Minn. Governor Wields Veto to Protect Taxpayers

By Mark Giga

Minn. Gov. Tim Pawlenty (R) issued 20 full or partial vetoes of tax hikes and spending increases in May, giving taxpayers reason to smile. Despite the vetoes, for only the third time in 20 years the Minnesota legislature will not be meeting in special session during a budget year. While that alone could be cause to celebrate, the work that was finished on the state’s $35 billion biennial budget will allow Minnesotans to rest easy until the legislature reconvenes in November.

Vetoes billions of dollars in taxes and fees

By Mark Giga

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Supreme Court Limits Unions’ Spending on Politics

By Ryan Bedford

Labor unions must get permission from non-members before using mandatory dues for political purposes, according to a United States Supreme Court ruling that overruled the Washington Supreme Court’s ruling in Washington v. Washington Education Association and Davenport v. Washington Education Association (WEA).

The June 14 ruling culminates a decade of work by concerned teachers and the Evergreen Freedom Foundation (EFF), a Washington state think tank. The Court’s ruling could affect labor unions nationwide.

Charlotte May Vote to Repeal Transit Tax

By Steve Stanek

Citizens of North Carolina’s Mecklenburg County will have a chance this November to overturn a special sales tax that funds mass transit.

Opponents of the half-cent sales tax levy, which generates about $70 million annually, argue it is a tax that should be repealed.

Congressmen Soften Stance on Partnerships

By Ken Orski

Two leading Congressional opponents of public-private partnership (PPP) agreements for transportation have backed off earlier criticisms in a June position paper.

The new paper, from U.S. House Committee on Transportation, has been welcomed by the transportation industry.
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Bipartisan Group Works to End Costly Tongass Forest Logging Subsidy

By Demian Moore

W hile the nation continues to be burdened with huge federal budget deficits, the U.S. Forest Service is still promoting millions of dollars in taxpayer handouts to logging companies for forest road-building projects.

The timber program in the Tongass National Forest in Alaska has been hemorrhaging money—and jobs—for years. Since 1996, timber-related employment in the Tongass has dropped from 1,560 to fewer than 200 workers. Yet the subsidies keep flowing in ever greater amounts.

The per-job subsidy has risen to more than $200,000, with the total cost since 1982 amounting to about $1 billion, according to Forest Service data and other government sources.

“While the nation continues to be burdened with huge federal budget deficits, the U.S. Forest Service is still promoting millions of dollars in taxpayer handouts to logging companies.”

Forest Service Defense

The Forest Service contends that building roads in the Tongass is a necessary investment for the future of the Alaskan logging industry.

Rep. Don Young (R-AK) echoed those sentiments in 2006, saying a ban on road-building is a “one-size-fits-all approach for the Tongass without consideration of the needs of the forests and the communities and Alaskans that rely on it.”

That has fiscal and budget watchdog groups scratching their heads.

“While the nation continues to be burdened with huge federal budget deficits, the U.S. Forest Service is still promoting millions of dollars in taxpayer handouts to logging companies.”

Lawmakers’ Objections

Reps. Robert Andrews (D-NJ) and Steve Chabot (R-OH) said they will once again offer legislation, as an amendment to a federal spending bill, to prevent additional taxpayer money from being used to build roads in the Tongass.

A similar measure has passed twice in the past, but both times it was derailed by members of the Alaska congressional delegation.

Chabot said the 2006 legislation to stop Tongass subsidies would be “a great victory for the American taxpayer,” representing an “end to this egregious example of corporate welfare.”

Earlier this year Andrews observed, “The Forest Service’s plan to continue the inefficient and unprofitable timber sales program in the Tongass National Forest is a travesty. Logging in Tongass has been a perennial money-loser for decades, costing the Forest Service $25 million annually for the last 25 years.

“Not only is this program detrimental to the environment and ecosystem of the Tongass National Forest, but it is also a colossal waste of taxpayer dollars, costing them $1 billion since 1982,” Andrews continued.

“Since 1996, timber-related employment in the Tongass has dropped from 1,560 to fewer than 200 workers. Yet the subsidies keep flowing in ever greater amounts.”

Tax, Enviro Groups Allied

Fiscal hawks and environmental interest groups agree.

In a May 15, 2006 open letter to the U.S. House of Representatives, the National Taxpayers Union urged the federal government to withdraw from activities that would be more appropriately handled by private entities interacting with the communities in which they wish to do business. NTU President John Berthoud commented at the time, “For the past three decades NTU and its members have held that timber extraction efforts should be based on economic viability, not the availability of taxpayer subsidies.”

Franz Matzner, forest and public land advocate at the Natural Resources Defense Council, added, “Congressman Andrews’ and Congressman Chabot’s amendment works because it is a common-sense solution to an obvious problem. Taxpayers don’t want to spend their money and see nothing in return but clearcuts and crumbling roads in their public forests. This amendment encourages responsible management of our dollars and our environment, something everyone can agree on.”

Taxpayers have been underwriting the profits of an increasingly shrinking Alaskan logging industry for years. The forest industry in Alaska continues to dwindle, according to logging industry experts, because it is less viable than forests elsewhere. Yet the Forest Service continues to support efforts to pay for additional roads in the Tongass, while existing roads deteriorate.

In the second session of the 109th Congress, 237 House members voted to end the subsidy.

Demian Moore (demian@taxpayer.net) is a senior policy analyst for Taxpayers for Common Sense, a Washington, DC-based nonprofit budget watchdog group.
Financial Woes Plague Muni Wireless Systems

Poor coverage, pricing pressure plague systems

By Steven Titch

Municipalities across the country may soon reach a crossroads on whether to proceed with plans to build public wireless networks that encompass entire urban areas.

The past several months have brought a spate of reports showing several municipal systems, including vaunted public-private partnerships, have failed to deliver on promises regarding coverage, costs, and subscriber numbers.

The municipal wireless movement suffered twin body blows in April, when MetroFi and EarthLink announced plans to limit municipal partnerships to the country’s largest cities. MetroFi went further and said it would no longer offer a free tier of wireless broadband unless municipal partners agree to be principal customers of the wireless system and commit to an agreed-upon level of spending each year.

Fighting for Customers

The announcements point to cracks in the public-private municipal wireless business model, which has been touted for several years as a way for cities to provide inexpensive Internet access to consumers who otherwise could not afford cable modems and DSL.

With competition driving down the cost of wireline broadband, plus the proliferation of wireless hot spots—many free—cities and their industry partners are finding themselves in a tough fight for customers. In communities where city governments have elected to operate systems themselves, many find their lack of technical expertise, marketing know-how, and capitalization have left them far behind the broadband pack.

“The economic reality has come home. People are realizing there’s no free lunch,” said Ronald Rizzuto, professor of finance at the University of Denver and author of several reports critiquing the financial performance of municipal broadband networks.

Although private partners generally get discounted right-of-way, they are finding such discounts don’t offset the cost of providing citywide coverage, which municipalities generally require in return.

Both the industry and city governments, Rizzuto said, are gaining a better understanding of the economics of competitive broadband networking. “They are finding that these systems are not going to be viable,” he said.

Limping in Lompoc

Perhaps the most glaring example is Lompoc, California, population 46,000, about 50 miles northwest of Santa Barbara. It spent $3 million on a citywide municipal wireless network and in March reported it has signed up only 281 customers.

Joe Armendariz, executive director of the Santa Barbara County Taxpayers Association, which has opposed the system, estimates current subscriber levels at 400. The city launched the service in September.

Dick DeWees, mayor of Lompoc and a champion of the municipal network, noted the city has not done any promotion, choosing instead to wait until the entire city has coverage before widely marketing the system.

The Lompoc wireless network represents the first phase of a city plan to deliver broadband service via high-speed fiber-optic connections to every home in the city. Work on the fiber phase has yet to begin.

“Municipalities across the country may soon reach a crossroads on whether to proceed with plans to build public wireless networks that encompass entire urban areas.”

Cutting Prices

Competition from Comcast and Verizon has forced Lompoc to reduce its WiFi rates from a flat $19.95 a month to three plans: a $9.99 per month plan for unlimited Internet access for one user; a family plan of $15.99 per month for unlimited Internet access for up to three users at a time; and a daily plan of $4.99 for 24 hours of Internet access for one user at a time.

The price cut likely pushed back the break-even point of the original business plan, which had estimated 4,000 customers paying an average of $20 to $30 a month would put the system in the black.

Meanwhile, the Lompoc Record reported on April 9 the city is continuing to work on its weak signals, which can make it difficult to connect to the Internet and cause long download times.

Despite the intense competition and technical problems with coverage, DeWees said the city is committed to the project.

Facing Further Problems

Lompoc may soon face something of a reckoning, as an early 2007 study of its public safety infrastructure recommended $2 million in improvements, Armendariz said. The city has formed a new committee to study the feasibility of tax increases.

“The city spent $3 million on a poorly performing wireless system and now finds it doesn’t have $2 million to fund a basic service—public safety,” said Armendariz.

“At what point are we going to stop spending money on [municipal broadband] and spend it where it’s really needed?” Armendariz asked.

Steven Titch (titch@heartland.org) is senior fellow for IT and telecom policy at The Heartland Institute and managing editor of IT&T News.
Transportation and Infrastructure Committee Chairman Rep. James Oberstar (D-MN) and Highway and Transit Subcommittee Chairman Rep. Peter DeFazio (D-OR), drops earlier threats of possibly undoing state PPP agreements. The paper does, however, confirm the congressmen’s concern that states not undermine opportunities for federal pork projects.

In a May 10 letter sent to governors, state legislators, and state transportation officials, Oberstar and DeFazio had warned against “rushing” into public-private partnerships and threatened, “The Committee will work to undo any state PPP agreements that do not fully within the transportation community. They deal with concerns often expressed by the two congressmen, such as protecting the public from “unreasonably high toll rates and excessive profits”; prohibiting non-compete clauses; avoiding excessively long terms of PPP concessions that “severely limit the ability of future state and local governments to make rational decisions to adapt to changing circumstances”; providing relief from high tolls to low-income drivers; and prohibiting unsolicited PPP proposals “which may undecertify or circumvent the planning process or distort open, competitive procurement.”

Protesting Pork?
The final recommendation, titled “Preserving an Integrated National Surface Transportation System,” confirms, perhaps inadvertently, what many observers think is the principal reason for the congressmen’s negative view of public-private partnerships.

The recommendation states PPPs should be pursued only with vigorous federal oversight.

“Unless appropriate planning and public interest protections are incorporated into the procedures of implementing PPPs,” the recommendation says, “these transactions could stimulate and accelerate the devolution of the federal program to the states.”

One seasoned observer of the congressional scene remarked to this author, “Behind all the high-sounding sentiments about ‘preserving the public interest’ lies congressional fear of losing control, power and leverage over the highway program, including the power to earmark funds for local pork barrel projects’ as states—through public-private partnerships—assume a dominant role in funding new highway infrastructure, making federal funds less important.

Swift Reaction
Reaction to Oberstar’s and DeFazio’s May 10 letter was swift and pointed.

“State officials do not need to be warned by U.S. congressmen against signing agreements that are not in the public interest. They make their own judgments of what agreements are in the best interest of their publics. ... Federal legislators’ role is to legislate, not to attempt to undo state contracts legitimately entered into,” wrote Robert Poole, director of transportation studies at the Reason Foundation, and Peter Samuel, senior fellow at the Reason Foundation and publisher of TollRoadsNews.com, in a strongly worded commentary posted at the organization’s Web site on May 22.

On May 16 Matthew Brouillette, president of the Pennsylvania-based Commonwealth Foundation, issued a statement in which he said, “What happened to federalism? How or why should Congress step in and prevent the states from making their own decisions regarding transportation and infrastructure needs?”

Turnpike Lease
Pennsylvania Gov. Ed Rendell (D) has been working to lease the Pennsylvania Turnpike. His communications director, Doug Rohanna, responded to the letter with this statement:

“The letter warns against rushing into any deal. We have not rushed in. We have done the opposite. We are taking our time. We are looking at all options and the Governor insists that any solution to the Transportation crisis must be in the best interest of the taxpayers and the driving public.

“The Governor’s goal for this effort mirrors their stated goals—any effort to raise funds for transportation should protect the public interest. What their letter does not address are the ways in which other alternatives could be worse than any of the solutions that involve the turnpike.”

The U.S. Department of Transportation, which came under special criticism from Oberstar and DeFazio for “rushing” to embrace PPPs and drafting model legislation intended to encourage states to adopt PPPs, had no official comment.

Ken Orski (korski@verizon.net) is editor and publisher of Innovation Briefs, a transportation newsletter in its 18th year of publication. (http://www.innobriefs.com)
Chicago Proposes 401(k) Accounts for Transit Workers

By Dennis Byrne

A groundbreaking effort to switch a public employee pension system from a defined benefit plan to a defined contribution plan is underway in Chicago.

The Chicago Transit Authority wants to follow a growing trend in the private sector toward a 401(k)-type retirement system in which the employer and employee make regular contributions into a retirement account controlled by the employee. Supporters say this approach can save taxpayers money while still providing solid retirement income for state workers.

A CTA spokeswoman said that Chicago Mayor Richard M. Daley, the state’s most powerful Democrat, has signed on to the retirement restructuring.

Seriously Underfunded

CTA’s traditional pension fund currently covers only 34 percent, or about $1.2 billion, of its $3.5 billion in liabilities, due to years of under-funding. A state law passed and signed in June 2006 now requires that by 2009 CTA and its employees begin paying into the pension plan every month with enough money for the plan to be 90 percent funded by 2058.

This new obligation, along with other higher operating costs, translates into a $110 million CTA deficit this year. That has prompted a search for a more cost-effective retirement system.

The Chicago Transit Authority has proposed establishing a 401(k)-type retirement system for its new employees. Employees themselves would control the accounts, into which the CTA and the employees would make regular contributions.

“Our current retirement and health care benefits are too rich for what we can afford,” CTA Chairwoman Carole Brown told the Chicago Tribune, referring in part to employees paying nothing to cover their retiree health care benefits. Also, in-network health care expenses for retirees are covered 100 percent after a deductible.

Plan for New Hires

Under the proposal, submitted May 22 by Brown and CTA President Ron Huberman, only new employees would be required to join the defined contribution plan. Existing employees would keep their traditional retirement plan but would be required to double their contributions.

Unions representing CTA employees oppose the plan, arguing, among other things, it would be unfair to new employees.

But state Sen. Bill Brady (R-Bloomington), the author of pending state legislation that would create a 401(k)-type pension system for all new state employees, said in an interview the plan would benefit employees by giving them more control over their own pension and ensuring it would be 100 percent funded.

Brady said his research concludes CTA doesn’t have to go through the state legislature to implement the new pension system. Going without the state legislature’s approval, however, could prove to be a problem because unions representing CTA workers have already signaled they would oppose the changes in collective bargaining.

Under the collective bargaining agreement, when negotiations for a new contract reach a stalemate, as they usually do, the dispute is submitted to binding arbitration, where the pension plan might have less chance of success.

“A groundbreaking effort to switch a public employee pension system from a defined benefit plan to a defined contribution plan is underway in Chicago.”

$34 Million Savings

Under the proposed plan, CTA’s new retirement fund would be given a start with a $150 million bond issue and be administered by a separate trust. CTA estimates the plan would save the agency $34 million a year. The retirement restructuring is part of a larger bailout package CTA is seeking from the Illinois legislature. Without legislative approval of the bailout and pension reforms, CTA said it would have to impose drastic service cuts and a fare increase.

This isn’t the first time CTA has asked the legislature for financial help. Two previous restructurings and sweetened financial aid packages, in 1973 and 1983, were supposed to provide long-term solutions to the region’s mass transportation ills, not just for CTA but also for suburban rail and bus operations.

Mass transit is just one of several major budget problems facing the state. Gov. Rod Blagojevich (D) has added new health care and education initiatives to the usual menu of problems, putting the legislature in a deadlock that made it miss its budget deadline.

And CTA is not alone in facing a pension crisis in Illinois. Five retirement plans covering Illinois employees are underfunded by an estimated $42 billion, the worst of any state.

Dennis Byrne (dennis@dennisbyrne.net) is a Chicago newspaper columnist and freelance writer.
Charlotte

Continued from page 1

annually, gathered 48,669 valid signatures on petitions calling for a referendum to repeal the tax, enough to qualify the measure for the November ballot, according to the Mecklenburg Board of Elections.

Mecklenburg County includes the city of Charlotte. About 58 percent of Charlotte-area voters approved the tax in 1998, but delays and cost overruns in building Charlotte’s first light-rail line, which began construction in 2005, and plans by local officials to build additional light-rail lines, have turned thousands of citizens against the plans.

“They’ve already started work on the light-rail line. A repeal would be a serious setback, but I hope they do kill the half-cent sales tax,” said Richard Wagner, editor of Carolina Journal, which covers local and state government in North Carolina.

“Citizens of North Carolina’s Mecklenburg County will have a chance this November to overturn a special sales tax that funds mass transit.”

‘Government Boondoggles’
The initial project budget in 2000 was $227 million. Estimates have ballooned to $450 million, and the work remains unfinished.

“It looks like people have reached the boiling point,” Wagner said. “They’re beginning to see this light rail is a boondoggle. People out here are having to pay for coliseums and kayak parks and all kinds of stuff, and they’re tired of these government boondoggles. They see taxes going up and less money to spend on themselves.”

City officials say a repeal of the half-cent sales tax would also hurt the city’s bus service, which receives more than half the transit tax revenue, and result in higher local property taxes.

City and county officials, the local chamber of commerce, and other civic organizations defend the half-cent tax.

Organized Defense
At a June 8 news conference, Charlotte City Council member Pat Mumford, a Republican, announced he has founded an as-yet unnamed group to defeat the repeal effort and preserve the tax.

Mumford said his group would start “immediately” to defend the transit tax and would raise “at least six figures” for its campaign.

Charlotte Mayor Pat McCrory, a Republican who has joined Mumford in trying to preserve the tax, said delays and cost overruns are to be expected on government projects.

“We would have to stop expansion of any road in Charlotte” because of cost overruns, McCrory said at the news conference.

‘Failed Promises’
Heartland Institute Senior Fellow Wendell Cox said, “This tax should be put up for a repeal vote because of the massively failed promises.

“The mere fact that citizens have gotten this on the ballot is a great step forward,” Cox added. “Public officials should be held at least to the same standard the law requires of real estate agents and used car salesmen.”

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

Mass transit construction in Charlotte, North Carolina is funded by a special sales tax that voters may repeal in November.
Schools Spend All They Can Get, Study Shows

By Karla Dial

In conducting a study to determine whether consolidating school districts would save Michigan taxpayers money, a researcher found evidence showing school officials spend as much money as they can.

While that didn’t surprise Andrew Coulson, director of the Cato Institute’s Center for Educational Freedom and author of the study, released in May, he was surprised how much that factor affects education spending.

To control for other variables in his study, “School District Consolidation, Size and Spending: an Evaluation,” in order to isolate whether consolidation saves money, Coulson compared two theories on how public officials spend.

“One was that if there’s a lot of demand, they spend more, and if there’s not, they spend less,” otherwise known as the benevolence theory, Coulson explained. A competing theory from economics—public choice theory—says when public officials make a decision, they consult their own interests, just like a shopper would.

“What do public officials do if they’re looking out for their own interests? They spend more money, because the bigger the budget you control, the more power you have,” Coulson said.

**Powerful Predictor**

Coulson said the study showed public choice theory is 15 times more powerful as a predictor of spending than the benevolence theory.

“I thought the public choice model would explain more, but that it’s 15 times more powerful as a predictor, it just blows me away,” Coulson said. “It is the single most powerful indicator of how much they are spending. So that’s by far the most powerful variable.

“If I wasn’t already convinced that there are serious problems with the design of our public school model, this would do it,” Coulson said.

Robert Enlow, executive director of the Milton and Rose D. Friedman Foundation, a national school choice advocacy group based in Indianapolis, agreed.

“It’s common sense that school districts spend as much as they get, if not more,” Enlow said. “We all know that, but I’ve never seen it proved like this before. It seems this study does a good job of evidencing that.”

**Systemic Problems**

Michigan taxpayers spend $19 billion annually on public education, said Ryan Olson, an education policy analyst at the Mackinac Center for Public Policy in Midland. And though per-pupil spending has doubled over the past 30 years, even after adjusting for inflation, students’ performance has stagnated or worsened.

“This study shows that Michigan policymakers would do well to pay attention to the finding that school officials spend as much as they’re allocated,” Olson said. “Spending more money just doesn’t work. We should look at incentive reforms, providing more parental choice in the state.”

“Andrew [Coulson] spoke in the study about introducing a meaningful incentive structure, but schools in Michigan are finding they can work within the system to produce savings,” Olson said, citing ideas such as competitive contracting for janitorial and food services, and competitive bidding on health insurance.

Olson noted other ways school districts can stretch funding.

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Olson said a Mackinac Center survey of Michigan school districts in 2006 showed 38 percent bid out transportation, food, and janitorial services.

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**ANDREW COULSON, DIRECTOR CENTER FOR EDUCATIONAL FREEDOM CATO INSTITUTE**

**Possible Savings**

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“Many are realizing significant savings,” Olson said. “One contracted for janitorial and busing services and is saving about $408 per pupil per year. What superintendent of a school board would turn down a $408 [per child] funding increase?”

**Better Methods**

Coulson called his discovery “an utterly damning finding for the system.”

“It means there’s nothing you can do to increase the efficiency of the system that will have an impact unless you change the incentives by injecting competition and school choice,” Coulson explained. “If we don’t do that, spending will continue to go up, and shuffling districts around won’t make a dent in that.”

As for his intended subject, school district consolidation in Michigan, Coulson found taxpayers would save more money by breaking large districts into the optimal size of 2,900 students rather than consolidating small districts. But the savings would not be worth the trouble of completely redrawing district lines statewide, he said.

Coulson plans to release a national study on his findings later this year.

Karla Dial (dial@heartland.org) is managing editor of School Reform News and Health Care News.

**INTERNET INFO**

Government Handouts Represent a Growing Share of Maine Income: Study

By Jason Fortin

More than half the personal income earned in Washington County, Maine comes from government, and only one of Maine’s 16 counties has a growing private-sector share of personal income, according to a new report from The Maine Heritage Policy Center.

“Maine’s Private Sector Share of Personal Income by County,” released May 24, “shows that the composition of personal income varies greatly between Maine counties, but the constant trend in all but one county is a shrinking private-sector share of personal income,” said study author J. Scott Moody, vice president of policy and chief economist for The Maine Heritage Policy Center.

“The most troubling finding from the analysis is that the government is now responsible for the majority of Washington County’s personal income,” Moody noted.

The trend has serious economic consequences, Moody warned.

“Unfortunately, there will be an economic price paid as the private-sector share continues to shrink, since only the private sector can create new income and wealth,” Moody said. ‘‘The public sector can only, at best, redistribute what already exists in the system,’’ through taxation or borrowing, Moody noted.

Declines Nearly Everywhere

The report examines data from 1969 to 2005. During that period, the private-sector share of personal income fell in 15 of Maine’s 16 counties. The lone Maine county with a growing private-sector share was York County.

Washington County had the smallest private-sector share of personal income. In 2005, Washington County officially became the first county in Maine to have a private-sector share below 50 percent.

The root of Washington County’s small private-sector share of personal income stems from a high level of personal current transfer receipts, which represented 35 percent of personal income in 2005. Current transfer receipts are government payments and subsidies to individuals, including retirement and disability insurance benefits, medical benefits, unemployment insurance compensation, and veterans benefits.

“More than half the personal income earned in Washington County, Maine comes from government, and only one of Maine’s 16 counties has a growing private-sector share of personal income ...”

York County was the only one to buck the statewide trend. The private-sector share increased by 10 percent between 1969 and 2005, from 61.9 percent to 68.1 percent.

When asked what could be done to address the disturbing trend, Moody said, “By enacting policies broadly consistent with economic freedom, such as secure property rights, low taxes, and low regulations, Maine policymakers can boost the entrepreneurial environment. Such changes will help alleviate this negative personal income trend and ensure an increased standard of living for Mainers.”

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

INTERNET INFO


Minnesota

Continued from page 1

February 2008.

Minnesota taxpayer advocates had little reason for optimism at the start of the 2007 legislative session. But their spirits rose on April 14 when Twin Cities talk-radio host Jason Lewis gathered 7,000 people on the steps of the State Capitol in St. Paul for one of the largest pro-taxpayer rallies in Minnesota history.

‘Emergency’ Bill Veto

Then on May 1, Pawlenty, in a move that took everyone by surprise, vetoed an entire $334 million “emergency” capital investment bill. Pawlenty said in his veto message the bill authorized “more than four times more spending on projects than I requested and is simply too large.”

Two weeks later Pawlenty announced another important veto, this one to block a transportation bill containing more than $5 billion in tax and fee increases, including adding 7-1/2 cents to the per-gallon gasoline tax, a “wheelage” tax (a tax on vehicles), sales tax increases for transit spending, an excise tax on new car purchases, and increased tab and license fees with a total cost to the average Minnesota family of up to $500 a year.

Pawlenty ended the month of May vetoing tax bills approved by the Demo-
Theme Park Subsidies Take Taxpayers for a Ride

By Diane S. Katz and James M. Hohman

Axiom Entertainment of Rochester, Michigan is eyeing 1,800 acres of state-owned land near Grayling, in north-central Michigan, for a $160 million theme park.

Axiom is also reportedly seeking $25 million in infrastructure improvements from the state. The site, in Crawford County, currently lacks sewer and water service and would likely require improved highway access as well.

On May 29 the Grayling Township Planning Commission unanimously approved a “concept plan” for the park, including a request that the Michigan Department of Natural Resources sell 1,800 acres of public land for the venture. A letter of intent for the purchase of the oak and pine woodlands along Interstate 75 reportedly has been signed by David E. Freed, who oversees land sales for the department.

Lousy Record

Michigan has an abysmal record of theme park subsidies, however.

Some $35 million in local, state, and federal funds were invested in AutoWorld, a seven-acre theme park in downtown Flint. The park, which opened in 1984, was supposed to draw 900,000 visitors annually and revive the beleaguered city. It closed after only two years.

“AutoWorld, a seven-acre theme park in downtown Flint. The park, which opened in 1984, was supposed to draw 900,000 visitors annually and revive the beleaguered city. It closed after only two years.”

Construction of Cereal City USA, in downtown Battle Creek, was made possible by a loan of $900,000 from the state that was secured by the city. The attraction, which opened in 1998, was billed as “a land of wonderful, interactive experiences and entertainment for the entire family, as they explore the birth, development, and global impact of the cereal industry.”

Officials estimated the park would draw 400,000 visitors annually, but it was shuttered in January 2007 after years of dismal attendance.

The Kalamazoo Aviation History Museum secured a $3 million state grant to launch construction of an aviation theme park. The attraction was touted as “a centerpiece for economic development and tourism in southwestern Michigan,” and local officials hoped the state would finance half the $80 million construction cost. A 25 percent hike in the local hotel tax also was considered.

Ultimately, the grant money was returned to the state after the project was scaled back for lack of support.

The city of Pontiac invested $55.7 million to build the Silverdome in 1975. The Detroit Lions relocated to Detroit’s Ford Field in 2002. Although the team paid the city $26 million for breaking its contract, Pontiac continues to incur a hefty deficit in maintaining the 127-acre site.

“Any amusement facility that must rely on tax dollars rather than private investment is by definition not viable and thus unworthy of taxpayer support.”

The supposed benefits of yet more amusement park subsidies pale in comparison to the true costs, yet Gov. Jennifer Granholm (D) is demanding Michigan families surrender more of their hard-earned wages to the state to support these dubious private ventures.

“Any amusement facility that must rely on tax dollars rather than private investment is by definition not viable and thus unworthy of taxpayer support.”

Diane S. Katz (katz@mackinac.org) is director of science, environment, and technology policy, and James M. Hohman (hohman@mackinac.org) is a fiscal policy research assistant, both for the Mackinac Center for Public Policy in Midland, Michigan.
North Carolina State Supreme Court Will Decide if Lottery Is Really a Tax

By Steve Stanek and Bill Ahern

The North Carolina Supreme Court heard oral arguments on May 22 in an appeal of a ruling in a lawsuit that argues the state’s education lottery is really a tax that lawmakers enacted illegally.

North Carolina charges a 35 percent assessment on the sale of each lottery ticket. If that revenue is found to be a tax under the meaning of North Carolina law, then the lottery’s enactment in 2005 did not meet the basic legislative requirements for enacting tax law, according to Dean Webster, executive director of the North Carolina Institute for Constitutional Law (NCICL).

NCICL filed the lawsuit in 2005 on behalf of four persons and two organizations in the state.

“Taxes are really tax revenues. The lottery bill was hurried through. There was lots of interesting wheeling and dealing to get it through as it was,” Webster said.

Pleased with Arguments

Webster said the oral arguments “went well. We were pleased with the questions by the judges. They have given the case a lot of thought so far, but you cannot always go by how the questions go.”

“Other organizations, including the Washington, DC-based Tax Foundation, have filed briefs in support of NCICL’s lawsuit, which argues lottery “profits” are really tax revenues.

“A ruling that the lottery is in part a tax will uphold the meaning of Article II, Section 23 of the North Carolina Constitution by ensuring transparency in the state tax system,” said Tax Foundation Senior Tax Counsel Chris Atkins.

The Tax Foundation has long argued lottery revenue should be called tax revenue and state lawmakers should never increase lottery revenue and claim they haven’t raised taxes.

Meets All Criteria

Current U.S. Supreme Court Justice Stephen Breyer laid out the criteria for defining a tax in deciding the San Juan Cellular case for the First Circuit Court of Appeals in 1992. Breyer argued a judge should consider who imposes the assessment, who pays the assessment, and what the revenue is spent on.

In the current case, the assessment was imposed by the North Carolina state general assembly, not a narrowly focused regulatory body; the assessment is paid by a broad swath of the public, not a narrow group that benefits from a particular government service; and the revenue is spent on public education, a broadly available benefit, not on a single industry or similarly narrow group.

Those facts argue for defining the lottery’s net revenue as tax revenue, not as a fee or profit or other miscellaneous charge, according to the plaintiffs.

“The North Carolina Supreme Court heard oral arguments on May 22 in an appeal of a ruling in a lawsuit that argues the state’s education lottery is really a tax that lawmakers enacted illegally.”

Participation Voluntary

Norma Harrell, an attorney in the state attorney general’s office, defended the lottery, arguing, “It is our position that a lottery does not impose a tax. We think the legislature intended to create a lottery. We also think the lottery intended to provide funding for education and that’s clear from the statute.”

Harrell also argued, “Nobody forces somebody to buy a lottery ticket, just as no one forces anybody to ride a toll road.”

The appeal followed a 2006 ruling by a state trial court that the General Assembly had legally enacted the lottery.

Steve Stanek (stanek@heartland.org) is a research fellow of The Heartland Institute and managing editor of Budget & Tax News. Bill Ahern (ahern@taxfoundation.org) is director of communications at the Tax Foundation.

Tennessee Lawmakers Hike Cigarette Taxes, Ban Smoking

By Steve Stanek

Tennessee lawmakers in June passed a 42 cent per pack increase in the state’s cigarette tax and another law banning smoking in the workplace.

Gov. Phil Bredesen (D) is expected to sign both bills into law.

Tax hike opponents say they fear the higher tax burden will drive cigarette buyers to neighboring states because Tennessee now has the highest cigarette tax burden in the region, at 62 cents a pack. Supporters say the higher cigarette tax will bring in $230 million more in revenue, most of which would be used to help fund public schools.

The state currently has a $1.5 billion budget surplus.

Highest Tax in Region

“Although many focus on the statement that the 62 cent tax still places Tennessee below the national average, the Tennessee tax will now rank as the highest compared to the eight states that border Tennessee,” said Jarron Springer, president of the Tennessee Grocers & Convenience Store Association, which opposed the tax hike.

“This will without a doubt drive business to bordering states and create huge losses for retailers on the border, who will be forced to lower margins to remain competitive,” Springer continued.

Below National Average

Supporters said the higher taxes will reduce cigarette consumption while boosting funding for public schools.

“We stand on the brink with doing something that I think is landmark with our education system, and it shouldn’t be taken lightly,” House Majority Leader Gary Odom (D-Nashville) said as he opened debate on the measure. Odom noted that even with the increase Tennessee would have a lower cigarette tax than two-thirds of the other states.

Rep. Frank Nicely (R-Strawberry Plains) scolded lawmakers who supported the tax hike.

“If you raise taxes with a billion-and-a-half-dollar [surplus], you’re a tax-and-spend liberal.”

FRANK NICELY
STATE REPRESENTATIVE
STRAWBERRY PLAINS, TENNESSEE

“If you raise taxes with a billion-and-a-half-dollar [surplus], you’re a tax-and-spend liberal.”

“The appeal followed a 2006 ruling by a state trial court that the General Assembly had legally enacted the lottery.

Steve Stanek (stanek@heartland.org) is a research fellow of The Heartland Institute and managing editor of Budget & Tax News. Bill Ahern (ahern@taxfoundation.org) is director of communications at the Tax Foundation.

INTERNET INFO


Dear Senators:

On behalf of millions of taxpayers, small businesses, families, senior citizens and shareholders, we strongly urge you to work and vote against any tobacco tax increase for reauthorization of the State Children's Health Insurance Program (S-CHIP).

In general, S-CHIP is a misguided attempt to address health insurance for children. Instead of morphing the program into a universal entitlement, we the undersigned urge you to seek free market reforms to empower low-income working families and strengthen access to private health care coverage. As 70 percent of the uninsured children in this country already qualify for Medicaid or S-CHIP, an expansion of the program is the wrong direction.

As the reauthorization debate continues we urge you to work and vote against all efforts to raise the tobacco tax to fund the swelling program. Taxpayers in many states are already facing higher taxes to fund state health care program expansions. Rather than joining states in taking more money from taxpayers to fund misguided priorities, it is crucial that Congress lead the way toward consumer driven health care policy.

The Honorable Max Baucus  
U.S. Senate  
Washington, DC 20510

The Honorable Charles Grassley  
U.S. Senate  
Washington, DC 20510

[Signatures and logos of various organizations]
Raising the tobacco tax to fund S-CHIP creates a lose-lose situation. A higher tax rate will not only scapegoat a segment of Americans for using a legal product, but will also hurt small businesses, which often lean on tobacco sales to stay in business. As small businesses are the engine of job creation in the U.S., raising the tax on tobacco is destroying jobs.

In order to avoid paying higher and higher tobacco taxes, consumers will turn to the Internet or out-of-state sources for tobacco products. In fact, tax increases have led to an increase in illegal activities and smuggling. With an increase in illegal activities comes an increase in the cost of enforcing compliance.

The very reasoning behind tobacco tax increases is flawed. Proponents argue the government can have increased revenue and less tobacco use. It is absurd to argue that a tax increase will diminish the number of people buying tobacco and that it will increase tax revenues. Funding an expansion of children’s health insurance on an already-declining revenue stream that the legislation seeks to further decrease is dangerous policy.

Once again we, the undersigned groups, urge you to work and vote against raising the federal excise tax on tobacco for reauthorization of S-CHIP.

Sincerely,

Jim Martin
President, 60 Plus Association

Matt Kibbe
President, FreedomWorks

Karen Kerrigan
President & CEO, Small Business and Entrepreneurship Council

John Berthoud
President, National Taxpayers Union

Grover Norquist
President, Americans for Tax Reform

Tim Phillips
President, Americans for Prosperity

Thomas A. Schatz
President, Council for Citizens Against Government Waste

Jeffrey Mazzella
President, Center for Individual Freedom

Ryan Ellis
Executive Director, American Shareholders Association
Barbara Segur, the Seattle Times, said that the state's revenue shortfall would mean that voters could expect to face higher property taxes in the future.

Washington Court to Decide if State’s Voters Understood 2001 Tax-Cut Vote

By Amber Gunn

The Washington State Supreme Court heard oral arguments in May in the legal battle over voter-approved Initiative 747, which set a 1 percent limit on annual increases in regular property tax collections.

In June 2006 King County Superior Court Judge Mary E. Roberts struck down the I-747 property tax limits, paving the way for state and local officials to increase the tax burden by as much as 6 percent a year. Fifty-eight percent of Washington voters approved I-747 in 2001. Roberts’ opinion claimed “voters were misled as to the nature and content of the law to be amended, and the effect of the amendment upon it.”

Multiple Initiatives

One year before the I-747 referendum, voters approved Initiative 722, which cut the cap on annual property tax increases from 6 percent to 2 percent and eliminated several tax increases. Both initiatives were the work of anti-tax activist and initiative guru Tim Eyman. Eyman says I-747 passed with good reason.

“Voters overwhelmingly supported Initiative 747 because it addressed a very real problem—our state’s crushing property tax burden,” Eyman said. “I-747 is working. It’s been working for six years. Voters don’t want this initiative’s reasonable protections diluted or taken away.”

Eyman estimates the I-747 property tax cap has saved taxpayers about $1.6 billion.
Washington State Legislators Abuse ‘Emergency Clause’ Budget Loophole

By Jonathan Bechtle

Horse race telecasts and a new name for a recreation committee were among 73 items declared legislative emergencies in Washington State as lawmakers continued their widespread use of the “emergency clause” to stop citizens from voting on legislation.

Attaching an emergency clause to a bill makes it go into effect immediately, preventing citizens from running a referendum to put the bill to a public vote.

The state constitution allows an emergency clause solely for laws “necessary for the immediate preservation of the public peace, health or safety, or support of the state government and its existing institutions.”

“Horse race telecasts and a new name for a recreation committee were among 73 items declared legislative emergencies in Washington State as lawmakers continued their widespread use of the ‘emergency clause’ to stop citizens from voting on legislation.”

Questionable Emergencies

When the 2007 legislature closed its doors in late April, 73 bills—13 percent of all enacted legislation—were sent to the governor with an emergency clause. This included such measures as providing for horse race telecasts, new guidelines on genetic cross-breeding of seeds, and a new name for an outdoor recreation committee.

Lawmakers attached emergency clauses to six highly contentious bills. Those bills, dealing with major changes to health care, education, housing, and labor standards, were the type citizens often want to vote on through the referendum process.

That fact did not escape legislators. One of the bills was House Bill 2079, a hotly debated measure designed to shield the state teachers union from any ill effects of a pending U.S. Supreme Court decision on the forced collection of union dues. (See “Supreme Court Limits Unions’ Spending of Dues on Politics,” page 1.)

Impassioned Debate

The emergency clause on the bill garnered much attention from lawmakers on both sides of the aisle. During floor debate, Sen. Don Benton (R-Vancouver), an opponent of the bill, called it “an outright abuse of the emergency clause statutes,” saying, “There is nothing in this bill that constitutes an emergency.”

One of the bill’s sponsors, Sen. Karen Keiser (D-Kent), retorted, “There is a bit of an emergency. We know of some labor organizations who have been legally harassed year after year ... funded by some out-of-state deep pockets.”

To which Sen. Tim Sheldon (D-Pocatello), a bill opponent, responded, “Any perceived intimidation or threats from one group to another is not a public emergency.”

While I-722 was being held up in court, Eyman and his supporters decided to run a new initiative, which would reduce the cap on annual property tax increases even further, from 2 percent to 1 percent. They faced the dilemma of whether they should draft the new initiative to amend I-722, which passed but was being challenged in court, or to amend the law that existed prior to the passage of I-722. Either choice risked amending a law that was no longer valid.

Eyman and his backers anticipated the problem, explaining in the voters’ pamphlet that I-722 was being challenged in court, and presenting both scenarios. If upheld, I-747 would reduce the cap from 2 percent to 1 percent; if struck down, the cap would be reduced from 6 percent to 1 percent.

‘Pamphlet Pretty Clear’

“The voters’ pamphlet was pretty clear about it all. So was the debate on the issue. So was the news coverage,” Peter Cullaghan, a reporter for the Tacoma News Tribune, said of the initiative.

Roberts disagreed and struck down I-722 after the election. Roberts argued voters were misled by initiative language that reduced the property tax cap from 2 percent to 1 percent, whereas if they had known the reduction was from 6 percent to 1 percent they might have decided differently.

“If Judge Roberts’ decision is allowed to stand,” said Jonathan Bechtle, director of the Evergreen Freedom Foundation’s Citizenship and Governance Center, “it will put a dangerous tool into the hands of those who wish to undermine the peoples’ right of initiative, since any court or the legislature will be able to nullify an initiative simply by making a technical change to whatever law it amends.”

Jonathan Bechtle (jbechtle@effwa.org) is director and legal analyst at the Citizenship and Governance Center of the Evergreen Freedom Foundation in Olympia, Washington.

CONTINUED from left

Earlier Initiative in Court

Taxpayers thought they had won when I-722 passed in November 2000, but within a month the initiative was being challenged in court. Plaintiffs—including Washington Citizen Action, the Washington Welfare Rights Organization Coalition, 1000 Friends of Washington (all nonprofit corporations) and Whitman County—claimed the tax cuts and property tax cap were separate subjects shoehorned together in violation of the state constitution.

No Fix

This isn’t the first year emergencies have been a dime a dozen in Washington. Thirty-six bills contained the clause last year, while in 2005 there were a staggering 98 emergency bills.

Twice citizens have asked the state Supreme Court to remove seemingly unnecessary emergency clauses to allow a referendum to proceed, once on funding for a new Seattle Mariners baseball stadium and once on a bill gutting a state spending cap passed by citizens’ initiative. Both times the court sided with legislators, deferring to their expansive definition of “emergency.”

Union Clout

This year Washington Gov. Christine Gregoire (D) appeared to be using her veto power to send a message of restraint. She struck 10 emergency clauses, warning in one veto message, “the clause should be used sparingly because its application has the effect of limiting citizens’ right to referendum.”

Her message fell flat, however, with her refusal to veto the emergency clause on the union-backed H.B. 2079. Ignoring the requirement of a public emergency, she left the bill alone because the unions wanted it in effect immediately to protect them (a private entity) from pending or future legal action.

Several lawmakers are starting to take a stand against the attack on citizens’ referendum rights. Rep. Barbara Bailey (R-Oak Harbor) called on her fellow legislators to ask themselves, “Do so many legitimate emergencies exist? Or are lawmakers abusing this clause so they don’t have to be held accountable for the bills that pass from this chamber?”

Jonathan Bechtle (jbechtle@effwa.org) is director and legal analyst at the Citizenship and Governance Center of the Evergreen Freedom Foundation in Olympia, Washington.

Amber Gunn (agunn@effwa.org) is a policy analyst for the Evergreen Freedom Foundation’s Economic Policy Center in Olympia, Washington.
Illinois Minimum Wage Hike Is Costing Jobs

By Greg Blankenship

In fall 2006, Illinois Gov. Rod Blagojevich (D) signed his second increase in the statewide mandatory minimum wage in five years. The legislation raised the state’s minimum wage to $7.50 per hour with an additional hike to $8.50 in 2010.

At the time the governor claimed, “Raising the minimum wage again will make it a little easier for thousands of families to pay the bills, put food on the table, or buy clothes for their children.”

But for many it isn’t panning out as planned.

Just as opponents of minimum wage increases warned, employers are choosing cheaper out-of-state labor or taking other steps to mitigate the increase’s effects. That employers are taking steps, in and of itself, is no surprise. What is surprising, however, is that chief among those employers is the Blagojevich administration itself.

Illinois Stiffs State Business

A May 19 story in the Springfield State Journal-Register reported that Rely Services, a Carlinville, Illinois-based data processing contractor, lost two large state contracts in the past year because Illinois’ minimum wage law is pricing the computer contractor out of the Illinois market.

The story went on to report that if the company, also known as Accudata Computer Services, loses another state contract it may have to lay off most of its 134 full- and part-time employees. The story details how, at the time of the contract losses, the winning bids came from Indiana, Michigan, and North Carolina, all of which had lower minimum wages.

Two of those states have since raised their minimum wage, but neighboring Indiana is maintaining its competitive edge by holding the line at the federal level of $5.15 per hour.

“By a unanimous vote the Senate simply chose to spend more. By a unanimous vote the Senate decided that if state contractors were struggling financially, then they would give them hiring preferences and pay the extra cost.”

While some state legislators are willing to pay a premium for contractors, they also are crying poverty and working to hike taxes. State Sen. Dave Syverson (R-Rockford) has stated a willingness to hike taxes to pay for current services. Two House Republicans supported a massive tax hike cloaked as education funding reform in committee earlier this spring.

Senate Democrats, who have a veto-proof majority, overwhelmingly support tax increases for new spending on education and health care. Yet, by their willingness to pay more for government contractors, they are proving they are poor stewards of the public treasury who shouldn’t be trusted with more money.

Greg Blankenship (greg@illinoispolicyinstitute.org) is president of the Springfield, Illinois-based Illinois Policy Institute. A longer version of this article originally appeared in the June 1 edition of the American Spectator. Reprinted by permission.

Low Taxes, Less Government Make ‘Celtic Tiger’ Roar

By Chris Edwards

In the past two decades, Ireland has turned from a poverty-stricken economic backwater into the “Celtic Tiger” of Europe.

The lessons of Ireland apply to the United States as well, according to Chris Edwards, director of tax policy studies at the Cato Institute. Here in part is how Edwards described the causes of Ireland’s amazing transformation in the March 16 edition of National Review Online.

Ireland has boomed in recent years, and it now boasts the fourth-highest gross domestic product per capita in the world. In the mid-1980s, Ireland was a backwater with an average income level 30 percent below that of the European Union. Today, Irish incomes are 40 percent above the EU average.

Was this dramatic change the luck of the Irish? Not at all. It resulted from a series of hard-headed decisions that shifted Ireland from big-government stagnation to free-market growth. After years of high inflation, double-digit unemployment rates, and soaring government debt that topped 100 percent of GDP, Irish policymakers began to cut spending in the late 1980s in a desperate bid to recover financial stability.

Irish government spending fell from more than 50 percent of GDP in the 1980s to 34 percent by 2005. For Europe that is a triumph of restraint, given that the average size of government across 25 EU countries today is 47 percent of GDP.

And Ireland has steadily reduced its tax rates. The top individual income tax rate was cut from 66 percent in 1985 to 42 percent today. The capital gains tax rate was cut from 40 to 20 percent in 1999.

“Ireland has boomed in recent years, and it now boasts the fourth-highest gross domestic product per capita in the world.”

... Ireland established a flat 12.5 percent tax rate on all corporations—one of the lowest rates in the world, and just one-third the U.S. rate. Low business tax rates have helped Ireland attract huge inflows of foreign investment.

... Inspired by the Celtic Tiger, many Eastern European nations have gone one step further and installed both low corporate taxes and simple, flat-rate taxes on individuals.

INTERNET INFO

The full text of “Emerald Miracle,” by Chris Edwards, is available at National Review Online. At http://article.nationalreview.com/q/NzUzMzA0NzUxMzE0MTg4Nzk5YmM1Zjk3YzU4ZGViZmE=

VlZmE=
State Legislators Press for U.S. Immigration Reform

Letter sent to President Bush

By John W. Skorburg

State legislators disappointed with the inability of Congress to agree on immigration reform have formed a new group to fight illegal immigration in the United States.

Pennsylvania state Rep. Daryl Metcalfe (R-Butler County) is the founding member of State Legislators for Legal Immigration, which currently claims as members state legislators from 25 states. Metcalfe officially founded the group on May 22.

The group describes its mission as “to provide a network of state legislators who are committed to working together in demanding full cooperation among our federal, state, and local governments” on immigration.

Metcalfe said this includes eliminating all economic attractions and incentives—such as welfare and other taxpayer-funded public benefits, education, and job opportunities—that may prompt people to sneak across the border.

“State Legislators for Legal Immigration will support the interests of American workers, American national security, and American taxpayers,” said Colorado state Rep. Kent Lambert (R-Colorado Springs), one of the group’s first members. “Americans expect their leaders to secure our borders, to oppose amnesty, and to enforce our immigration laws, and that’s exactly what we intend to do.”

Letter to Bush

In a letter to President George W. Bush shortly after the group’s founding, members noted the following:

• “State Legislators for Legal Immigration believe that American citizens, both born and naturalized, along with legal resident aliens, must be shown the respect that they deserve by requiring each and every person who desires to reside in our nation to do so through the legal immigration process.”

• “We oppose any legislation that grants favored immigration status to those individuals who have violated our borders, and we demand that you and Congress uphold and defend our U.S. Constitution by securing our borders immediately.”

According to the National Conference of State Legislatures, as of April 2007 state legislators in all 50 states had introduced 1,169 immigration reform bills and resolutions—more than twice the number (570) introduced in 2006. To date, 57 immigration reform measurers have been enacted in up to 20 states.

Members Across Country

With 25 states represented in the newly formed group, legislators are now speaking up about immigration, from Arizona to New Hampshire.

“Last session [2006] we were successful in having New Hampshire adopt a statute against peonage—knowingly holding a victim in a condition of involuntary servitude in satisfaction of a debt,” said New Hampshire state Rep. Jordan Ulery (R-Hudson). “The penalty for employing an illegal alien was also increased from $1,000 to $2,500 for each day of non-compliance.”

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.

INTERNET INFO

More information about State Legislators for Legal Immigration, including a complete list of members, can be found at its Web site, http://www.statelegislatorsforlegalimmigration.com.
Politicians Hand More to Public-Sector Unions

By Ryan Bedford

The expansion of public-sector collective bargaining is happening again, this time in New York and Missouri.

Following a nationwide trend, the United Federation of Teachers (UFT) and Civil Service Employees Association (CSEA) wanted to organize New York’s day-care workers. In May 2007, Gov. Eliot Spitzer (D) signed an executive order permitting them to represent independent day-care providers.

Also in May, the Missouri Supreme Court ruled the state’s government employees have the right to engage in collective bargaining with the state, reversing 60 years of policy. Existing law required governments only to “meet and confer” with employee organizations. Agreements made during such meetings were not binding.

The new ruling says any agreements made are binding. It does not compel the sides to reach agreements, however. In Missouri, public-sector workers are prohibited from striking.

The ruling begins a new era in Missouri politics because public-sector collective bargaining goes hand-in-hand with political activism. Critics of the ruling fear when unions cannot get their way at the bargaining table, they will work to put people in office who will give them what they want.


Dilemma: To Post or Not to Post Salaries

When the Kanawha County (West Virginia) Schools Board of Education decided in February to post employee salaries on its Web site, the West Virginia Education Association (WVEA) said teachers are not comfortable with the move.

“For teachers, this is just a nuisance. But nobody likes to see their salaries published on a Web site,” said Kym Randolp, director of communications for the union.

But in light of Ledbetter v. Goodyear Tire & Rubber Co., a U.S. Supreme Court decision handed down on May 4 that requires workers to file Title VII complaints of pay discrimination within 180 days of the pay adjustment, the labor movement as a whole is advocating Congress require employee salaries to be posted in every workplace.

It is unfeasible, labor officials argue, for workers to become aware of pay discrimination and collect the necessary evidence within the time allotted.

The two contradictory stands highlight an inherent conflict in the labor movement. Salary and benefit disclosure works in favor of those seeking proof they are being discriminated against, but it works against high-paid teachers and government workers who perpetually claim to be underpaid, underappreciated, and overworked.


Shrinking Enrollments, Not Budgets

Do smaller student populations reduce school costs? A study of Massachusetts data on school enrollment, staffing, and expenditures from 1999 to 2004 found the answer is “no.”

“The Fiscal Impact of Mixed-Income Housing Developments on Massachusetts Municipalities,” prepared by the Donahue Institute at the University of Massachusetts, found while school enrollment stayed flat during the study period, expenditures skyrocketed 28.6 percent and full-time equivalent staffing increased 8 percent.

“In Massachusetts, while school enrollment stayed flat during the study period, expenditures skyrocketed 28.6 percent and full-time equivalent staffing increased 8 percent.”

Two school districts managed to increase their expenditures by 25.6 percent and 32.8 percent while enrollment dropped by 12 and 6 percent, respectively.

The study concluded, “In short, there are clear fiscal pressures on municipalities due to educational costs but there is no evidence that student enrollment growth is the cause of the budgetary problems.”


Ryan Bedford (rbedford@effwa.org) is a labor analyst with the Evergreen Freedom Foundation in Olympia, Washington.

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Steve Forbes, Publisher and Author

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“How will it affect employment in the construction sector?”

“How do discriminatory taxes on new technology impede investment?”

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Extent of Government Unionism Varies Greatly

By David Denholm

The public sector is the “growth industry” for labor unions, with membership in government employment about five times greater than it is on private payrolls.

That’s the conclusion of new research by Professors Barry T. Hirsh of Trinity University and David A. Macpherson of Florida State University, both highly respected experts who run the Unionstats.com Web site.

The level of union density isn’t homogenous among the government sectors or among the states, though union density in public employment has been relatively constant since the modern era of record keeping began in 1983.

In 2006, 17.4 percent of federal government workers were union members, compared to 30.2 percent of state and 41.9 percent of local government employees, according to Hirsh and Macpherson.

The figure for federal workers includes the 807,500 Postal Service workers, 63.3 percent of whom were union members in 2006.

“The public sector is the ‘growth industry’ for labor unions, with membership in government employment about five times greater than it is on private payrolls.”

Census Numbers

Hirsh and Macpherson derived their information by analyzing the U.S. Department of Labor’s Bureau of Labor Statistics (BLS) annual summary of information about employment and union membership from the Current Population Survey, conducted by the U.S. Census Bureau.

The BLS Summary contains national figures for the total workforce and breakdowns by industry and occupation. For the past several years this release has contained a table with state-by-state data, but the data are consolidated, without industry- and occupation-specific numbers.

Declines in 2006

The BLS release for 2006, issued in January 2007, reported a total drop in union membership in 2006 of 326,000 members and a decline in union density from 12.5 to 12.0 percent of workers. Most of this loss was on private payrolls, where unions lost 274,000 members and density fell from 7.8 to 7.4 percent of the workforce.

Unions of government workers lost 52,000 members, and density fell from 36.5 to 36.2 percent.

The differences in public-sector union density in the states range from a low of 8.2 percent in South Carolina to a high of 68.8 percent in New York.

Variations Among States

The state public-sector unionism figures need a few words of caution. They include all public employment—federal, state, and local. A large federal presence in a state could distort the numbers.

Other distortions are possible. In Ohio, for example, even though almost 43 percent of government employees are union members, public-sector union membership constitutes only about 44 percent of all union members, because unionism in the private sector is so much more robust than the national average.

Conversely, in North Carolina, where public-sector union density is only 10.8 percent, 54 percent of all union members are government employees, because there are few private-sector union members.

Also, the figures are subject to the statistical and sampling errors of all survey data. As a result, particularly in lower-population states where the sample size is necessarily smaller, the figures can change dramatically from year to year without reflecting any real underlying change.

With those words of caution in mind, the accompanying table shows the state-by-state changes in public-sector union density between 2005 and 2006.

“The differences in public-sector union density in the states range from a low of 8.2 percent in South Carolina to a high of 68.8 percent in New York.”

Government’s Dominance

An undercurrent of these changes in union density in the different sectors is the extent to which the entire union movement is composed of government workers. During the union heyday of the 1950s, about 5 percent of all union members worked for government. By 1983 that figure had risen to 32.4 percent, and in 2006 it was 48 percent.

It seems inevitable that in the not-too-distant future a majority of all union members will work for government. That is already the case in several states. How this shift is influencing the political and economic positions of organized labor is open to speculation.

David Denholm (david@psrf.org) is president of the Public Service Research Foundation, an independent nonprofit organization that studies unions and union influence on public policy.

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INTERNET INFO

More detailed information from the Current Population Survey about union membership is available at http://www.unionstats.com. The Public Service Research Foundation, http://www.psrf.org, has compiled these data into a set of tables and charts for each state covering the period from 1983 to the present. These tables and charts are available on request without charge.
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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.

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How do you stand on PERSONAL issues? 20 10 0
- Government should not censor speech, press, media or Internet. A M D
- Military service should be voluntary. There should be no draft. A M D
- There should be no laws regarding sex between consenting adults. A M D
- Repeal laws prohibiting adult possession and use of drugs. A M D
- There should be no National ID card. A M D

PERSONAL SCORING: take 20 for every A, 10 for every M, and 0 for every D: ________

How do you stand on ECONOMIC issues? 20 10 0
- End “corporate welfare.” No government handouts to business. A M D
- End government barriers to international free trade. A M D
- Let people control their own retirement: privatize Social Security. A M D
- Replace government welfare with private charity. A M D
- Cut taxes and government spending by 50% or more. A M D

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.

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The Washington Post: “The Quiz has gained respect as a valid measure of a person’s political leanings.”