in 1998, the Denali Commission is a federal partnership with Alaska to provide utilities, infrastructure, and economic support to poor rural communities. The commission duplicates several U.S. Department of Labor programs, including those related to the Workforce Investment Act, from which Alaskans received $10.6 million in 2006.

Tom Schatz (media@cagw.org) is president of Citizens Against Government Waste in Washington, DC.
**Make a Difference** is both a compelling memoir and convincing proof that we now know important answers to help solve America’s poverty problem—without spending any more of the taxpayers’ money.

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 fifty 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.

Available for purchase through The Heartland Institute’s online store at [www.heartland.org](http://www.heartland.org) or call 312/377-4000.

A limited number of **COMPLIMENTARY COPIES** are also available to elected officials and their staff. Send your request by fax on office stationery to 312/377-5000.

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**There's more to directions than EAST and WEST.**

**THERE'S MORE TO POLITICS THAN LEFT AND RIGHT.**

A compass doesn’t just point in two directions — and an accurate map of politics shouldn’t either. The fact is, millions of people say the labels left and right — or “liberal” and “conservative” — do not properly describe their politics.

No wonder. A simple line from “left” to “right” just isn’t detailed enough to include every possible twist and turn of political belief. 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 pinpoints your political identity on an innovative “Diamond Chart” that includes conservative and liberal — and libertarian, statist, and centrist. The World’s Smallest Political Quiz has been praised by the Washington Post, and more than 9.4 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>Statement</th>
<th>20</th>
<th>10</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government should not censor speech, press, media or Internet.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>Military service should be voluntary. There should be no draft.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>There should be no laws regarding sex between consenting adults.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>Repeal laws prohibiting adult possession and use of drugs.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>There should be no National ID card.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
</tbody>
</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>
<thead>
<tr>
<th>Statement</th>
<th>20</th>
<th>10</th>
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<tbody>
<tr>
<td>End “corporate welfare.” No government handouts to business.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>End government barriers to international free trade.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>Let people control their own retirement: privatize Social Security.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>Replace government welfare with private charity.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
<tr>
<td>Cut taxes and government spending by 50% or more.</td>
<td>A</td>
<td>M</td>
<td>D</td>
</tr>
</tbody>
</table>

**ECONOMIC SCORING:** take 20 for every A, 10 for every M, and 0 for every D:  

**Find Your Place on the Chart**

Mark your PERSONAL score on the lower left scale; your ECONOMIC score on the lower right. Then follow the grid lines until they meet at your political position. The chart shows the political group that agrees with you most. LIBERALS tend to value personal freedom. CONSERVATIVES tend to value economic freedom. LIBERTARIANS value both. STATISTS are against both. CENTRISTS tend to hold different values depending on the issue.

**TO LEARN MORE ABOUT THE QUIZ, VISIT:** [www.TheAdvocates.org](http://www.TheAdvocates.org)