Drivers, Taxpayers Steaming Over New Virginia Fees, Taxes

New fees and transportation taxes adopted by the Virginia legislature are evidence of “political ineptness,” says one think tank expert.

By Kristina Rasmussen

The summer driving season has drawn to a close, but the political heat wave over Virginia’s new “abusive driver” fees and transportation taxes shows little sign of abating.

An online petition against the fees, which can exceed $3,000, has collected more than 175,000 signatures, and numerous legal cases are challenging the fees’ and taxes’ constitutionality.

The legislation containing the fees and taxes (House Bill 3202) was passed by the Republican-led General Assembly earlier this year and signed by Gov. Tim Kaine (D).

The bill, which recently began phasing in, was an attempt to raise revenues for transportation spending.

Mayor Returns $48m to Taxpayers

By Dennis Byrne

Every year, folks in Crestwood, Illinois, a suburb southwest of Chicago, open their mail to find a check paying for half their property taxes.

Who would do such an amazing, generous thing? The Village of Crestwood itself.

Crestwood’s gift doesn’t cover just the municipal property tax bill; it picks up half the tab for all government bodies that levy a property tax in the village, from schools to Cook County.

This practically unheard-of largesse is courtesy of Crestwood Mayor Chester Stranczek and his trustees, who have engineered such an efficient village gov-
The Heartland Institute’s 23rd Anniversary Benefit Dinner

**When:**
Thursday, October 25, 2007
5:00 pm - 9:30 pm

**Where:**
Hilton Chicago Hotel
720 South Michigan Avenue
Chicago, Illinois

**Register:**
online at www.heartland.org or call 312 377 4000 and ask for Events Manager Nikki Comerford.

**Abraham Lincoln: Friend or Foe of Freedom?**
The Heartland Institute will debate the legacy of Illinois’ all-time favorite son, Abraham Lincoln, and celebrate the 23rd anniversary of its founding on Thursday, October 25, from 5:00 p.m. to 9:30 p.m., at the Hilton Chicago Hotel.

Joseph A. Morris, president of the Lincoln Legal Foundation, will debate Thomas J. DiLorenzo, author of *Lincoln Unmasked* and *The Real Lincoln*, on the topic, “Was Abraham Lincoln a friend or foe of American freedom?”

Reception starts at 5:00 p.m., dinner is served at 7:00 p.m., and the debate starts at 7:45 p.m. A dessert reception with open bar follows.

**Earlier That Day: Emerging Issues Forum**
Please join us on Thursday, October 25, from 7:30 a.m. to 3:30 p.m., at Chicago’s Newberry Library, as we explore emerging issues in state public policies in the areas of health care, education, environmental protection, and more. The Emerging Issues Forum is a day-long opportunity for elected officials, policy analysts, and government affairs staffs to confer about the top public policy issues of the day.

**Special Offer for Elected Officials**
Admission to both events is free for elected officials and their spouses. A limited number of travel scholarships are also available. For more information or to reserve a place, please call 312 377 4000 or send an email to Government Relations Director Trevor Martin at tmartin@heartland.org.

**Open Bar • Comedian Tim Slagle • Lincoln Debate • Dessert Bar**

The Heartland Institute is a 23-year-old national nonprofit organization based in Chicago. Its mission is to discover, develop, and promote free-market solutions to social and economic problems. For more information, visit our Web site at www.heartland.org or call 312 377 4000.
Lee County, Florida Rejects ‘Mystery’ $10 Million Earmark from Alaska Rep.

By David Williams

Why would an Alaska congressman make a $10 million earmark for a Florida road project that local officials do not want?

That’s a question Lee County, Florida officials pondered before voting on August 17 to reject the money offered to them by Alaska Rep. Don Young (R). Fundraising for Young by a Florida real estate developer apparently prompted the earmark.

The project was “something that was nowhere on our list of priorities,” said Carla Brooks Johnston, chairwoman of the Lee County Metropolitan Planning Organization (MPO), which rejected the money. She also serves as vice mayor of Sanibel.

“Lee County, Florida officials [voted] on August 17 to reject [$10 million] offered to them by Alaska Rep. Don Young. Fundraising for Young by a Florida real estate developer apparently prompted the earmark.”

“We were absolutely appalled that this happened outside of the usual Constitutional process,” Johnston said. “I am very proud that 10 out of 13 [MPO members] voted to not begin the process of spending money.”

She added county officials have received “many emails from people who were pleased with the vote the board took.”

Another Rejection Needed

But the MPO may have to reject the money again to satisfy the Florida Department of Transportation (FDOT), FDOT District Secretary Stanley Cann sent a letter to Johnston and the MPO on August 24 informing them they did not provide proper notice and time for public comment before making their decision. He said officials must rescind the decision and follow proper procedures, including providing public notice and time for public comment, before voting to reject the money.

Unless that happens, Cann said, Lee County will not receive federal money for future road projects.

The story of the mystery earmark started in 2005 when the federal highway bill (Transportation Equity Act—A Legacy for Users, TEA-LU) was being debated and ultimately passed. During the enrollment process of the bill, when basic mistakes are cleaned up before the bill is sent to the White House, a $10 million earmark for Lee and Collier Counties in Florida was quietly changed from “widening and improvements in I-75” to Coconut Road Interchange/I-75.

Owning Property There

There currently is no Coconut Road interchange. The earmark would have put an interchange into future highway plans. A real estate developer who has raised money for Young owns property there.

With more than 6,500 earmarks in the bill, the “minor” change went virtually unnoticed. The local member of Congress, Connie Mack (R-FL), did not even know about the project.

“Congratulations to Lee County for not wanting to be associated with Rep. Young and for standing up against the powerful pork machine.”

TOM SCHATZ
PRESIDENT
CITIZENS AGAINST GOVERNMENT WASTE

On August 17 of this year The Washington Post noted, “As documented over the past few months by the Naples Daily News, Rep. Don Young (R-AK), who served as chairman of the House Transportation and Infrastructure Committee during the 2005 re-write of the national highway bill, took in $40,000 in campaign contributions at an event in February 2005 hosted by the developer. By the time the highway bill went to the White House in August 2005, a $10 million earmark had appeared for a new interchange off of I-75, known as the Coconut Road exchange. The developer [Michael Aronoff] owned property near the proposed interchange and would presumably build new homes on that land.”

‘Symbolic Victory’

Tom Schatz, president of Citizens Against Government Waste, a Washington, DC-based government watchdog group, applauded the Lee County MPO decision, saying, “This is a symbolic victory over wasteful spending.”

Schatz added, “This situation is a textbook example of what is wrong with earmarks. They are often unwarranted and unwanted expenditures that circumvent normal budgetary procedures, override the priorities of local authorities, and reward special interests while corrupting their sponsors. Congratulations to Lee County for not wanting to be associated with Rep. Young and for standing up against the powerful pork machine.”

David Williams (dwilliams@cagw.org) is vice president of policy for Citizens Against Government Waste, in Washington, DC.
Mayor
Continued from page 1

erment for the nearly 12,000 residents that they literally can pass out money to ease the property tax burden.

“Crestwood Mayor Chester Stranczek and his trustees ... have engineered such an efficient village government for the nearly 12,000 residents that they literally can pass out money to ease the property tax burden.”

‘Crazy’ Promise Made
When he first became mayor 39 years ago, Stranczek promised property owners that some day the village would pay their taxes.

“They told me I was crazy,” Stranczek said, but undeterred he began running the village like a business—a very lean business.

Stranczek, who retires this fall, explains it is done through a combination of privatization of village services, a friendly business climate, and fiscal restraint, all while providing a high degree of personal service.

Long before privatization became a familiar word, Crestwood was actively seeking more efficient and less costly contract providers for just about every municipal service.

Most Services Privatized
“We have only 21 full-time employees,” Stranczek said, a remarkably small number for the long list of municipal services Crestwood provides.

“Should I give you the list? You’d be amazed,” Stranczek said as he starts ticking them off: garbage removal, sidewalk replacement, street maintenance, water maintenance, sewer repairs, park maintenance and grass cutting, water meter reading and billing, ambulance service, engineering, bus service anywhere in the village for $1.10 a ride, a senior citizen center, youth services. And so on.

There are three full-time police officers and an all-volunteer fire department (whose members are paid for each call). Go down the employee roster, and you’ll find one assistant services director, a half-dozen public works employees, a couple of senior service providers, and you’re almost at the end of the list.

Community service officers, not police officers, patrol the two shopping centers, and crime is virtually nonexistent.

No Unneeded Equipment
Privatization also brings savings in equipment costs.

“When the weather is bad,” Stranczek said, “we don’t have any added cost. We don’t have to buy all that equipment that just sits in the yard [waiting for the few times a year it’s used].”

On the revenue side, the village pulls in more than $4 million from its share of the sales taxes produced from retailers, including a Wal-Mart, Best Buy, PetSmart, and Menard’s. Stranczek notes the village has a good number of ma and pa stores, none of which seem to have been hurt by the presence of Wal-Mart.

With plenty of vacant land when he took over, Stranczek realized it would have to be put to good commercial and industrial use to avoiding overburdening residents in the bedroom community. Now Crestwood has a “nice light industrial development that’s almost 95 percent built up right now,” with no plans for additional residential expansion.

The number of businesses went from about 35 in 1970 to 580 today. Part of the business-friendly policy is a charge of only $1 for a business license. Developers face no impact fees.

39 Years Without Hike
Not only has the village not increased its property tax in 39 years, it has cut the rate every year, to a current low of 38 cents per $1,000 of assessed valuation, Stranczek said. Every tax increase referendum by the schools has been defeated in the past 25 years except the last one—Stranczek opposed them all, except the last one.

Such fiscal discipline hasn’t hurt the level of satisfaction with services, Stranczek said, adding, “I wouldn’t be in office for 39 years if they weren’t satisfied. We don’t get five complaints a year,” including on the village phone he keeps handy in his home to hear what his constituents have to say at all hours.

Who should complain when the village has given back as much as 75 percent of the tax bill and 48 percent last year?

Not all blacks are liberals
(... and that’s a good thing)

Lee H. Walker is president of The New Coalition for Economic & Social Change and a senior fellow of The Heartland Institute. He is a former member of the Illinois State Board of Higher Education, commissioner with the Midwestern (10 States) Higher Education Commission, and National President of the National Guardsmen. He currently serves on the editorial board of the Chicago Defender. Mr. Walker was recently appointed chairman of the Illinois Advisory Committee to the U.S. Commission on Civil Rights.

The New Coalition’s mission is to cultivate effective multi-ethnic spokespersons on ideas that empower people with free enterprise and self-reliance. It helps these spokespersons gain access to forums where the major public policy issues of the day are debated.

Dennis Byrne (dennis@dennisbyrne.net) is a Chicago newspaper columnist and freelance writer.
Treasury Department Highlights Need for Corporate Tax Reform

By Chris Edwards

The U.S. Treasury Department held a conference July 26 regarding the growing uncompetitiveness of the U.S. corporate tax system.

“There is ... a growing consensus that the complex and high-rate corporate tax needs to be overhauled.”

Scholars and heads of large corporations have been pointing out the serious problems with the U.S. corporate tax for more than 15 years. There is now a growing consensus that the complex and high-rate corporate tax needs to be overhauled.

U.S. Rates Not Competitive

Among the themes discussed at the conference:

• Europe is on a corporate tax-cutting binge. The U.S. federal plus average state corporate tax rate stands at 40 percent, which is much higher than the European Union average of 24 percent. It appears foreign rates will keep falling, putting an ever-greater squeeze on U.S. competitiveness.

• Intel Corporation stressed tax costs are an important consideration when the firm locates new semiconductor plants. Over a 10-year time frame, Intel estimates it costs $1 billion more to build and run a plant in the United States than in competing countries such as Ireland and Malaysia. About 70 percent of the U.S. cost disadvantage stems from taxes.

• General Electric officials said tax rates are not the key issue in determining where it builds new plants. In GE’s case, tax rules on foreign income determine whether, say, a U.S. or German company ends up owning a new facility in other countries such as Brazil. From a tax perspective, the United States is a bad place to locate the headquarters of a multinational corporation.

• There is a trend toward “territorial” corporate tax systems, with about two-thirds of countries having such systems today. A U.S.-style “worldwide” system is less and less popular because it puts home-country corporations at a disadvantage in global markets.

“The nation’s 16 million state and local government workers earned an average of $61,727 in total compensation (wages plus benefits) in 2006, 11 percent more than the $55,470 average earned by U.S. private-sector workers, according to the latest annual data on employee compensation by industry released by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

“The nation’s 16 million state and local government workers earned an average of $61,727 in total compensation (wages plus benefits) in 2006, 11 percent more than the $55,470 average earned by U.S. private-sector workers …”

The new data, released in August, show state and local workers earned an average of $46,937 in wages, close to the $45,995 average earned by private-sector workers. The primary state and local government worker advantage is generous fringe benefits.

The accompanying figure shows the state and local worker advantage has remained fairly constant since at least 1990. Private pay boomed in the late 1990s, but state and local pay has grown faster this decade.

Chris Edwards (cedwards@cato.org) is director of tax policy studies at the Cato Institute.

Fringe Benefits Keep the Total Compensation of Government Workers Ahead of Private Sector

By Chris Edwards

The nation’s 16 million state and local government workers earned an average of $61,727 in total compensation (wages plus benefits) in 2006, 11 percent more than the $55,470 average earned by U.S. private-sector workers, according to the latest annual data on employee compensation by industry released by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

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Teachers Well-Paid

The BEA data show teacher compensation has closely tracked the overall state and local government pay average since 1990. The average compensation in state and local education in 2006 was $62,371.

State and local workers are not paid as well as federal workers, on average, but they usually receive similarly generous fringe benefits, including high job security and lucrative pension and health care plans. The BEA data do not capture the value of non-dollar benefits, such as job security.

Chris Edwards (cedwards@cato.org) is director of tax policy studies at the Cato Institute.

INTERNET INFO

Increasing Passenger Rail Service Could Make Traffic Congestion Even Worse

By Wendell Cox

Not a single congressional session passes without calls for an expansion of Amtrak or other passenger train service. Members of Congress, bureaucrats, and the powerful rail builder/rail lobby claim more passenger trains could significantly reduce automobile traffic by attracting people from their cars.

Unfortunately, passenger train advocates have things backwards. Passenger trains do not reduce traffic congestion. In fact, a material expansion of passenger train service could increase traffic congestion and impose economic losses.

Passenger Trains Worsen Congestion

In a study forthcoming from The Heartland Institute, I find there is no case in which an expansion of passenger train service has resulted in a material or sustainable reduction in traffic congestion. This is because passenger trains reduce the competitiveness of freight trains, resulting in the diversion of cargo from trains to trucks, thus increasing traffic congestion.

Reducing traffic congestion should be an economic priority. A strong body of research shows traffic congestion reduces economic growth, increases product prices, and increases poverty by making it more difficult for lower-income workers to get to and from work in urban areas.

Passenger rail fans look to the shiny trains of Europe and Japan and wonder why they don’t exist in the United States. They overlook that the more intense (and highly subsidized) passenger train service in Europe and Japan leaves little room for freight trains. As a result, much of the freight that would move by train in the United States is moved by trucks on European and Japanese roadways, making traffic congestion considerably worse.

Freight Trains Cut Traffic

There is no doubt that greater use of freight trains—not passenger trains—could reduce traffic congestion.

America’s trains have never carried more freight than they do today. Trains continue to carry more freight than the nation’s large and growing truck fleet, measured in ton miles. Moreover, during the past 35 years freight trains have nearly maintained their market share despite the expansion of the interstate highway system, which has facilitated truck commerce.

The situation is the opposite in passenger train-intensive Japan and Western Europe. Freight trains have lost 60 percent of their market in Western Europe and 80 percent in Japan. Freight train volumes have fallen in actual ton miles. It is not unusual for there to be virtual parades of trucks along the freeways of Western Europe as a result.

“Passenger trains do not reduce traffic congestion. In fact, a material expansion of passenger train service could increase traffic congestion and impose economic losses.”

Although proponents of increased funding for Amtrak and other passenger rail systems contend those systems alleviate traffic congestion, they in fact make things worse by discouraging freight rail shipping.

Freight Volumes Double

In the past 35 years, freight rail has more than doubled in volume. These gains could not have been made without the track of so many incompatible passenger train services. It may not be obvious, but passenger and freight rail are entirely different businesses, as the contrast between the U.S. and Western Europe markets clearly demonstrates.

One can only imagine what urban traffic congestion would be like today if America had followed the same direction as Western Europe and Japan and stressed (and subsidized) large passenger train networks instead of allowing the market to determine the best use of rail infrastructure.

Virtually anything that is carried by rail can be carried by truck. Trucking is a useful and successful industry. Regrettably, public policy largely ignores freight movements and has tended to limit the expansion of highways in the vain hope that rising traffic congestion would push people to switch from cars to mass transit and trains.

People Stay in Cars

The hope is vain because even with traffic congestion most trips are faster by car. Mass transit and trains have not reduced traffic congestion because they do not meet the needs of most people. They probably never will.

Meanwhile, the growing volume of trucks means worsening urban traffic congestion. A truck takes, on average, the space of 3.5 cars on urban freeways.

Traffic congestion could become even worse. The collapse of the I-35 bridge over the Mississippi River in Minneapolis could lead to more money being allocated to bridge rebuilding and less for urban freeway expansion.

Policymakers Must Choose

The reality is that no high-income nation has both a strong freight rail system and a strong passenger rail system. The only other high-income nations that have high freight rail market shares, Canada and Australia, have low levels of passenger rail service, like the United States.

Some lower-income nations, such as China and Russia, have substantial amounts of passenger rail service and retain high freight market shares, but they also have very low levels of passenger rail service. Passenger trains in high-income nations such as the United States, Western Europe, Japan, and the rest of the high-income world.

Because freight rail represents a policy choice for reducing traffic congestion, my report recommends a mix of market- and government-based strategies to move freight volumes from road to rail.
Casinos Won’t Solve Kansas’ Fiscal Problems, Taxpayer Advocates Say

By Karl Peterjohn

State and national fiscal policy groups say Kansas lawmakers are wrong to embrace state-run casinos to solve the state’s budget problems.

“State-run casinos are merely a back-door method of filling government coffers in a time of skyrocketing government spending,” said Pete Sepp, vice president for communications for the National Taxpayers Union (NTU) in Washington, DC, in a press statement. “If Kansas politicians were truly interested in boosting a lackluster economy, they would consider cutting property taxes and income taxes to spur investment and make the state more attractive for businesses.”

The concerns of taxpayer groups including NTU and the Kansas Taxpayers Network stem from the enactment earlier this year of Senate Bill 66, which authorizes four casinos to be built in the state.

On August 31 Pennsylvania-based Penn National Gaming Inc., which owns 18 casinos nationwide, became the first company to send a casino application to the Kansas Lottery Commission. The company is proposing a $295 million casino and 250-room resort hotel complex in Cheroke County, in the southeast corner of the state.

State Must Own, Operate

Under SB 66, the state will hire casino managers who must pay for construction and cover operating costs. Critics contend this violates a Kansas Supreme Court ruling that a 1986 constitutional amendment authorizing a state lottery means gambling must be “owned and operated” by the state.

Kansas Attorney General Paul Morrison (D) filed a “friendly” lawsuit in August to clarify the constitutionality, and at least one American Indian tribe with a casino near Topeka has threatened a lawsuit.

“State and national fiscal policy groups say Kansas lawmakers are wrong to embrace state-run casinos to solve the state’s budget problems.”

The state plans to assign monopoly casinos in four counties. Voters in each county where a casino would be located must give their approval before a casino can be built, but there has never been a statewide referendum on casino gambling. The Kansas Lottery Commission would oversee the casinos.

Votes Are In

Voters in Cheroke, Ford (Dodge City), Sumner (Wellington, south of Wichita), and Wyandotte (Kansas City area) Counties approved a casino in their communities. In addition, slot machines at race tracks were approved in southeast Kansas and the Kansas City area.

On August 7 voters in Sedgwick County (Wichita), the last county to vote on gambling, rejected both a casino and racetrack slot machines. The next day the owner of the Wichita Greyhound Park announced he would be closing his facility within 90 days.

Revenues Fall Short

Many studies have criticized state-sponsored gambling operations for their inefficiency and modest tax revenue gains. A study published last year by the Oklahoma Council of Public Affairs showed in 2006 casino gaming in Oklahoma was projected to bring in only 28 percent of the revenues the state expected to receive when it entered into a casino gambling compact in 2004.

Illinois casino revenues have fallen in the past several years, while receipts in Colorado and Mississippi have been flat, the report notes.

“Gambling hasn’t proven to be a cure-all for declining state revenues, yet Topeka can’t seem to grasp this fact,” Sepp said in his statement. Rather than control the business of gambling and take the matter out of citizens’ hands, Kansas officials should encourage private competition and get into the business of controlling government expenditures. With an estimated increase of 10.4 percent in the most recently approved budget, there’s plenty to pare back.”

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

Kansas Attorney General Paul Morrison has filed a lawsuit to clarify the constitutionality of casino gambling in the state.

INTERNET INFO


Washington

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hike that had been imposed early this year.

Nearly three of every four Vancouver voters rejected the tax hike despite claims from Port of Vancouver officials the higher taxes would be used for economic development.

“It’s refreshing to see voters reject the port’s attempt at empire building,” said Paul Guppy, vice president of research for the Washington Policy Center in Seattle. “Economic development can flourish just fine without a taxpayer-financed, government-directed real estate venture.”

Little Notice, No Approval

At issue was a $78 million, six-year tax hike enacted by Vancouver’s port commissioners in February with little public notice or input and no voter approval.

Port commissioners wanted to raise the port’s tax rate from 33.7 cents per $1,000 of assessed property value to about 79 cents. The owners of a $250,000 house would have seen their annual port tax bill go from $84.25 to about $197.50 in 2008.

“Nearly three of every four Vancouver voters rejected the [proposed property] tax hike despite claims from Port of Vancouver officials the higher taxes would be used for economic development.”

Officials said most of the new tax money would have been used to purchase 218 acres of land owned by two private companies. The commissioners estimated that by redeveloping the land, $64 million in annual payroll would be generated from more than 1,800 new jobs.

The overwhelming rejection of the tax increase caught Larry Paulson, the port’s executive director, by surprise. Paulson told The Columbian newspaper, “I’m disappointed. We really believe that we need an economic industrial base for family-wage jobs.”

Citizen Activists Succeeded

Vancouver voters had the opportunity to vote on the tax increase thanks to the efforts of citizen activists Lisa Ghormley and Deb Elliott, who organized a petition-signing effort to give citizens the right to vote on the issue.

Ghormley and Elliott were upset by the port’s lack of public involvement when enacting the tax.

Ghormley, an independent voter who told reporters she supported the presidential campaigns of John Kerry, Ralph Nader, and Ross Perot, told The Oregonian newspaper, “I am not anti-tax. But as I look at the process, the public is disappearing from it.”

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Virginia

Continued from page 1

in advance of the November elections, Virginians vote on state candidates in odd-numbered years.

“Going into the last General Assembly session, the common wisdom in the GOP was that a transportation bill had to be passed to prevent Republicans from losing seats in northern Virginia,” said John Taylor, president of the Virginia-based free-market advocacy organization Terri

A tion Quids. “It is telling that ... the same legislators who voted for the transportation bill only four months ago are now trying to distance themselves from it.”

According to Taylor, “that is because their constituents are verbally beating them around the head and ears for voting for the transportation bill. [The legisla
tion] reflects a political ineptness that is truly stunning in an election year.”

Unelected ‘Authorities’ Hike Taxes

The Comprehensive Transportation Funding and Reform Act of 2007 created new fees and taxes totaling $1 billion, authorized $3 billion in bonds, and created unelected “Transportation Authori
ties” in northern Virginia and the Hamp
ton Roads area with the controversial power to levy additional local taxes.

The two Authorities have since opted to impose burdens of $300 million and $168 million, respectively, on taxpayers.

“The delegation of taxing power to an unelected body sets a very dangerous precedent,” noted Del. Bob Marshall (R-Manassas), an opponent of the Authori
ties. “Why not set up a vast multitude of ‘Authorities’ with unelected and unac
countable political appointees who can impose taxes for any purpose? Why have a General Assembly or elected local gov
e rnments?”

“The summer driving season has drawn to a close, but the political heat wave over Virginia’s new ‘abusive driver’ fees and transportation taxes shows little sign of abating.”

Of all the miscellaneous revenue-raisers in the transportation bill, nothing has received more attention than the large “civil remedial fees” that took effect July 1.

Examples of these deceptively named levies include: $750 for driving on a suspended license, $1,050 for reckless driving (for example, driving 20 miles per hour or more over the speed limit), $3,000 for driving-related felonies, and $900 for other traffic misdemeanors. The fees cannot be reduced by a judge and apply to Virginia drivers only.

Minor Violations Hit Hard

Promoters of the fees argue the fines will affect only bad drivers, but as Richard Diamond of TheNewspaper.com, which covers transportation issues, explains, “It simply is not true that minor viola
tions don’t qualify for the fees, despite what they have said. Get two ordinary speedng tickets, you pay the fees.”

A combination of minor violations can bring on the higher fees, especially since related license “points” can remain on a motorist’s record for years.

Supporters of the transportation bill in the General Assembly have been criticized for potential conflicts of inter
est, as many—including Delegate and sponsor David Albo (R-Springfield)—are employed by law firms specializing in representing traffic offenders.

Officials with the state judiciary expect a flood of new cases as drivers tagged with expensive fees fight them in court.

Collection Problems

Virginia is not the first state to experi
ment with high driver fees. New Jersey and Michigan also have used stiff penal
ties as a way to encourage safer driving.

However, officials in those states have run into serious collection issues. According to a Washington Post article, Michigan’s fines were supposed to raise $80 million to $100 million every year, but the state can collect only 40 percent of the fees because many people can’t afford to pay them.

Constitutional Challenges

Several lawsuits challenging the fees and taxes on constitutional grounds are wind-
ing through Virginia’s legal system. Judges at the county and district court levels have found the driver fines unconst
itutional, but a circuit court judge has ruled in favor of the fees. Given the dif
ering opinions, it is likely the Virginia Supreme Court will have to rule on the matter.

Supervisors from Loudoun County, which is included in the Northern Vir
ginia Transportation Authority, voted to appeal a court decision affirming the Authority’s power to tax, while Poquoson Mayor Gordon Helsel, whose town is sub
ject to the Hampton Roads Transporta
tion Authority, is considering a consti	utional challenge as well.

Kaine has declined to call a special session to address concerns over the transportation funding package. House Speaker William Howell (R-Stafford) has pledged to pass a bill that would make the fees applicable to out-of-state drivers, but this is unlikely to soothe the outrage caused by the sheer size of the fees, and it wouldn’t address the tax authority issues.

The Virginia General Assembly is scheduled to meet next in January 2008. Unless HB 3202 is struck down in court, lawmakers will almost certainly face a long, “hot” winter in Richmond, and perhaps an especially uncomfortable autumn at the polls.

Kristina Rasmussen (krasmussen@ntu.org) is director of government affairs for the National Taxpayers Union. She is also a plaintiff in one of the constitution-
al challenges to HB 3202.
Missouri Judge OKs Defined Contribution Pension Plan for Mehlville Firefighters

By Aaron Hilmer

The Mehlville, Missouri Fire Protection District (MFPD) board of trustees won a victory for fiscal responsibility when a judge ruled the district may switch employee retirement benefits from a defined benefit to a defined contribution plan.

The August 27 ruling by St. Louis County Circuit Court Judge Thea A. Sherry struck down a lawsuit by the local firefighters union challenging the MFPD’s decision to terminate its defined benefit plan and put every employee, current and future, in a defined contribution plan.

It was the first legal challenge of its kind in Missouri. Other entities have made the switch from defined benefit to defined contribution plans for their employees, but none had been challenged in court.

Important Precedent
The ruling sets a precedent for government bodies that hope to reduce pension costs and give employees more control over and flexibility in their retirement programs.

“The court is not persuaded that there was credible evidence that the directors breached their fiduciary duty by modifying the retirement/pension plan under the facts presented to the court,” Judge Sherry wrote in her ruling.

The MFPD board decided to make the change after Bonnie Stegman and I were elected to the three-member commission in 2005. We decided to run for the board because of the abuse of taxpayers the prior board had been inflicting. The district’s defined pension/disability plan provides an example.

Huge Payouts
MFPD employees were retiring with 100 percent taxpayer-funded lump sum pension payouts in excess of $750,000. The board also was allowing abuse of the disability plan. One MFPD firefighter received more than $430,000 in disability payments from the district while employed at another fire district!

All the while, the plans’ unfunded liability grew to more than $5.8 million.

After ousting two union-backed incumbents, Bonnie and I went to work to reform the pension and disability plan. We hired a disability insurance provider to take over the disability portion, and after two years of union-filed lawsuits against that move, the change became final earlier this year when the Missouri Supreme Court declined to hear the case.

We then voted to change the defined benefit pension plan to a defined contribution plan. We did this to bring financial stability to the district and the taxpayers who fund it.

Firefighters sued over that change, culminating 17 months later in Judge Sherry’s ruling in the board’s favor. However, the union could appeal the ruling.

‘Coming Storm’
There is no doubt that public pension excesses and underfunding of pensions are the coming storm in state and local government, yet few elected officials are doing anything more than giving lip service to the issue.

The largest reason is the powerful lobby and political influence of public-sector unions. As union influence in the private sector wanes, public-sector unions are flourishing and using their muscle to elect union-friendly legislators and board members.

As Bonnie and I have seen, they will go to almost any length to keep their claim on the public trough.

Aaron Hilmer (ahilmer@sbcglobal.net) is chairman of the board of directors of the Mehlville Fire Protection District in south suburban St. Louis, Missouri. The district provides fire and medical services to more than 110,000 people and has a tax base of more than $2.5 billion of assessed property.

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Prevailing Wages Controversy Continues

By David Denholm

As unionization in the construction industry continues to decline, prevailing wage laws are becoming even more controversial.

Only 13.1 percent of U.S. construction workers were union members in 2006, representing a decline of 14.5 percent since 1983, the earliest year for which comparable figures are available. Yet in most places the wages paid on government projects are the union wage.

Prevailing wage laws require government bodies to set the wages to be paid on public works construction. Thirty-three states currently have such laws. Nine states have repealed them since 1979.

“As unionization in the construction industry continues to decline, prevailing wage laws are becoming even more controversial.”

The best known prevailing wage law is the federal Davis-Bacon Act, passed in 1931. The reach of the Davis-Bacon Act has since been expanded to include at least 60 other programs, many of which do not involve the use of federal funds.

That expansion and the unnecessarily high costs it creates are beginning to wear thin with the public.

Costs Climb

In Andover, Massachusetts, for example, the Andover Youth Foundation is building a youth activities center, but because it is being built on public land the state’s Executive Office of Labor and Workforce Development insists the prevailing wage law applies to the construction.

That would increase construction costs by an estimated $1.4 million, or 25 percent. The decision has generated considerable public awareness of the impact the law is having on local public works construction costs.

The increase in labor costs attributable to prevailing wage laws nationally is in the neighborhood of 25 percent, according to studies over the years, including one by the Government Accounting Office and another by the Grace Commission in the 1980s.

That premium can make a significant difference in total costs depending on whether the project is new construction or remodeling. On average, the labor cost component of new construction is about 30 percent. On repair and renovation it is often as high as 70 percent.

Bureaucrats Have Discretion

There are several elements to the prevailing wage issue. The central one is how the prevailing wage is to be determined. Critics of prevailing wage laws contend the process for determining prevailing wages is skewed toward union wages.

Almost all prevailing wage laws leave the method of determining the prevailing wage up to an administrative agency. The Davis-Bacon Act, for example, says the number is to be set by the Secretary of Labor but does not specify how it is to be determined.

Union Wages Dominate

The typical process is to use voluntary wage surveys, but the results are often skewed. Because prevailing wage laws protect union contractors from competition, unions have a strong reason to participate in the survey. At the same time, because many nonunion contractors won’t bid on prevailing wage jobs and don’t see any point in the paperwork, they have little or no motivation to participate.

As a result, even though the vast majority of construction workers are not unionized, the majority of survey responses are often from union contractors, and the survey determines that union rates prevail.

In July the U.S. Department of Labor asked for comments on whether the present system is necessary for the proper performance of wage determinations. Reforms in the process for determining prevailing wages under Davis-Bacon could have a domino effect because many states just adopt Davis-Bacon rates as prevailing.

Grassroots Concerned

Another issue is the threshold at which the prevailing wage is applied. When the Davis-Bacon Act was first enacted in 1931 the threshold was set at $5,000 in federal spending. In 1935 it was lowered to $2,000 and has remained at that level ever since. Some states have different thresholds for new construction and for renovation and repair.

This sparked controversy earlier this year in Connecticut, when the rapidly growing Connecticut Municipal Consortium for Fiscal Responsibility pressed for legislation to raise the threshold for application of the state’s prevailing wage law to municipal construction from $400,000 to $1 million.

The legislation failed, but many observers were surprised by the amount of support it received. The issue will undoubtedly return to the legislature.

There is a grassroots rebellion brewing in Illinois. That state has an unusual provision in its prevailing wage law requiring all local government agencies to resolve to adopt the state prevailing wage or determine their own.

It has become customary for local government agencies to sign on to the state rates. This year, however, several local government officials in Adams County, Illinois questioned the appropriateness of the state wage determinations and began the process of determining their own rates.

“The increase in labor costs attributable to prevailing wage laws nationally is in the neighborhood of 25 percent ...”

Controversy Will Persist

Similarly, in June of this year the voters of Vista, California overwhelmingly approved a ballot measure to make Vista a “charter city” with the apparent prime motivation being to escape coverage of the Golden State’s prevailing wage law.

The increase in activity at the national, state, and local level is a strong indication that as long as union density in the construction industry continues to decline and the government-mandated demands on tax resources continue to increase, the prevailing wage controversy won’t go away.

David Denholm (david@psrf.org) is president of the Public Service Research Foundation, which studies the impact of unionism in government on government.
Unions Are Demanding Political Payback for Democrats’ 2006 Election Victories

By Ryan Bedford

Big Labor invested heavily in the 2006 Democratic takeover of Congress. The AFL-CIO spent a reported $40 million to mobilize union households. The Service Employees spent $65 million. Overall, labor unions spent an estimated $200 million on the midterm elections.

When voters gave the Democratic Party the majority in Congress, 351 state legislative seats, and six governor’s mansions in November 2006, Big Labor began demanding political payback.

Minimum Wage Law Victims

Unions are the primary proponents of raising the minimum wage, but “no union member works for anywhere near the minimum wage,” writes Fr. Robert Sirico, president of the Acton Institute for the Study of Religion and Liberty. Why, then, do unions lobby for minimum wage increases?

"Big Labor invested heavily in the 2006 Democratic take-over of Congress. ... Overall, labor unions spent an estimated $200 million on the midterm elections.”

Unions Back Universal Preschool

In a wide-ranging article, the Capital Research Center shows teachers unions are a primary force behind the rise of universal preschool.

With Democratic majorities in the U.S. House and Senate, teachers unions are demanding loyalty from candidates they fund, particularly in regard to the reauthorization of the No Child Left Behind Act (NCLB).

Teachers unions oppose NCLB because its testing and accountability standards put their jobs at risk. But, the article says, unions are offering to agree to reauthorization if the new majority also mandates universal public preschool. That would result in a massive influx of public-sector jobs “ripe for unionization.”

The article then moves to an in-depth analysis of the largest universal preschool campaign to date, last year’s failed Proposition 82 in California. The National Education Association and American Federation of Teachers were significant supporters of the initiative. The California Teachers Association alone invested $1.5 million in the campaign.

The state teachers union boasted, “Prop. 82 will strengthen public education by putting credentialed teachers in every preschool classroom and increasing the opportunity for teacher training.”

And every “credentialed teacher” in every new preschool classroom would be forced to join the union—a windfall of millions of dollars each year for the union.


Hard Times Don’t Hurt Union Bosses

A two-part series in August in The Detroit News compared the wages of union members with those of union bosses. Part one spelled out how “[i]n tough times, leaders still gain as workers lose ground” and pointed out, “During the most egregious times for organizing labor in decades, union leaders are more likely to keep their jobs and get raises than the members they serve.”

The second installment pointed out that when United Food and Commercial Workers (UFCW) union clerks at Meijer stores received a 1.9 percent raise—35 cents an hour—their union president received a raise of 5.2 percent—from $229,000 to $237,000. When the employees received no raises, their union president’s pay climbed 29 percent, reaching $305,000.

Even in the union hall, pay discrepancies abound. For example, Ron Gettellinger, president of the United Auto Workers (UAW), manages a $300 million organization with more than 500,000 workers. Robert Potter, president of the UFCW union mentioned above, cares for a membership one-twentieth the size of the UAW. But while Gettellinger earned a little more than $156,000, Potter made $305,000.

“I’m not embarrassed or apologetic about what I make,” Potter told The News. “Even at my highest salary, I was never in the top 20 in the UFCW in the country.”

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

In Other Words

“The same state lawmakers who accuse cities and counties of overspending are quietly forcing local governments to pay ever-higher retirement benefits for public employees. ...”

“The most generous pensions are going to first-responders, mostly paramedics, police, and firefighters. Almost every year, their unions convince Tallahassee politicians to make it easier to qualify for disability pensions. If they get high blood pressure, for example, it’s now assumed they were disabled in the line of duty.”

“Unbelievable.”

Tampa Tribune
House Editorial
June 17, 2007

INTERNET INFO

Do you feel your union officers’ pay is reasonable?: http://info.detnews.com/feedback/lettersindex.cfm?topic= Union_bosses_pay&forum=dnletters


Financing Infrastructure: Conservatives vs. Innovators

By Ken Orski

Like any major policy debate, the issue of how to finance the nation’s infrastructure involves strongly held points of view. To simplify the issue, we shall call the advocates of the opposing perspectives the Conservatives and the Innovators.

Both the Conservatives and the Innovators see a need to increase transportation funding. And both condemn the excessive use of congressional earmarks. Where they differ is in how to finance the funding shortfall.

Conservatives Like Gas Tax
The Conservatives (in the Adam Smith sense of the word) look upon the gas tax as the mainstay of the surface transportation program. Hence they favor a fuel tax increase (plus indexing) as the principal means of dealing with the funding shortfall.

They cite ease of collection and proven revenue-raising capacity of the gas tax as compelling reasons for retaining it as the main source of highway funding.

The Conservatives acknowledge the value of tolling, private capital, and public-private partnerships, but they tend to dismiss them as minor contributors to the transportation program. Nor are they convinced congestion pricing can be a serious source of revenue.

The Conservatives favor maintaining a strong federal role in the surface transportation program and oppose any movement toward devolution. Rep. James Oberstar (D-MN) and Jack Schenendorf, vice chairman of the Policy and Revenue Commission, appear as the most prominent spokesmen for this point of view.

“I like any major policy debate, the issue of how to finance the nation’s infrastructure involves strongly held points of view.”

Innovators Want New Sources

The Innovators, on the other hand, tend to think the time has come for a fundamental rethinking of how the nation’s surface transportation system should be financed and managed. They question whether the gasoline tax alone can continue to fund the nation’s growing transportation needs.

They point to the likely trend of rising vehicle fuel efficiency, increasing cost of road construction, and eroding value of the tax dollar as reasons why we need to diversify the funding sources.

They do not suggest doing away with the Highway Trust Fund, for its resources will be vitally needed to help preserve, rehabilitate, and upgrade existing highways and bridges. But they think funding new infrastructure will require a fresh approach. They see tolling, congestion pricing, private capital, private road concessions, and public-private partnerships becoming vital elements of highway financing and management.

Devolution Wanted

If the financial responsibility for new infrastructure were thus to be shifted to the states, as the Innovators suggest, the federal role in surface transportation would diminish. They think inflation-indexed tolling may become a significant source of revenue to the states, and they assume toll roads will become a sound investment for the private sector.

The Innovators believe the surface transportation program should become more targeted. Federal funding, they contend, should be focused on the most pressing problems such as traffic congestion and freight movement and not dissipated on a large number of unrelated projects of local interest.

The most prominent spokesmen for this point of view are U.S. Transportation Secretary Mary Peters, certain members of the Infrastructure Finance Commission, and several governors, notably Mitch Daniels (R-IN), Rick Perry (R-TX), and Charlie Crist (R-FL).

Peters summarized the Innovators’ philosophy succinctly when she said on August 14 (in announcing the winners of the Urban Partnership grants), “We must stop relying on yesterday’s ideas to fight today’s traffic jams.”

Public Opposes Tax Hikes

Public opinion and the mood of the times seem to be on the side of the Innovators. Voters are reluctant to accept gas tax increases in the face of $3 per gallon gasoline. Even in Minnesota, site of the August 1 bridge collapse, 57 percent of respondents in a recent Survey USA poll said they oppose higher gas taxes to fix infrastructure.

Equally important, the public is skeptical that new taxes would actually be used to improve roads and bridges. As a recent Wall Street Journal editorial pointed out, voters have had long experience with politicians promising new taxes will go to such projects only to see them diverted to “Bridges to Nowhere” and other parochial ends.

Peters agrees: “When you or I pay our gas taxes today we don’t really know where that money is going to go or whether or not it’s going to benefit us directly in our communities,” she remarked in a PBS interview on August 15.

“People are reluctant to vote more money [in taxes] unless they know that money is going to actually make an improvement in the transportation infrastructure,” Peters continued. (Editor’s note: The federal highway funding reauthorization bill for the 2005-2009 period ended up with more than 6,000 earmarks for local pet projects, amounting to $24 billion.)

Tax Increase Likely

Pressure is mounting for a modest increase in the federal gas tax—if not during this congressional session then in the next Congress. The Highway Trust Fund is expected to reach a negative balance in FY 2009 and needs an injection of fresh revenue simply to maintain current levels of expenditure.

Nevertheless, it seems inevitable that tolling, private capital, and public-private partnerships, rather than new taxes, will become the primary means of expanding the surface transportation system.

This conclusion does not stem from an ideological preference for “privatization.” Instead it is grounded in the reality that every last cent we can raise through the gas tax will be needed to maintain and reconstruct our aging infrastructure.

Ken Orski (korski@verizon.net) is editor and publisher of Innovation Briefs (http://www.innobriefs.com), a transportation newsletter in its 18th year of publication. This article was adapted from the author’s remarks at the Transportation Finance Session and the Budget Chairs Roundtable, Council of State Governments, Quebec City, August 14, 2007.

Navy divers from Mobile Diving and Salvage Unit 2 prepare to conduct a dive into the Mississippi River to tie up concrete that fell in during the I-35 Bridge collapse in Minnesota. The August collapse killed few people but raised concerns about funding for the nation's infrastructure.
New Jersey Proving it Can Overtax Economic Activity

By Gregg M. Edwards

New Jersey has secured another dubious distinction. It is the first state in the nation to experience a decline in cigarette tax revenues after increasing the cigarette tax.

This fact illustrates it is possible to overtax an economic activity. When their costs are increased, rational producers and consumers will protect their economic interests. Workers will move to jurisdictions that tax their labor and wealth less and consumers will purchase goods in venues where prices are cheaper.

It’s not only the cigarette tax that illustrates this point. Revenues from New Jersey’s two largest taxes—on income and sales—also suggest that tax hikes aren’t always as lucrative as expected.

To support the Fiscal Year 2007 state budget, Gov. [Jon] Corzine [D] successfully proposed increasing the cigarette tax by 17.5 cents, from $2.40 to $2.575 per pack. It was the fourth tax increase in a six-year period and it made New Jersey’s tax the highest state tax in the nation.

Rate Up, Revenue Down

Here was the result: In FY 2006, the cigarette tax raised more than $787 million. In FY 2007—after it was hiked by almost 7 percent—the tax raised only $764 million, or $23 million less than the previous year.

While this result may seem surprising, it should have been expected. Last year, the Center for Policy Research of New Jersey—using an economic analysis performed by the Willard Bishop firm—asserted that the Corzine administration’s revenue estimate for the tax increase could not be justified. The tax rate, the center reasoned, had reached a tipping point; even a slight increase likely would cause revenues to fall. In order to increase revenues, the tax rate had to be reduced.

The center’s statements, in part, relied upon a clear pattern in cigarette sales. As New Jersey increased its tax, cigarette sales declined. The financial impact of the decline, however, was masked by higher revenues resulting from the tax increases.

New Purchase Patterns

Some of the sales decline was due to smokers giving up an expensive habit, but that can’t explain its magnitude. Many smokers don’t buy cigarettes from New Jersey retailers. Instead, some purchase cigarettes in the states that border New Jersey, all of which have lower cigarette prices. While New Jersey’s sales are plummeting, Delaware’s are increasing. And it’s certainly not the case that more Delaware residents are becoming smokers. Also, some smokers make purchases via the Internet. Others even buy in the black market, which owes its very existence to New Jersey’s steep tax.

In addition to the cigarette tax increase, the FY 2007 budget also was balanced with a hefty sales tax increase and an extension of that tax to goods and services previously untaxed. Sales tax proceeds substantially underperformed the Corzine administration’s projections. Additionally, the income tax—the largest revenue producer—also failed to meet projections.

The only major tax to exceed expectations was the corporate business tax (CBT). It outpaced projections by at least a healthy $240 million.

Why are taxes on communication services so high?

Taxes and fees imposed on cable TV and telephone subscribers are twice as high as the average sales tax on other products. Consumers pay more than $37 billion a year—$250 per household—for the “privilege” of using a telephone or watching cable TV.

“New Jersey’s economy would benefit from some reverse psychology. Reducing the heavy tax burden would spur economic growth. And with economic growth comes tax revenue growth.”

Rate Down, Revenue Up

The CBT is distinguished from the other two major taxes in this way: In FY 2007, the CBT was cut. Corzine wisely allowed two provisions of the CBT to start their phase-out schedule. These provisions were part of former Gov. James McGreevey’s huge FY 2003 CBT increase and their promised phase-out had been delayed.

Contrast that with the two other taxes. In FY 2007, the sales tax rate was increased. The income tax rate was increased two years earlier.

New Jersey faces a $4 billion structural deficit. In other words, current spending and anticipated spending increases for truly fixed costs like debt service are expected to outpace revenue growth by $4 billion. While this structural deficit was growing, New Jersey was raising taxes.

According to Americans for Tax Reform, in the last five years, New Jersey increased taxes substantially more than any other state. Obviously, tax increases have not solved New Jersey’s fiscal problems. Indeed, the heavy reliance on cigarette tax increases actually worsened our fiscal difficulties.

New Jersey’s economy would benefit from some reverse psychology. Reducing the heavy tax burden would spur economic growth. And with economic growth comes tax revenue growth.

Of course, a plan to restore New Jersey’s fiscal health also should restrain the state’s extraordinary budgetary growth. For spending-addicted legislators, however, cutting the cigarette tax may be easier to accomplish.

Gregg M. Edwards (gmedwards@verizon.net) is president of the Center for Policy Research of New Jersey, Bloomsbury, which addresses public policy issues facing the state. This article originally appeared in the August 19 issue of the Asbury Park Press, Neptune, New Jersey. Reprinted by permission.

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A new study produced by The Heartland Institute and Beacon Hill Institute documents communication taxes and fees in 59 cities, how they vary from state to state, from one communication service to another, and depending on the technology used to deliver otherwise-similar services. A limited number of complimentary copies of the 46-page report are available to elected officials and their staff. Send your request by fax on office stationery to 312/377-5000 or call 312/377-4000.
To Grow Their Economies, Cash-Strapped States Need to Cut Taxes, Not Raise Them

By Roger E. Brinner and Joyce Brinner

With real U.S. gross domestic product (GDP) growth falling to only 0.7 percent in the first quarter of this year after an anemic 2 percent pace for the second half of 2006, the U.S. economy has already shifted into a “growth recession.” Instead of a strong recovery producing better-than-expected tax revenues, the current slowdown will produce much weaker revenues. Such surprises could, in turn, provoke new policy mistakes as states attempt to cope by raising tax rates. We recently released a new study (“Fiscal Realities for the States: Economic Causes and Effects”) to help policymakers avoid mistakes that could cause more harm than necessary. We highlight two-way budget/economy linkages—causes and effects. We provide specific rules of thumb quantifying how economic forces impact budgets and how various tax methods differently impact job and income growth.

**Economic Causes**

In the short run, the economy is a dominant influence on state and local tax revenue growth. This point is hardly new, but the strength of the relationship has been grossly underappreciated because it has been obscured by the tendency to raise taxes in recessions and cut them when the economy is strong. “The current [economic] slowdown will produce much weaker revenues [that] could, in turn, provoke new policy mistakes as states attempt to cope by raising tax rates.”

Our research takes account of this “noise” and demonstrates tax collections are closely, systematically tied to readily available measures of the business cycle such as the state unemployment rate. Moreover, the economy also exerts substantial influence on state and local expenditure growth through prices for goods and the wages for employees, which are partly beyond government control.

**Economic Effects**

Tax rate changes can also have large impacts on a state’s economy through competition from other states. The long-run damage is great if a state is recognized as levying a high tax burden. Long-established economic theory and our empirical analysis demonstrate corporate profits, sales, and excise taxes are particularly damaging. These taxes motivate the locations of both employment and consumer purchasing.

**States Should Observe Optimal Tax Strategies**

If tax increases must occur, income taxes are the least damaging.

**RATING CRITERIA**

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<th>Fairness and Progressivity</th>
<th>National Recession Impact</th>
<th>Net Burden on State</th>
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<td>Personal Income Tax</td>
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Entrepreneurs have nearly complete freedom of location when they launch their new ventures. And the executives running existing businesses have almost equally great freedom as they decide in which county, state, or even country they should build a modernized facility, locate new employees to meet rising demands, or, in extreme cases, relocate an existing business. The research provides “evergreen” principles for policymakers to aid their decision making:

1. **Revenue Is Volatile**
   - State tax revenue growth rates can be assumed to move more dramatically than the percentage change in the state’s unemployment rate—which is the most available and practical way to track the economy. Typically, overall revenues fall by a full 5 percent (relative to long-run trend growth) for each 1 percent rise in the unemployment rate. Stated in terms of GDP growth, each 1 percent shift in state output growth relative to trend causes a far-greater-than-proportional 2.0 to 2.5 percent swing in state tax growth.

2. **Long Run Is Key**
   - State spending should be managed in line with long-run affordability rather than short-run revenue availability. Programs must be permanently affordable, not just when revenues are booming. Likewise, pay increases for government employees should track the private sector instead of following boom-bust cycles. Unfortunately, the reverse has been true over the past decade as state and local pay increases have substantially exceeded those in the private sector, creating major budget problems.

3. **High Taxes Lose Jobs**
   - Tax policy choices have profound long-term consequences for state growth. States compete for business investment and consumer dollars. As a result, a high total tax burden demonstrably causes a state to lose jobs. Each extra percentage point of sales, excise, or profit taxation cuts state income and employment growth by an estimated 2 to 3 percentage points in the ensuing decade.

“[T]he economy is a dominant influence on state and local tax revenue growth. ... [T]he strength of the relationship has been grossly underappreciated because it has been obscured by the tendency to raise taxes in recessions and cut them when the economy is strong.”

4. **Some Taxes Especially Harmful**
   - Equally important, businesses and consumers are shown to react very differently to the types of taxes emphasized in a state. Long-term job and output growth is weakest in states emphasizing business profit, excise, and sales taxation over personal income taxation.

Roger Brinner (rogerb@parthenon.com) is a partner and the chief economist with the Parthenon Group LLC, a strategic advisory firm serving leading firms and public-sector institutions. Joyce Brinner (joyce.brinner@globalinsight.com) is a senior principal with Global Insight, Inc., a leading economics research and forecasting organization.

**INTERNET INFO**

Federal Investment Tax Change Bill Worries Investors

By Mark Saulino

On June 22, Rep. Sander Levin (D-MI) introduced a bill (HR 2834) that would drastically alter the taxation of carried interests held by managers of investment funds and real estate ventures.

These people often earn a significant portion of their returns through such carried interests, and some analysts fear the bill, if enacted, could reduce investment in important areas of the economy.

“Carried interests” are partnership interests received in exchange for services rather than a capital investment, and they are generally structured so the holder shares in future profits and appreciation of the venture. The holder does not share in any of the underlying value of the venture as of the date the partnership interest is granted.

**Long-Settled Law**

Under long-settled tax law, any income recognized by an entity that is treated as a partnership for federal income tax purposes retains its character as ordinary income or capital gain when it “flows through” and is taxed to the partners.

Thus the holder of a carried interest is entitled to capital gain treatment on the holder’s allocable share of any capital gain recognized by the partnership.

Furthermore, it has long been the case that the sale or other disposition of a carried interest—like the sale of any other partnership interest—generally gives rise to capital gain or loss.

This capital gain treatment is important because individuals are subject to a maximum federal income tax rate of 15 percent on long-term capital gains (capital gains held for more than one year), while the maximum rate at which they are taxed on all other income is currently 35 percent.

**Effective Tax Increase**

Under HR 2834, any income that arises from a carried interest held by a person providing management, advisory, or certain other services to investment funds and real estate partnerships would be taxed as ordinary income. This includes the holder’s allocable share of any capital gain earned by the partnership and any gain recognized on the sale or other disposition of the carried interest.

The rationale behind HR 2834 is that investment fund managers receive their carried interests as compensation for services and thus should pay tax on the carried interests the same way the average American pays taxes on his or her wages.

Levin said in a June press statement, “Investment fund employees should not pay a lower rate of tax on their compensation for services than other Americans.”

**Importance of Risk**

While there has been extensive debate regarding the taxation of carried interests since the introduction of HR 2834, no clear consensus has emerged.

The sponsors of the bill argue ordinary income treatment of carried interests merely levels the playing field. Others say there is a fundamental difference between carried interests and other types of compensation paid for services.

Carried interests, they say, reflect an investment interest in the partnership, in that the amount and timing of any return depends on the success of the venture, which is never guaranteed. The holder of a carried interest is exposed to the risks of the underlying partnership investment in the same manner as one who put up capital for his partnership interest, so the holder of a carried interest should be entitled to the same tax treatment, they say.

**Burden on Investment**

Others argue HR 2834 will chill investment, often in areas that need it most.

In a July 31 Senate Finance Committee hearing, Bruce Rosenblum, managing director of the Carlyle Group and chairman of the Private Equity Council, warned, “There will be deals that don’t get done. There will be entrepreneurs that won’t get funded and turnarounds that won’t get undertaken.”

At the same hearing, real estate entrepreneur Adam Ifshin said if the legislation were enacted, “Some development would still occur, but the material shift in the risk/reward trade-off for the developer would mean that fewer projects would be built ... [and] underserved and given-up-for-dead locations [would be] far less appealing to developers because those deals are harder to put together and have greater risk associated with doing them.”

“On June 22, Rep. Sander Levin introduced a bill that would drastically alter the taxation of carried interests held by managers of investment funds and real estate ventures.”

At a more basic level, some are concerned about the complexity HR 2834 would add to federal tax laws that are already well beyond the reach of the average citizen, and others have raised the commonly held viewpoint that it is rarely sound tax policy to single out specific industries for different treatment as HR 2834 does.

**Need for Tax Certainty**

U.S. Treasury Assistant Secretary for Tax Policy Eric Solomon told Finance Committee members the current tax treatment of carried interests “provides certainty to taxpayers in planning their transactions” and “was administrable by the IRS.”

Solomon warned, “We must be cautious about making significant changes to partnership tax rules that have worked successfully to promote and support entrepreneurship for many decades.”

Many others, including Senate Finance Committee Chairman Max Baucus (D-MT) and Finance Committee member John Kerry (D-MA), have echoed the sentiment that lawmakers should be cautious about enacting legislation that so dramatically alters well-worn tax principles.

In late July, Senate Finance Committee member Chuck Grassley (R-IA) said the private equity lobby had probably already managed to forestall any chances of the carried interest legislation being passed this year. But Charles Rangel (D-NY), one of the co-sponsors of HR 2834, has threatened to combine the carried interest legislation with an Alternative Minimum Tax reform proposal in an apparent attempt to make a threatened veto of HR 2834 by President George W. Bush more difficult.

Mark Saulino (msaulino@dskllp.com) is a partner in Dreier Stein & Kahan LLP’s Transactional Department in Santa Monica, California, whose practice focuses on business taxation. He is a frequent lecturer on corporate and tax law.
Record Overtime Budget Session Brings Lawsuit, Insults to Illinois Legislature

By Steve Stanek

September saw Illinois lawmakers move into their fourth month of overtime in a budget battle that has included a lawsuit filed by the governor against the Speaker of the House, almost $500 million in vetoes that critics say were brazenly political, and the defeat of a huge tax hike to fund mass transit in Chicago and the suburbs.

These developments have occurred even though lawmakers in August approved a $59 billion budget. Gov. Rod Blagojevich (D) immediately repudiated the budget and called for lawmakers to pass a one-month budget until they could adopt a fiscal year budget more to his liking.

A few days later he signed the budget but vetoed almost $500 million of spending and moved the money into state health plans, bringing denunciations from lawmakers who say he cannot spend hundreds of millions of dollars without legislative approval. A centerpiece of Blagojevich’s budget demands is the creation of a multibillion-dollar health insurance program for the state.

“I think if this were happening in Blagojevich’s first term, he wouldn’t have been reelected [in 2006],” said state Sen. Bill Petersen (R-Buffalo Grove). “The only reason he won was he had more money [than his Republican challenger] and was able to recruit Downstate voters, now much to their regret.”

Open Contempt

The governor and lawmakers have done little to hide their contempt for each other. Blagojevich has called them into special session without any legislative proposals to consider, lawmakers have stayed home rather than obey the calls, and insults have flown.

Speaking of Blagojevich’s vetoes, state Sen. Kirk Dillard (R-Hinsdale) told Chicago Tribune columnist Eric Zorn, “He blatantly rewards his friends and punishes his enemies. He doesn’t even have enough shame to try to disguise it. This is the most ham-handed, obvious attempt I’ve ever seen to buy votes in the General Assembly.”

Blagojevich vetoed projects desired by lawmakers who have challenged him, even though most of the lawmakers are fellow Democrats. In the Senate, where President Emil Jones (D-Chicago) backs some of the governor’s initiatives and vowed to block any attempt to override his vetoes, lawmakers saw their spending projects untouched by the veto pen.

“What Blagojevich has done here violates the spirit of the bribery statutes,” Dillard told Zorn.

Governor vs. Speaker

Meanwhile, the governor’s lawsuit, filed at the end of August, accuses House Speaker Michael Madigan (D-Chicago) of engaging in a “series of unauthorized and escalating acts aimed at eradicating the governor’s constitutional and statutory powers” by allowing lawmakers to stay home rather than attend special sessions.

Blagojevich did not sue Jones, even though most senators also have stayed away from the special sessions.

Transit Tax Hike Defeated

Disagreements between the governor and lawmakers also contributed to the defeat in early September of a tax package to hike funding for Chicago-area mass-transit systems.

Madigan and other Chicago Democrats provided most of the votes for a tripling of the transit portion of the Regional Trans-

Charity

Continued from page 1

is [to] help these countries develop strong economies,” said Helene Gayle, president and CEO of CARE, which provides aid to more than 60 developing countries.

Turned Down $45 Million

CARE this year has rejected $45 million in federal aid to distribute tons of heavily subsidized American farm products in African countries. The American farm products are so heavily subsidized they undercut local farmers and drag down economies that are largely agricultural, Gayle said.

For more than a decade the United States government has been buying American farm products and shipping them overseas, where they are donated to private food aid groups as an indirect form of financing those organizations. The groups sell the products and use the money to finance their anti-poverty programs. The process is called monetization.

Gayle said CARE officials have concluded monetization does more harm than good.

“We actually made the decision [to turn down federal assistance] over two years ago, based on our research and the research of many others that this is both an inefficient way to provide aid, as well as harmful for local farmers,” Gayle said. “We felt it was counterproductive to our overall goals.”

CARE’s move to reject federal help grabbed international headlines this summer because the U.S. farm bill is up for renewal. The decision by a large and respected aid organization has brought increasing attention to U.S. farm and food policy.

It also has divided aid organizations. Members of the Alliance for Food Aid, which includes the American Red Cross, World Vision, Inc., and Feed the Children, Inc., disagree with CARE, arguing U.S. food aid protects poor people from spikes in food prices. They also say monetization of U.S. food products helps aid organizations fund programs in land and water conservation, diversification of crops, and agriculture marketing, all of which boost the success of local farmers.

Press coverage of CARE’s decision has been largely balanced and often positive, according to Gayle.

“We weren’t expecting all this attention,” Gayle said. “We’ve been surprised and gratified by the positive response. It’s been overwhelmingly positive. People are sending in checks and letters of support. We had no idea so many people would understand the policy impacts of this.”

Steve Stanek (stanek@heartland.org) is managing editor of Budget & Tax News and a research fellow at The Heartland Institute.
Foes Slug It Out Over Louisville Library Tax Proposal

By Jim Waters

Louisville, Kentucky is enmeshed in a debate over whether to create a new taxing district to provide more money for the city’s public libraries. A measure to pass a library tax is slated to appear on the November election ballot.

Opponents of the plan believe the metro government’s $200 million Library Master Plan can be accomplished without raising taxes.

Louisville Metro Councilman Hal Heiner suggests using funding that will soon be available as old bond issues are paid off for big-ticket capital projects such as Slugger Field, where the ‘Triple A’ minor league baseball Louisville Bats play.

“We are very well positioned for future bond payments,” Heiner said. “Why not use a portion of that funding being freed up to finance a new 20-year bond issue for a drastically improved library system?”

‘Fee’ on Workers, Profits

Heiner derides the tax proposal for its projected annual cost of $40 million and its plan to remove the library from the local government’s oversight.

The plan calls for an occupational license “fee” of 20 cents for every $100 to be collected from individuals on employment earnings in Jefferson County. Raising the city’s occupational tax by 0.2 percent would cost workers earning $38,000 an additional $76 a year; those making $50,000 would pay another $100.

The same tax rate would apply to the net profits of business activities.

Mayor’s Flip-Flop

The initiative also calls for creation of a five-member board, appointed by the Louisville mayor, that would no longer be under Louisville Metro government’s “umbrella.”

Heiner points out Democratic Mayor Jerry Abramson was against the tax before deciding to support it.

“Louisville, Kentucky is enmeshed in a debate over whether to create a new taxing district to provide more money for the city’s public libraries.”

Last October, our mayor stood in front of the TV cameras and talked about building new libraries without raising taxes. Now he’s for [the new tax],” Heiner said. “What’s changed?”

If the initiative passes, it will give the mayor access to the library’s $16.5 million appropriation from City Hall.

Temporary Funding Alternative

Heiner’s plan would produce $25 million a year for seven years, which would raise $175 million by 2015. Library director Craig Buthod has said the remaining $25 million could be raised by private contributions.

The Library Master Plan approved by the Metro Council two years ago calls for improving the 17-branch system, with a major share of new funds going toward building three new 40,000 square foot regional libraries and work on the city’s downtown 300,000 square foot facility.

Buthod, other local bureaucrats, and labor groups are aggressively promoting the plan as a way to free the library from having to compete against other city agencies for funding.

Competition for Funds

Supporters employ a Web site dedicated primarily to passage of the tax to vent their frustration with the fact that the library must “vie for limited funding from the Metro government general fund.”

But that’s not a bad thing, Heiner said. “It makes agencies perform better and provide more services to citizens.”

Heiner contends allowing local unelected board members to operate separately from local government goes against the spirit and goals behind the voter-approved merger of city and county governments, which occurred on January 1, 2003.

Resigned in Protest

The substance of the tax proposal and the strategies being employed to persuade voters to pass it caused Norman Morton, the library’s marketing director, to leave.

“I resigned because this doesn’t make any sense,” Morton said in a phone interview. “There really isn’t public support for this tax. It’s being done out of desperation.”

In July, Morton told the Louisville Metro Council the library foundation, which takes most of its funds from Buthod, “diverted funding from library services and programs” to fund the services of “an expensive consulting firm from Seattle” during the petition drive that netted more than 14,000 signatures to put the issue on the ballot.

City Employees, Facilities Misused

Along with using city employees on the clock to “seek out and solicit petition signers on city time,” Morton says signing stations were set up in every branch, despite a “strict prohibition against any kind of political activity on library property.”

Morton says management experts from the private sector should be better employed to help offset the library’s notoriously poor management. His career includes a stint as vice president of J. Walter Thompson U.S.A. in Chicago, one of the world’s largest advertising agencies. “People who come out of school with a

“I resigned because this doesn’t make any sense. There really isn’t public support for this tax. It’s being done out of desperation.”

NORMAN MORTON
FORMER MARKETING DIRECTOR
LOUISVILLE LIBRARY SYSTEM

Master’s in Library Science often don’t have any idea on how to manage,” Morton said.

Morton said his concerns “were dismissed out of hand” by library officials.

Jim Waters (jwaters@bipps.org) is director of policy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky.

In Other Words

“Just when we thought state government couldn’t get any more dysfunctional, along comes the farcical lawsuit that [Illinois] Gov. [Rod] Blagojevich filed against his nemesis, House Speaker Michael Madigan. ...

“Blagojevich sued Madigan last week because Madigan didn’t convene special sessions when the governor ordered him to and then started to ignore the sessions entirely. We might agree that Madigan was being irresponsible—if the governor wasn’t abusing his power to call the meetings. They should be used in the case of genuine emergencies, when the Legislature isn’t already in session. They shouldn’t be used for showboating, or to harass lawmakers, or as a replacement for working with legislative leaders.

“That’s what Blagojevich has used them for.”

Chicago Sun-Times
House Editorial
August 29, 2007
A Strong Case for Limited Government, Self-Reliance

America Alone: The End of the World As We Know It
By Mark Steyn
224 pages, hc, $27.95, ISBN: 0-8952-6078-6

Review by Jay Lehr, Ph.D.

I cannot recommend this bestselling book too highly to those who treasure our way of life.

Journalist Mark Steyn believes some day we could all wake up to a call from a nearby mosque for prayer time. If you think this can’t happen, he says, you are not paying attention. The West is wedded to a multicultural mindset that undercuts its own confidence; a welfare state that nudges it toward sloth and self-indulgence; and a childlessness that consigns it to oblivion.

Europe, laments Steyn, is almost certainly a goner. The future, if the West has its way of life, is not paying attention. The West is wedded to a multicultural mindset that undercuts our way of life.

But America can survive, prosper, and defend its freedoms if it continues to believe in itself, in the sturdier values of self-reliance, and the conviction that our country really is the world’s last great hope.

This is not a fear-mongering book. In fact it is often very funny, but it does drive home, with often-frightening clarity, the calamity befalling the Western World under the leadership of leftists who mollycoddle those who would destroy our way of life.

Less Government

Steyn is different from other doomsayers. For them, whatever the problem, the solution is always the same: more government, more regulations, more taxes, and a massive transfer of power from the citizens to some unelected, self-perpetuating, crisis lobby.

Of course this transfer of power never solves the problem and is in fact a source of the real problem: The torpor of the West derives in great part from the annexation by government of most of the core functions of adulthood.

So this is a doomsday book with a twist, an apocalyptic scenario that can best be avoided not by more government but by less. Steyn writes, “if you frame the issue in terms of multicultural sensitivity, the wimp state will bend over backward to give you everything including, eventually, the keys to the skyscrapers.”

“The torpor of the West derives in great part from the annexation by government of most of the core functions of adulthood.”

Muslim Population Takeover

Relatively few people are aware that the United States is the only developed country with a replacement birth rate of 2.1. Canada is at 1.48, Europe as a whole is 1.38, Japan 1.32, Russia 1.14.

Islam is now the principal supplier of new Europeans, and currently the second biggest supplier of new Canadians, so it’s worth mulling over Australian Prime Minister John Howard’s question: “What proportion of Western Muslims are supportive of jihad?”

CONTINUED on right

Santa Barbara Defends Its Property Values Against Global Warming ‘Art’

By Steve Stanek

Even in Santa Barbara, California—arguably the birthplace of the modern environmental movement—environmentalists can go too far.

That seems to be the message behind the demise of the “blue line” project, an art installation that would have involved painting blue waves on city streets for five years to denote where waters would reach if sea levels rise as global warming doomsayers predict.

“Don’t Mess With Property Values’

“We had here was people saying, ‘I’m for saving the environment, but don’t mess with my property values,’” said Joe Armendariz, executive director of the Santa Barbara County Taxpayers Association.

“Our group is pro-housing and pro-oil development, so we’re always on the other side of the argument with these folks,” Armendariz said. “But in this case we came up with an argument that resonated with them and was easy for them to understand.”

The project was conceived by Bruce Caron, whose organization, Light Blue Line, promotes painting streets blue in coastal cities to denote where waters could rise under alarmist global warming scenarios. The organization believes doing so would bring attention to global warming and motivate people to take action to stop it.

The local taxpayers group objected to the $12,000 price tag, and Caron responded by lining up alternative funding. But it wasn’t enough to overcome the property values objection and California’s strict environmental rules.

Many people say the modern environmental movement in the United States got its start in Santa Barbara in 1969 after a Union Oil Co. well six miles off the California coast leaked hundreds of thousands of gallons of oil that washed ashore.

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

Environmental Act Adds Burdens

“Another issue we brought up after declining property values was the California Environmental Quality Act,” Armendariz said. CEQA requires every project to comply with a lengthy and expensive environmental review and mitigation process, and the blue line project could have been subject to the act.

“We made a point of saying if we begin to look at the CEQA impact, we begin to pick winners and losers in the community and create incentives that influence where developers choose to put developments.” Armendariz said. “Builders wouldn’t want to develop land in the blue area.”
States Increase Spending Transparency

By Sandra Fabry

On September 4 the one-millionth online search occurred at the Missouri Accountability Portal, or MAP, a Web site created just a few weeks earlier on order of Gov. Matt Blunt (R). The MAP allows online visitors to search state budget information both by broad categories and by specific businesses and individuals.

Missouri plans to improve the Web site and is set to include additional information such as state employee salaries by January.

Blunt issued an executive order in July to create the Web portal—using existing revenues—thus heeding a call for greater transparency that has been resonating across the country ever since passage of the Federal Funding Accountability and Transparency Act of 2006. That act creates a free, publicly searchable Web site for nearly all federal contracts and grants.

“The initial response to the Missouri Accountability Portal has been outstanding,” Blunt said. “Missourians deserve to know where their money goes and how state government is spending their tax dollars. That is why my administration has been committed to making your state government more efficient and accountable.”

Five States Pass Transparency

Five states—Hawaii, Kansas, Minnesota, Oklahoma, and Texas—passed legislation this year mandating the creation of searchable Web sites offering comprehensive information on government expenditures. Taxpayers in those states, to varying degrees, will be able to track government spending.

While most state legislatures were out of session at press time, Michigan lawmakers were in session and House Republicans there have been pushing for a comprehensive fiscal transparency package.

The legislation would encompass direct state government expenditures and also spending at universities, community colleges, public K-12 school districts, and academies.

Michigan finds itself in a single-state economic recession, and several tax increase proposals are being floated. One of the proponents of the transparency package, state Rep. Jack Hoogendyk (R-Kalamazoo) said rather than raising taxes, lawmakers should “be more careful about how they spend taxpayer money.”

Taxpayers Deserve to Know

Hoogendyk said knowing they would have to account for every expenditure will make government bureaucrats think twice before, for example, approving change orders to an existing contract that vastly expands its costs.

“In tight budgetary times, working families and small businesses know where every dollar is spent,” Hoogendyk said in an August 1 news release issued by the Michigan House Republicans. “They deserve to know where every one of their tax dollars is going as well.”

NCSL Devotes Session

The issue of fiscal transparency has garnered so much attention that the National Conference of State Legislatures (NCSL) dedicated a separate panel discussion to state efforts in this area at the organization’s annual conference in August in Boston.

Kansas State Rep. Kasha Kelley (R-Arkansas City), who sponsored the transparency legislation that passed in Kansas this year, was one of the panelists. She too believes transparency can positively transform how government operates.

“Transparency in spending will mean greater accountability for the appropriations of the public’s purse,” Kelley said. “And when the public demands greater accountability for their tax dollars, we will see a more responsible and thoughtful approach to the appropriations process and the decisions made therein. In the long run, real budget transparency and public oversight will help curb wasteful, unnecessary, and abusive spending, thus saving taxpayers money.”

ALEC Drafts Model Bill

The American Legislative Exchange Council (ALEC) also took on the issue and now has official model language available.

“The Jeffersonian principle of limited government is integral to our mission at ALEC,” said Jonathan Williams, director of the Tax and Fiscal Policy Task Force at ALEC. “Our new budget transparency model language will give lawmakers a great tool to protect taxpayers by keeping spending in check.”

Momentum Builds

Grover Norquist, president of Americans for Tax Reform, thinks the issue will continue to dominate state agendas in the coming months.

“We will see more transparency efforts in the coming months,” Norquist said. “The naysayers who have been clamoring that this cannot be done because it costs too much have already been proven wrong by Governor Blunt.

“With this obstacle removed and with most of the information that is being put on the Web already being public information anyway—just not presented in user-friendly ways—there is no reason this could or should not be done in other states,” Norquist continued. Norquist added, “Taxpayers will be best served when fiscal transparency encompasses all levels of government.”

As momentum continues to build behind this movement, taxpayers may soon have the tools they need to act as watchdogs over their tax dollars. Noting the appeal of the Missouri Accountability Portal, Norquist said, “Once we have achieved fiscal transparency at the state level, the pressure on localities will be too big to resist this movement. And as we can see in Missouri, taxpayers embrace and appreciate transparency in government finance.”

Sandra Fabry (sfabry@atr.org) is state government affairs manager at Americans for Tax Reform in Washington, DC.
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