Highway Tolls Key to New Jersey Debt, Spending Reform Plan

By Gregg M. Edwards

In his January State of the State address, New Jersey Gov. Jon Corzine (D) unveiled a long-awaited plan to capture the value of the state’s toll roads.

The state would receive approximately $38 billion in cash financed by the sale of bonds backed by toll increases. According to the plan, the cash would be used to significantly pay down New Jersey’s $32 billion bonded indebtedness and finance transportation projects. About $1 billion currently spent on debt service would be redirected to pay for other operating expenses.

Spending Limits

Corzine surprised many observers by proposing other measures designed to prevent a recurrence of New Jersey’s current fiscal problems. The other components of his “Financial Restructuring and Debt Reduction Plan” include:

• keeping total spending in the new state budget at the same level as the current budget;
• limiting future growth to the anticipated growth in recurring revenues; and
• restricting the ability of lawmak-

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Missouri May Allow Voters to Cut Tax Rates

By Mike Anthony

Legislation that would permit a fire protection district’s board of directors to place a proposed tax rate cut before voters has been introduced in the Missouri legislature by state Rep. Walt Bivins (R-Oakville).

Calif. Senate Kills $15 Billion Health Plan

By Jeff Emanuel

A California Senate committee has rejected Gov. Arnold Schwarzenegger’s plan to provide government-controlled health insurance to millions more of California’s citizens.

The January vote of the Sen-

Burdensome Regulations Kill Kentucky’s Bid for New Business

By Jim Waters

The State of Kentucky recently learned economic development wars between states aren’t just about tax incentives. A burdensome regulatory climate can often outweigh any tax advantages.

This became clear when Medco Health Solutions Inc. decided to locate a planned new automated pharmacy—and its 1,300 high-paying jobs—in neighboring Indiana. Kentucky had offered $30 million in tax incentives compared to the Hoosier State’s $18.5 million.

Kentucky’s outdated, accommodating regulatory environment caused...
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- The Great Realignment — Toward a non-interventionist progressivism
  banquet speaker Dan Sullivan, director of Saving Communities

- Land Value Tax for Kansas City and St. Louis
  Joe Haslag, Show Me Institute

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Improving lives through market solutions
Chicago Taxes Jump $530 Million to Pay for Mass Transit

Senior citizens will ride free

By Steve Stanek

A year after Illinois lawmakers began discussing a plan to bail out the Chicago region’s mass transit system, the final piece of the plan fell into place.

The Chicago City Council in February enacted a real estate transfer tax increase, proceeds of which are to go to the Chicago Transit Authority. The action came several weeks after state lawmakers approved an increase in the sales tax in Chicago, Cook County (which includes Chicago), and five neighboring counties.

In total the Regional Transportation Authority, which oversees the Chicago Transit Authority and the suburban commuter rail and bus systems, will receive an estimated $530 million of additional revenue per year.

“A year after Illinois lawmakers began discussing a plan to bail out the Chicago region’s mass transit system, the final piece of the plan fell into place.”

Sales Tax Will Triple

The sales tax in Cook County will double from 0.25 percent to 0.50 percent. It will triple in DuPage, Kane, Lake, McHenry, and Will counties from 0.25 percent to 0.75 percent. The tax hikes take effect April 1.

Also taking effect April 1 will be the real estate transfer tax increase in Chicago. The tax, paid by property buyers, will rise from $7.50 per $1,000 of sale price to $10.50 per $1,000, a 40 percent increase.

The months-long fight over how to pump money into the Chicago and regional mass transit system involved open defiance of Gov. Rod Blagojevich (D) by lawmakers in his own party, including Speaker of the House Michael Madigan (D-Chicago), who refused to attend some special sessions the governor called.

As a January 20 deadline for cutbacks in service and fare hikes loomed, lawmakers finally reached agreement. In brokering it, Blagojevich broke a longstanding promise to oppose any sales tax hike.

Free Rides, Fare Hikes

Blagojevich also pushed through a provision allowing all senior citizens in the state free mass transit rides, regardless of their income or financial assets.

Barely one day after the deal was announced, Chicago transit officials acknowledged the free rides-for-seniors provision would cost about $30 million—double the estimate the governor gave when pushing for the provision—and would force fares to be raised to cover the loss of revenue.

A deal to garner some suburban lawmakers’ votes steers half the sales tax increase in the suburban counties to the county boards.

Many suburban lawmakers and taxpayers fumed over that provision. State Rep. Jack Franks (D-Woodstock) promised to bring legislation to force each of the suburban county boards to vote to accept the additional sales tax money, or that portion of the sales tax hike would not go through.

To do otherwise, Franks argues, would mean county lawmakers were imposing a backdoor tax hike on their constituents.

Almost Nothing for Suburbs

Franks’ counterpart on the Republican side of the aisle, State Rep. Mike Tryon (R-Crystal Lake), was likewise unhappy about the deal.

In a letter to constituents, Tryon pointed out the deal “increases our tax burden higher than Chicago’s, with only a small fraction of our residents using a mass transit system.”

Tryon added, “This tax increase will come with no expansion of services, no additional routes for McHenry County, no decrease in commuting time, and no road or infrastructure improvements in McHenry County.”

John Tillman, CEO of the Illinois Policy Institute, a free market-oriented policy organization, said, “Governor Blagojevich’s so-called ‘free rides’ for senior citizens illustrate his cavalier attitude and disrespect for taxpayers. He seems to think he is playing the role of Robin Hood. Unfortunately, he’s not stealing from the rich, but rather the poor and working class who bear the brunt of one of the nation’s highest sales tax burdens.”

Blagojevich sprang the free rides provision at the last minute, threatening a shutdown of some transit lines and service cutbacks on other lines unless lawmakers accepted the provision.

“Barely one day after the deal was announced, Chicago transit officials acknowledged the free rides-for-seniors provision would cost about $30 million—double the estimate the governor gave when pushing for the provision—and would force fares to be raised to cover the loss of revenue.”

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Dismay Greets New York's $124 Billion Budget Plan

By Steve Stanek

Taxpayers advocates, business groups, and local government officials are speaking out against New York Gov. Eliot Spitzer's (D) proposed budget, which would add about $2 billion in new revenue, for a total of $124.3 billion for the fiscal year that begins April 1.

The governor's 2008-09 Executive Budget includes tax hikes on gasoline and health insurance and changes in the way small cigars and flavored malt beverages would be taxed, sharply raising the taxes on those items.

Though the budget proposal includes some spending cuts, total state spending would grow 5 percent. In announcing the budget, Spitzer said he believes spending could grow as much as 5.3 percent, which indicates he may be leaving room for lawmakers to add more spending items.

‘Haven’t Cut Enough’

“We’re glad the governor has identified some cuts in state spending,” said Kenneth Adams, president of the Business Council of New York State, the state’s largest business organization. “But his proposal to raise nearly $2 billion in new revenues from taxes and fees suggests that they haven’t cut enough. With the national economy in turmoil and Wall Street tanking, our leaders in state government need to take bold actions to reduce spending, ease the tax burden, and give the private sector a boost.”

Spitzer told reporters at the budget announcement, “We have to build for our economic future” and cited proposed increases in funding for K-12 public school education, higher education, and health care spending.

“Taxpayer advocates, business groups, and local government officials are speaking out against New York Gov. Eliot Spitzer’s proposed budget, which would add about $2 billion in new revenue, for a total of $124.3 billion …”

Major Spending Increases

Major spending increases include:

- Another $1.46 billion for K-12 public schools, a record single-year funding increase for New York State, which already has the nation’s highest per-pupil spending. U.S. Census data released last year show per-pupil spending of $14,199 in New York State for the 2004-2005 school year, 62 percent above the national average of $8,701.
- Expansion of the Child Health Plus program to provide health care for all children in the state.
- Creation of a $1 billion Upstate Revitalization Fund.
- Creation of a $4 billion endowment for New York’s colleges and universities, which would be built up over time.

Spending cuts would include 5 percent reductions in non-personnel services and state government energy costs, changes in health care reimbursements totaling $980 million, and delaying increases in a property tax relief program to save the state $354 million.

County Officials Object

In testimony before the Joint Fiscal Committees of the legislature on February 5, officials with the New York State Association of Counties (NYSAC) said county governments would be forced to raise taxes to make up for cuts proposed by Spitzer. Spitzer’s budget showed counties would see a net increase in

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Cigars Would Be Cigarettes; Hard Lemonade a Distilled Spirit

To raise more revenue, New York Gov. Eliot Spitzer (D) proposes redefining little cigars as cigarettes and “hard” lemonade and other flavored alcohol drinks as liquor instead of beer.

“To raise more revenue, New York Gov. Eliot Spitzer proposes redefining little cigars as cigarettes and ‘hard’ lemonade and other flavored alcohol drinks as liquor instead of beer.”

Spitzer apparently is following the lead of California, where the State Board of Equalization has upheld a ruling that redefines flavored malt beverages, such as Smirnoff Ice, as distilled spirits. Such drinks, typically with an alcohol content of about 5.5 percent, have been considered equivalent to beers.

If approved by the governor’s Office of Administration, the tax on flavored malt beverages in California would go from 20 cents to $3.30 a gallon, an increase of 1,550 percent.

In New York, such a reclassification would also result in a steep tax increase, although the measure’s complexity has made it difficult to project its final impact.

Reclassifying small cigars as cigarettes would raise that tax from 40 percent of the wholesale price to $1.50 per pack in New York State, $3.00 per pack in New York City. On average, in New York State the tax would increase from $8.00 per carton to $15.00 per carton, and from $8.00 per carton to $30.00 per carton in New York City.

Businesses Concerned

“Once again government leaders are not understanding an industry or business and throwing the baby out with the bath water,” said Joel Sherman, president of Nat Sherman, Inc., a New York-based purveyor of premium tobacco products and accessories with an international reach. “They just slap a tax on tobacco products and treat us all the same.”

At Diageo, an international firm whose beer, wine, and spirits brands include Smirnoff, Johnnie Walker, Guinness, Baileys, J&B, Captain Morgan, Cuervo, Tanqueray, Beaulieu Vineyard, and Sterling Vineyards, executives are watching the push to reclassify certain beverages with concern, said Gary Galanis, vice president of corporation relations.

Same as Beer

“They are the same as beer, basically, just flavored,” Galanis said. “They’ve been around about 40 to 45 years. There lately have been attempts by various organizations and elected officials who are using the underage drinking issue to drive tax increases on these flavored beers. This penalizes responsible adult consumers and does absolutely nothing to lessen the issue of underage drinking,” Galanis said. “It looks great in press releases, but this will do nothing to raise revenue for states, considering these beverages are such a small portion of the market.”

Galanis said flavored malt beverages make up about 3 percent of the beer market. He also pointed out many sellers have licenses to sell beer or wine but not hard liquor. If the drinks are reclassified as proposed, they will be pulled from thousands of store shelves, resulting in no tax revenue.

— Steve Stanek
Parde Named President of National Taxpayers Union

By Pete Sepp

A familiar face to many Budget & Tax News readers, Duane Parde is the leader of an equally familiar pair of organizations. After an exhaustive search process, Duane Parde, an influential force in political and fiscal policy circles, has been named president of the National Taxpayers Union (NTU) and National Taxpayers Union Foundation (NTUF).

“Duane Parde, an influential force in political and fiscal policy circles, has been named president of the National Taxpayers Union and National Taxpayers Union Foundation.”

During more than a decade at the helm of ALEC (1995-2006), Parde dramatically expanded the organization’s influence while advocating goals NTU has long shared. These include a permanent federal ban on discriminatory state and local Internet access taxes; a Balanced Budget Amendment to the U.S. Constitution; tax simplification emphasizing lower, flatter rates; and Medicaid reform through cost controls and individual empowerment.

20-Year Policy Career

Parde’s ALEC tenure was part of a 20-year career in public policy that has included service as an aide to Kansas Attorney General Bob Stephan, as a legislative director (earlier at ALEC), and as state affairs director of the Council for Affordable Health Insurance.


Parde’s experience includes work in state and local Internet access taxes; a Balanced Budget Amendment to the U.S. Constitution; tax simplification emphasizing lower, flatter rates; and Medicaid reform through cost controls and individual empowerment.

With the national economy in turmoil and Wall Street tanking, our leaders in state government need to take bold actions to reduce spending, ease the tax burden, and give the private sector a boost.”

KENNETH ADAMS
PRESIDENT
BUSINESS COUNCIL OF NEW YORK STATE

LaVigne said Spitzer spoke at the county association’s annual conference and acknowledged property taxes had averaged a 51 percent increase since 2000 while personal incomes in the state had grown 27 percent.

In his State of the State address early this year, Spitzer announced the creation of a property tax commission to develop a cap and other reforms to address the “root cause” of New York’s high property taxes.

A property tax cap would be subject to approval by the legislature and probably could not take effect until at least 2009, LaVigne said.

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

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funds from the state of $348.9 million in 2008 and $519 million in 2009.

“The 2008-09 Executive Budget presents counties with two fundamentally flawed and unfair changes in the fiscal structures of human services programs,” said NYSAC Executive Director Stephen J. Acquario in his testimony.

“The first is in the area of public assistance,” Acquario said. “The Executive Budget shifts an additional 2 percent of the cost of public assistance to counties and the City of New York, while the State would pay 2 percent less.”

Acquario continued, “The second proposal in the Executive Budget that counties find absolutely unacceptable is the shift in cost of juvenile detention centers. Effective April 1, 2009, counties will assume 100 percent of the cost for youth placed by the Family Court in secure and non-secure detention facilities.

“Currently, the State reimburses counties 50 percent for secure and non-secure juvenile detention costs,” Acquario continued. “The State’s estimated savings for this initiative is $35.4 million.”

Local Taxes Would Rise

Acquario said the additional financial burden on counties would be higher than the governor’s estimate, and both the public assistance and juvenile detention changes would force counties across the state to raise local property taxes.

At NYSAC’s annual meeting in January, Suffolk County Executive Steve Levy, a Democrat, said the budget “is a net loss for us” but added there are positives in it, including an initiative to consolidate small taxing bodies for more efficiency.

Grassroots Opposition Grows

Mark LaVigne, communications director for the association, said, “There is a growing grassroots movement. This issue is salient to property taxpayers across the state. Based on newspaper articles and editorials we’ve seen, the county message is being received in communities across the state.”

LaVigne added, “No one will deny we have a property tax crisis in New York State. Our member counties are concerned and are reacting accordingly.”

“We are fully committed to ensuring that every property tax dollar is put to work in the best interest of New York’s taxpayers,” said LaVigne.

“I am thankful to the boards of directors for giving me the opportunity to expand our outreach, step up our activities, and grow our membership,” Parde said. “I will dedicate all my energy to the single goal of putting taxpayers firmly and unequivocally in control of the government their hard-earned money pays for every day. All of this means that there are exciting times ahead for NTU and NTUF!”

Pete Sepp (pressguy@ntu.org) is vice president for policy and communications for the National Taxpayers Union and National Taxpayers Union Foundation.
New Jersey

Continued from page 1

ers to issue debt without first obtaining voter approval.

The attention these reforms have received has been dwarfed by the response to Corzine’s unusual, if not unique, plan to finance a massive borrowing scheme through scheduled toll increases. As expected, the complex toll road plan has generated considerable controversy and public opposition. Corzine has acknowledged it could deter his political future.

Regular Toll Increases

The toll road plan anticipates $32 billion to $38 billion would be raised through the sale of bonds backed by contractually established toll increases. From 2010 to 2022, tolls would be increased four times. Each increase could be as high as 50 percent, in addition to an inflation adjustment.

After 2022, toll increases would be limited to inflation adjustments and would continue for the duration of the plan, 61 years.

In addition to increasing the tolls on New Jersey’s three toll roads, Corzine also proposed adding tolls to an existing state highway that connects New Jersey to the Borough of Staten Island in New York.

To insulate taxpayers from any obligation to the bondholders, Corzine’s plan places the toll roads under the authority and control of a legislatively created public benefit corporation (PBC). Except for the initial appointment of the PBC’s governing board, the state government would have no authority over the PBC. The maintenance and operation of the toll roads would be governed by an elaborate 75-year contract between the state and the PBC.

“In his January State of the State address, New Jersey Gov. Jon Corzine unveiled a long-awaited plan to capture the value of the state’s toll roads.”

The cash from the bond sale would be spent to pay down half of the state’s $32 billion bonded debt, eliminate the existing debt of the state’s three toll roads, and fund transportation projects.

Opposition to Tolls

The plan’s critics have focused primarily on the size and frequency of the toll increases, the inequity of solving the state’s fiscal problems solely on the backs of toll road users, and creating new debt in order to reduce existing debt.

State Sen. Anthony Bucco (R-Morris County), a member of the Senate Budget Committee, likened the plan to “using the AmEx Card to pay off the Visa bill.”

Corzine insists his plan does not replace one type of debt with another because the PBC’s debt would not be state government debt. That claim has been greeted with skepticism.

“It’s hard to imagine that the taxpayers won’t be on the hook if the toll revenues can’t support the operation of the toll roads,” said Jerry Cantrell, president of the New Jersey Taxpayers’ Association. Cantrell also questioned how the contract with the PBC could accurately account for economic conditions that will exist 50 or 60 years from now.

All Parts Important

Bob Franks, a former Republican congressman who narrowly lost to Corzine in the 2000 U.S. Senate contest, has endorsed his former rival’s plan. But Franks is quick to point out the plan has four components, all of which must become reality if true and lasting reform is to be achieved.

“Paying down the state’s debt and dedicating a source of revenue for our aging transportation infrastructure are vital to restoring New Jersey’s fiscal health and maintaining our economic lifeline,” Franks said.

“Ultimately, however, the long-term fiscal health of the state lies with the plan’s spending reforms,” Franks continued. “Freezing current spending, tying budget expenditures to recurring revenues, and giving the voters more control over debt issuance is the medicine that New Jersey desperately needs.”

Franks added, “Right now, the governor’s proposal is the only plan on the table that accomplishes all these objectives. The challenge for the governor and those of us who support comprehensive budget reform is to convince the legislature of the need to pass the governor’s entire package.”

Gregg M. Edwards (gmedwards1@verizon.net) is president of the Center for Policy Research of New Jersey.

Iowa Takes Up Transportation Finance Reform

By Amy K. Frantz

In December, the Iowa Department of Transportation (IDOT) issued its “Study of Iowa’s Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs” to the Iowa legislature. For the 20-year period from 2005 to 2024, according to the report, the state will need to spend $67.2 billion on Iowa’s public roadway system. Federal, state, and local government revenue for the road system is forecast to total $39.5 billion, leaving the state with a $27.7 billion shortfall in road spending over the 20-year period.

Recognizing transportation funding is unlikely to increase by that much, IDOT has stated a minimum of $200 million per year in new funding is necessary to meet the most critical needs.

More Money

Members of the Transportation Investment Moves the Economy in the 21st Century (TIME-21) Funding Study Committee of the Iowa Legislature are considering options presented in the IDOT
Republican legislative leaders in Kansas introduced a measure to impose the nation's first carbon tax as a provision of a comprehensive energy bill. The provision came in response to the denial of a permit for the expansion of a power generation plant near Holcomb, Kansas. Though the carbon tax provision has since been pulled from the energy bill, it raised serious issues for Kansas taxpayers, with implications at the national level.

The following letter by some of the nation's premiere tax and legislative organizations outlines what is at stake.

February 6, 2008

To the taxpayers of Kansas:

We write with great concern regarding two pieces of legislation in the Kansas House and Senate that would effectively impose a carbon tax—a first in our country—with a host of other unintended economic consequences harmful to Kansas and its citizenry.

Although SB 515 and HB 2711 have been put forth as a good-faith compromise to address the issues and process surrounding the denial of the Holcomb air permit (an event that gained national media attention), we firmly believe their enactment will set bad precedent not only for Kansas citizens and businesses, but on a national level as well.

Make no mistake, there are elements of the compromise that have some merit; for example, those sections related to regulatory certainty. However, in aggregate the proposal presents profound issues, which should cause great pause in view of their future economic ramifications. As such, we urge you to vote against these well-intentioned, but flawed legislative proposals.

The potential adoption of a first-in-the-nation, statute-based carbon tax would place adverse tax liabilities and resource planning burdens on consumers and businesses. Rather than providing the needed flexibility of a market-based approach to address energy supply-and-demand challenges through a well-established, well-adhered-to regulatory framework, a carbon tax would place statutory caps on carbon emissions to the detriment of the Kansas economy and its citizens. In short, a carbon tax presents a byproduct of these legislative proposals is an indirect means of picking winners and losers through absolute caps on carbon emissions and fuel types, or technologically unfeasible and cost-prohibitive offsets. Furthermore, the legislation in its current form prohibits new construction or expansion of merchant utilities seeking to provide energy generation from fossil fuels. Exemptions are indeed provided, but only to government and cooperative energy providers who retire aging facilities. As a result, free-market competition to actually drive down future costs for consumers through more efficient technologies and plant operations is seemingly eliminated from future consideration.

Although SB 515 and HB 2711 contain some provisions on government overreach so as to moderate the short-term effect, the legislative proposals fail to fully address the broader issues of regulatory certainty for which businesses rely upon to make major capital planning and investment decisions. Arbitrary rule-making is not just frowned upon by major employers and businesses; it is universally avoided wherever possible.

Leaving in place room for regulatory uncertainties and political manipulation, as witnessed throughout this debate, will simultaneously deter future inbound investments to the state and export internal projects elsewhere. As a result, other states will likely seek to gain competitive advantage in such an environment and market their own incentives accordingly.

We recognize and appreciate Kansas policymakers’ desire to meet the energy needs of the state's citizens and businesses; however, we believe the long-term implications of these legislative proposals will hamper future economic growth. We urge you to consider the far-reaching consequences such policies would codify into law and hope you will vote against these measures.

Cordially,

CONTINUED from left

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Cordially,
Kentucky

Continued from page 1

Medco to choose central Indiana for what will be the world’s largest mail-order pharmacy—a 318,000-square-foot structure it will open in 2009.

“The State of Kentucky recently learned economic development wars between states aren’t just about tax incentives. A burdensome regulatory climate can often outweigh any tax advantages.”

Other Losses

Medco isn’t the only automated-pharmacy company to shun Kentucky. Even Louisville, Kentucky-based Humana, Inc. went out of state, choosing Arizona for its first national mail-order facility in May 2006. The facility ships as many as 75,000 prescriptions a day.

The Louisville Business Journal reported in January that Humana will locate its second mail-order pharmacy—and 335 jobs—in Ohio.

Michael LaFauve, fiscal policy director of the Mackinac Center for Public Policy, said such decisions highlight the damage burdensome regulation does to states’ economic chances. LaFauve recommends states focus on removing the “big three” hurdles that keep jobs out: burdensome regulations, high taxes, and oppressive labor policies.

Corporate Taxes

Michael Hicks, director of the Bureau of Business Research at Ball State University in Muncie, Indiana, says Kentucky’s tax climate causes the state’s entire economy to suffer.

Hicks points to the Tax Foundation’s most recent 50-state comparison of tax rates. Only six states ranked as having a more stillling corporate tax structure than Kentucky. Even worse is the state’s unemployment insurance tax, which ranked No. 48 out of 50, with 50 being the worst.

“Once a state’s given away big chunks of tax incentives, that’s a good indicator their overall tax climate is broken,” Hicks said.

Indiana offers fewer tax incentives but has removed many of its tax structure hurdles. Incentives “are tied to the construction of public infrastructure,” Hicks said.

“In many cases,” Hicks noted, “abating taxes is economically sound because it’s far less costly for the private sector than government to build access roads, place new sewer lines, install traffic lights, and build passing lanes; plus, it happens right away.”

Quick Action

Succeeding in attracting companies such as Medco also depends on how quickly states move to remove hurdles once they are aware of them.

For example, Kentucky law requires prescriptions to be filled by a state-licensed pharmacist. But 90 percent of Medco’s mail-order prescriptions in 2006 were dispensed by the company’s two automated dispensing pharmacies in New Jersey and Las Vegas.

Complying with Kentucky’s requirement would have forced Medco’s out-of-state pharmacists who forward prescriptions data to Louisville to obtain Kentucky licenses—a cumbersome and expensive process that is also unnecessary, given that Medco fills prescriptions already reviewed for accuracy and safety by pharmacists across the country.

In the end, Medco decided it would take too long to work through Kentucky’s regulatory maze, which has not evolved to meet the demands of innovative companies that employ technology to make their operations more efficient and profitable.

Indiana, by contrast, describes its economic development approach as “Shovel Ready.” Hicks said that’s a “program that doesn’t violate the rules, but rather companies are just able to go through the regulatory process more quickly.”

Kentucky’s Inaction

Burleson defended the Kentucky pharmacy board’s more deliberate approach, indicating safety was of paramount concern.

“The mission of the Board of Pharmacy is the protection of the public and patients,” he said.

But Economic Development Cabinet Secretary John Hindman told the Louisville Courier-Journal, “safety isn’t really an issue because Medco’s two existing automated pharmacies already ship prescriptions to patients around the nation, including Kentucky.”

New Governor, New Approach?

It’s not clear what Kentucky Gov. Steve Beshear’s (D) approach will be.

Beshear, who took office in December, has indicated he considers helping existing companies in the state an important part of his jobs-creating strategy. “Success today is not about slogans or a few additions to our industrial base,” Beshear said in his State of the Commonwealth speech. “Rather it’s about a top-to-bottom infusion of imagination—a different way of thinking about things. ... It’s about helping our existing companies do better and grow more.”

Jim Waters (jwaters@bipps.org) is director of policy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky.
Kentucky Town Imposes Special Fines on Out-of-Town Drivers in Accidents

By Jim Waters

Erlanger, Kentucky Police Chief Marc Fields is torn.

He’s concerned his city’s recent decision to start collecting payment from out-of-town drivers at fault in traffic accidents will hurt his city’s image. On the other hand, he’s seen the numbers.

Of the 343 vehicle crashes in the city during November and December, 82 percent did not involve an Erlanger resident, according to an Associated Press analysis. Only 48 of the vehicles were carrying someone from the city.

“I was not a proponent; I was an opponent of this policy,” Fields said. “I didn’t want to start doing this, but when I looked at the sheer cost, I couldn’t logically say ‘no’ to the council. I couldn’t make a legitimate argument against it.”

When John Q from Michigan crashes into John Q of Alabama on I-75, sometimes all of our police, all of our firefighters, all of our paramedics are there for two, three, or four hours. Those are hours they cannot be serving the citizens of Erlanger.”

PATTY SUEDKAMP
CITY COUNCIL MEMBER
ERLANGER, KENTUCKY

Major Intersection

Geographically, the city of 17,000 in northern Kentucky—just across the river from Cincinnati, Ohio—is set up for lots of out-of-towners. The major north-south thoroughfares of Interstate 75 and 71 and US 25 and US 42 bring numerous travelers through town every day.

The idea to start charging out-of-town vehicles came from the Erlanger City Council’s Revenue Generation Committee, which proposed charging at-fault, out-of-town drivers $14 for the first 30 minutes an officer is at an accident scene, an additional $7 for every 15 additional minutes the officer remains, and $154 for requiring the use of a police car.

Fields says he’s still concerned about how the policy may change people’s perception of the city. While city council members share his concern, they point to several factors, including a willingness to do almost anything to avoid raising taxes, as influencing their decision to implement the out-of-town crash policy.

Raise Taxes or Cut Services?

“We had four police cruisers demolished last year alone,” said Patty Suedkamp, a council member for 10 years. “Those have to be replaced. When John Q from Michigan crashes into John Q of Alabama on I-75, sometimes all of our police, all of our firefighters, all of our paramedics are there for two, three, or four hours. Those are hours they cannot be serving the citizens of Erlanger.”

The alternatives, Suedkamp said, are to raise the current 1 percent payroll tax levied on all workers in the city, including commuters, or cut services.

“We chose not to do that,” Suedkamp said. “Instead we came up with this policy, which I think is very creative and very fair. It’s a way of continuing to provide services to Erlanger citizens, which they pay for, they expect, and they deserve.”

Economist: It’s Fairer

University of Louisville economist Paul Coomes says he understands the dilemma cities face, and he considers the approach being taken by Erlanger, albeit different from most cities, fairer than raising property taxes on residents.

“I look at this as a user fee tied to specific human behavior,” Coomes said. “Unlike national defense or public education, which cannot be compartmentalized, this fee is along the same principle of a gas tax or a bridge toll—the more you use it, the more you pay.”

Paul Hahn, a council member for 38 years, was in the hospital when the recent discussions and votes were held. He says he would have voted against the final version of the policy because it doesn’t differentiate between travelers on the interstate—which don’t greatly help his town’s economy, he says—and those on US 42 and US 25, which together form the Dixie Highway, traveled by 20,000 to 30,000 cars daily.

“Most of the interstate traffic doesn’t stop in our town, but a lot of the traffic on the other roads does,” Hahn said.

Hahn said the city hopes to maintain good relations with other similar-sized cities in the region, which is why he would not support raising the payroll tax.

“We have a reciprocal agreement with many of the cities around us that we don’t charge their citizens a payroll tax,” Hahn said.

Emergency Costs Rising

A large drop in the number of volunteer emergency workers has also caused an expansion of the city’s payroll responsibilities. Nowhere has this been more evident than at Erlanger’s fire department, which has served the city for more than a century—mostly as an all-volunteer crew.

Suedkamp says with both parents working in many families and the added responsibilities of taking children to extracurricular activities in the evening, the number of volunteer firefighters has dropped from 170 in recent years to just 10.

“In order to provide the same level of services that people expect and deserve, we had to hire all these people,” Suedkamp said.

Start of a Trend?

The accident fee policy, part of a trend by revenue-seeking local governments, is catching on across the country.

“It’s new here, but not everywhere,” said Fields.

Small towns in other states, including Florida, Ohio, and Oregon, have implemented similar policies. Some medium-sized cities and even metropolitan areas are exploring the idea.

Pennsylvania, by contrast, recently outlawed the approach for its towns, Fields said.

Jim Waters (jwaters@hipps.org) is director of policy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky.
Constitutional Amendment May End Property Tax Reform in Florida

By Kurt R. Wenner and Robert Weissert

Tax reform advocates warn that Amendment 1, a property tax reform proposal passed by Florida voters and now a part of the state's constitution, may actually inhibit future reform efforts.

“Tax reform advocates warn that Amendment 1, a property tax reform proposal passed by Florida voters and now a part of the state's constitution, may actually inhibit future reform efforts.”

Though the measure received more than 64 percent of the vote on January 29, few people, including the measure's most ardent supporters, believe it really fixes the state's property tax system. Proponents painted it as a “first step,” but others believe its passage could spell the end of true reform.

“Amendment 1 does not really address the core problems with Florida's property tax system. It will likely cut taxes for those whose taxes have not really increased and increase taxes for those who have suffered the most,” said Dominic M. Calabro, president and CEO of Florida TaxWatch, a nonprofit, nonpartisan government watchdog that opposed Amendment 1.

While the amendment will make it harder to construct another amendment that would garner enough support to pass, everyone knows this should not be the end of property tax reform in Florida,” Calabro added.

“While the amendment will make it harder to construct another amendment that would garner enough support to pass, everyone knows this should not be the end of property tax reform in Florida,” Calabro added.

‘Message Loud and Clear’
State Rep. Paige Kreegel (R-Punta Gorda) agreed, telling the Sun-Herald newspaper, “I think the message was loud and clear. I think most of them [voters] would have said, "This is a good start. We want more.”

The new constitutional provision includes:

• portability, up to $500,000, for the Save Our Homes property tax cap;
• an increase in the homestead exemption, from $25,000 to $50,000. The new $25,000 exemption does not apply to school taxes, which constitute approximately 40 percent of property taxes;
• a tangible personal property exemption of $25,000 for businesses;
• a 10 percent cap on assessments for non-homestead property, excluding school taxes.

Savings Asserted

Amendment 1 proponents claimed the provisions would save taxpayers $9.3 billion over five years. The average homeowner is expected to save $240 a year from the homestead exemption, with greater savings for people who take advantage of the Save Our Homes portability provision.

Businesses could save up to $450 a year if they can take the full tangible personal property exemption.

Save Our Homes is a Florida constitutional provision, passed by referendum more than a decade ago, that caps the increase in annual property tax assessments at 3 percent for homesteaded property. Because it applies only to primary residences, the result has been a multibillion-dollar tax shift from these properties to everyone else—businesses, rental property, part-time residents, etc.

The cap has also created inequities among homesteaded properties, particularly for new homeowners and people who move, because newly purchased homes are assessed at full value. Many people have blamed a sagging housing market in Florida on the huge tax increases that often result when buying a property.

Amendment 1 will make a homeowner’s total savings from the Save Our Homes cap portable, meaning the savings produced by the cap each year the citizen owned the homesteaded property are transferable to another homesteaded property in Florida.

The Save Our Homes savings is the difference between the fair market value of the property and the assessment amount allowed under the Save Our Homes provision. The savings can be transferred to another property within one year of leaving the original homesteaded property.

Bigger Exemption

In addition to benefiting from Save Our Homes, the first $25,000 of all homesteaded property in Florida is exempt from ad valorem taxation. This provision, known as the homestead exemption,
British Columbia Reforms Provide School Finance, Assessment Model

By Ted Gwartney

As taxpayers and state and local officials across the country struggle with property tax issues, one place they can look for a solution is British Columbia, Canada.

In the 1970s British Columbia Assessment was created as a quasi-public organization to make property tax assessments province-wide without being under the control of the provincial or municipal government taxing authorities.

Today BC Assessment is widely viewed as a model for assessment administration, both at home and abroad. Major problems that existed before the authority’s establishment have been resolved, and prior worries over efficiency, professionalism, impartiality, and uniformity have been laid to rest.

Basic school funding has been made equal per student. More revenue has been secured from land and land-related industries (coal, timber, mining, and telecommunications) to contribute to overall student education. Those sources had previously contributed little to school funding.

Problems Addressed

Several problems prompted the creation of BC Assessment.

British Columbia school districts and municipalities were hitting taxpayers with large annual tax rate increases because legislation more than 10 years earlier had frozen assessment increases. Some school districts had a large assessment base while other districts had a small base.

Funding varied from $1,100 to $4,800 per student (in 1970 dollars) depending on where they lived and the industries located in their area.

As cities incorporated, more assessment organizations developed. Each was an autonomous body establishing its own assessment criteria and executing the assessment function independent of the other. No standard valuation methods existed, and assessments were frequently challenged and often difficult to defend.

By 1973, with 140 independent real property assessment organizations in British Columbia, assessment and valuation problems and deficiencies had become a serious provincial crisis. Alarmed by the rising incidence of serious equity grievances, and pressured by property owners and the public sectors, government officials were compelled to take action and implement new and improved systems.

“As taxpayers and state and local officials across the country struggle with property tax issues, one place they can look for a solution is British Columbia, Canada.”

Solutions Adopted

The provincial government adopted several measures:

• Eliminated the frozen assessment laws and reassessed property annually, allowing the increase in property values to fund schools without increasing the tax rate.
• Created a new assessment organization capable of appraising property impartially and reflecting increasing property values.
• Revised assessment legislation to require annual reassessment of real estate and natural resources.
• Revised the school funding formula so that all students have the basic funding necessary for a good education no matter where they live.
• Made assessments uniform and based upon actual market value. The property assessments form the basis for local, school, and provincial taxation while providing information to assist people when making real estate decisions.

The solutions were adopted after the government formed an all-party Special Legislative Committee on Assessment to explore remedies and propose recommendations to British Columbia's annual assessment process. The committee recommended legislation be passed to create a completely independent assessment authority.

The Legislature’s Special Committee on Assessments stated, “This authority must be independent of taxing functions (either municipal or provincial) and its control must be such as will result unmistakably in complete independence.”

Authority Created

On July 2, 1974 the Assessment Authority Act and the Assessment Act reconciled the inequities in British Columbia’s property assessment and valuation process. The Assessment Authority Act also granted government the power to create a province-wide assessment authority.

Immediately, the British Columbia Assessment Authority began its work. Six months later, it had produced the province’s first completely impartial and independent assessment rolls and notices.

The authority’s budget was based on a small surcharge on the overall assessments it produced province-wide. The assessment function was taken away from the 140 municipal assessor offices that employed 765 staff. The municipalities applauded having the assessment function removed from their responsibility.

Bureaucracy Reduced

The reorganization reduced the number of offices to 18, each serving six to 10 municipalities. Staff was cut to 580. The new organization also allowed the development of a professional staff that applied sound appraisal principles to determine (1) land value, (2) total property value, and (3) building residual value.

The authority also developed a standardized computer system for property valuation and trained professional assessors who were able to reassess all property annually. This was important because over time land values tend to increase while building values decline. Assessment methods and changes were explained to the public in their annual valuation notices.

Today these offices produce annual market value assessments for more than 1.75 million properties in British Columbia with total assessed values province-wide of more than $1 trillion.

By Ted Gwartney (tgwartney@aol.com) went to British Columbia as a property tax consultant in 1973 and remained as provincial assessment commissioner and chief executive officer until 1986. He is now the assessor in Greenwich, Connecticut and president of The American Journal of Economics and Sociology. He will speak at the Council of Georgist Organizations Conference in Kansas City, Missouri, July 9-13, 2008.

Legal Questions

In addition to the uncertain implications for Florida’s residents and local governments, the legality of the portability provision remains a question. During the discussion and debate leading up to the passage of Amendment 1, a challenge to the portability provision under the U.S. Constitution was often raised.

Legal experts and politicians disagree about the provision’s chances of being upheld as constitutional. It will almost certainly be challenged in federal court. Although questions about Amendment 1 remain, the message received by Floridians was clear. Floridians are unhappy about their property taxes. It is unlikely the amendment will change that. Proponents admit the amendment is not enough, and critics contend it will make matters worse.

Kurt R. Wenner (kwenner@floridatxwatch.org) is director of tax research and Robert Weissert (rweissert@floridatxwatch.org) is a research analyst at the Florida TaxWatch Research Institute.
Missouri

Continued from page 1

Bivins said he introduced the bill because he believes a fire district board should be authorized to place a tax rate decrease proposal on the ballot and voters should be able to consider such a proposition.

Furthermore, Bivins said he’s optimistic his bill will receive a hearing from the Special Committee on Tax Reform, which is chaired by state Rep. Joe Smith (R-St. Charles).

“Joe and I have been good friends in the legislature and I expect that he will give me a hearing. I anticipate what’s going to happen is this is a fairly small bill as bills go and I would anticipate that it would probably get rolled in with other legislation so that we have some type of omnibus tax protection district taxing bill or something of that nature,” Bivins said.

State Rep. Jim Lembke (R-Lemay) is the “primary co-sponsor” of House Bill 1730, Bivins said. Other co-sponsors are Reps. Jane Cunningham (R-Chesterfield), Dave Bivins said.

Danielle Moore (R-Fulton), Joplin), Sally Faith (R-St. Charles), and David Sater (R-Cassville), Jason Brown type of omnibus other legislation so that we have some that it would probably get rolled in with the legislature and I expect that he will give me a hearing. I anticipate what’s going to happen is this is a fairly small give me a hearing. I anticipate what’s going to happen is this is a fairly small bill as bills go and I would anticipate that it would probably get rolled in with other legislation so that we have some type of omnibus tax protection district taxing bill or something of that nature,” Bivins said.

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Fire District Takes Lead

The Mehlville Fire Protection District Board of Directors recently hired a lobbyist, former Republican state Rep. Catherine Enz of south St. Louis County, and Bivins credited Enz with helping obtain the co-sponsors.

“Well, I’ll have to give credit to former Rep. Cathy Enz for making that happen,” Bivins said. “She actually carried the bill around to different folks and explained it to them—something that I really didn’t have time to do although I had put an e-mail message out to all of our representatives. She actually took the time and hand-carried it around to folks and explained to them what the bill was all about.”

In January 2007, Mehlville Fire Protection District Board Chairman Aaron Hilmer and Treasurer Bonnie Stegman voted to place Proposition TD, or Tax Decrease, on the April 3, 2007 ballot. Then-Secretary Dan Ottoline participated in the meeting by telephone and was unable to vote under the provisions of the Missouri Open Meetings and Records Law.

Tax Cut Referendum Pulled

The ballot language for Proposition TD stated, “Shall the voters of the Mehlville Fire Protection District decrease the general tax levy available to the district by 45 cents per $100 of assessed valuation? This proposition is based upon the 2006 assessed valuation for the district and equates to a total tax reduction of approximately $9.75 million per year. The foregoing shall not be subject to any tax-rate reduction rollback.”

Concord resident Dennis Skelton filed a lawsuit February 7, 2007, seeking the removal of the tax rate decrease measure from the ballot.

Skelton, who ran as a write-in candidate for the fire district Board of Directors last April, was defeated by Ed Ryan, who now serves as board secretary.

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“No Legal Reason Given

Because Hartenbach did not provide any legal reason for removing Proposition TD from the ballot, Bivins requested a legal opinion last June from Attorney General Jay Nixon about whether “a fire protection district within the state of Missouri may vote to reduce its current tax-rate ceiling.”

In a September 4 letter, Deputy Attorney General Karen King Mitchell cited Hartenbach’s ruling and told Bivins the attorney general’s office “must decline to provide the opinion you request.”

Her letter stated, “In an order dated Feb. 9, 2007 the St. Louis County Circuit Court prohibited the St. Louis County Election Board from placing such a proposition on the April 3, 2007, ballot in the Mehlville Fire Protection District. ... Because the issue has been decided by a circuit court, we must decline to respond to your request.”

After Nixon’s office declined to render an opinion, Bivins said he was disappointed and “I would be amenable to introducing legislation to allow people to vote to lower their taxes.”

He added, “Well, I just think that allowing the citizens to vote on decreasing the levy that they’re charged by a fire district is their right ... and we ought to allow the directors of fire boards to give them that right.”

Mike Anthony is executive editor of Call Newspapers in suburban St. Louis, Missouri. This article originally appeared in Call Newspapers on January 23, 2008. Reprinted with permission.
States Intensify Their Assault on Tobacco Users

Tax hikes, outright bans proposed in many states

By Nick Baker

Smokers are under siege in state legislatures across the country. Virginia, Wisconsin, and other states are considering banning smoking in places that serve the public, including privately owned restaurants and bars. In a growing number of states, elected officials are debating whether to prohibit smoking in private automobiles when a child is present. And in about a dozen states, lawmakers are seeking to hike tobacco taxes.

Virginia’s Third Try

In Virginia, lawmakers are considering a statewide smoking ban. Similar proposals failed in 2006 and 2007.

Gov. Tim Kaine (D) supports a ban, saying at a news conference, “Recognizing the negative health effects of second-hand smoke, Virginia must act to protect the workers and consumers in its restaurants.”

Virginia’s business leaders have come out against the proposal, saying government should not regulate private enterprise so intrusively.

“The owner of the business should be the one to decide on whether to allow smoking,” said David Meyer, vice president of the Cigar Association of Virginia. “Seventy percent of restaurants have already gone smoke-free, so there’s no reason to make this into law.”

Wisconsin Aims to Follow Suit

Similarly, Wisconsin Gov. Jim Doyle (D) wants lawmakers to ban smoking statewide. Most Democrat and many Republican lawmakers gave the governor a standing ovation during his State of the State address earlier this year when he urged them to pass the ban. The measure has the backing of the Wisconsin Restaurant Association.

Many municipalities in the state have passed their own bans. Doyle called on legislators to pass a statewide ban to end “the patchwork approach to public health.” He noted Illinois and Minnesota, which border Wisconsin, have passed similar bans, and said he did not want Wisconsin to “become the ashtray of the Midwest.”

Banning Smoking in Cars

Nearly a dozen states—including Maine, Oklahoma, and Oregon—are considering banning smoking in private automobiles when children are present. Arkansas, California, and Louisiana already have passed such laws.

In Washington, state Rep. Shay Secual-Burke (D-Normandy Park) and state Sen. Chris Marr (D-Seattle) have sponsored legislation that would make it a traffic infraction to smoke in a car with children.

“Smokers are under siege in state legislatures across the country.”

At a recent senate committee hearing, state Sen. Mike Carroll (R-Lakewood) said the bill’s provision banning smoking in open-topped cars goes too far. “I don’t smoke—never have smoked—but this is sort of another ‘driftnet’ approach to a ‘nanny-gate’ state,” he said. “What does a house have in common with a field? Nothing. What does an open car with volumes of air blowing around have in common with an enclosed car?”

Kansas Governor’s Call

In Kansas, Gov. Kathleen Sebelius (D) has called for an increase in the state’s cigarette tax, starting at 50 cents per pack and indexed to inflation so it would increase automatically after the first year.

Sebelius said the increase is necessary to fund 21 health care recommendations made by a study committee. These include an education campaign to reduce teen smoking, subsidizing insurance premiums for low-income families, and promoting nutrition in schools.

Tim Shallenburger, representing Penn National Gaming, told a legislative panel that a smoking ban would hurt the state’s gaming industry. He said smokers would travel to nearby casinos in Missouri and Oklahoma, states where smoking is allowed.

“This bothers me. Where do we stop?” asked state Sen. Ralph Ostmeyer (R-Grinnell).

Utah’s Tax Proposal

In Utah, state Rep. Paul Ray (R-Clearfield) has introduced a bill to raise taxes on a pack of cigarettes 72 percent, bringing the tax from 69.5 cents to $1.19 per pack. Ray estimates the tax hike would raise $25 to $29 million to help fund health improvement programs such as cancer screenings and smoking cessation programs.

“A tax increase is never popular and [is] viewed as unnecessary in a revenue surplus year and impossible to get passed in an election year,” Ray told the Deseret Morning News. “This is a public health issue that will go on no matter the revenue picture or the political season.”

Ray’s bill faces stiff opposition from members of his own party. Lisa Roskelley, spokesperson for Gov. Jon Huntsman, said the governor plans no tax hikes in the 2008-2009 budget. “We are not for this or any other tax increase,” she told the Deseret Morning News.

Nick Baker (nbaker@heartland.org) is legislative specialist for budget and tax issues at The Heartland Institute.

Tax Hikes Often Fail to Generate Expected Revenues

State lawmakers are increasingly turning to tobacco taxes to balance state budgets and, they say, fund public health programs. The federal government followed suit in 2007, approving a $35 billion increase in the State Children’s Health Insurance Plan to be funded by a hike in the federal tax on tobacco.

But many economists point out higher taxes and smoking bans reduce consumption, making tobacco revenue an unreliable funding source.

A 2007 study by the American Shareholders Association found the average state cigarette tax rate has more than doubled in the past seven years, from 42 cents to 92 cents a pack. Tobacco tax collections increased only 59 percent over that period. Reduced tobacco consumption, cigarette smuggling, and counterfeiting of cigarette tax stamps have regularly resulted in tobacco tax revenues failing to meet projections.

In fiscal year 2007, following a 17.5 cents per pack increase in the cigarette tax, New Jersey saw its tobacco tax revenue decline $23 million from the year before.

— Nick Baker
Five Years After Merger, Two Wisconsin Towns’ Firefighters Are ‘One Department, Fully Involved’

By Michael King

Len VanderWyst never doubted that a fire service merger between Neenah and Menasha would be successful, though there were doubts it would come to pass.

Now, as chief of Neenah-Menasha Fire Rescue, which came into being January 1, 2003, VanderWyst has a five-year track record of success to prove his point. Many observers consider the fire-service merger a significant step forward that has exceeded expectations.

“The key is you want efficient and cost-effective fire service,” said Jim Gunz, a Neenah resident and former Neenah city attorney. “It seems to me that it’s worked very well.”

The numbers seem to bear out Gunz’s assessment. From a financial standpoint, the merger is estimated to have made a significant impact, with operational savings since the start date probably approaching $1.7 million. Combined with capital equipment savings, VanderWyst believes the overall savings might be closer to $2.7 million.

“I think the whole thing has flourished beyond anybody’s expectations,” VanderWyst said.

From a service perspective, firefighters agree that while response times remain about the same, more personnel are on the scene quicker, providing more assurances that any staff reductions would be handled via attrition, not layoffs, helped. “I think both unions felt we could do this to help the cities out,” Auxier said.

Len VanderWyst never doubted that a fire service merger between Neenah and Menasha would be successful, though there were doubts it would come to pass.”

VanderWyst said the capital cost savings over the years could be “a million dollars plus,” but more was needed. “In my mind, based on all the meetings we had, it was not significant enough unless we had annual (operational) savings. By reducing (staff) from 72 combined to 68, we’re saving about $334,000 a year in wages and fringe benefits.”

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Savings Exceed Expectations

At the time of the merger, officials projected savings of up to $2.2 million in the first five years.

While no in-depth analysis has been done, Neenah Finance Director Michael Easker and Menasha Comptroller-Treasurer Tom Stoffel agree substantial savings have materialized.

“If we saved $350,000 the first year, we definitely saved the same $350,000 the next year plus another 3 percent,” Easker said. In March, Neenah-Menasha Fire Rescue will take delivery on a new rescue pumper from Pierce Manufacturing. VanderWyst said the original capital improvement plan called for a rescue vehicle purchase in 2006 and a pumper in 2008 totaling $690,000.

Instead of buying separate vehicles, the needs were combined into one rescue pumper that cost about $503,000 fully equipped.

“So we saved the two communities about $190,000 by combining those two purchases into one,” VanderWyst said. Gunz believes the merger has been a good deal for both communities.

“I think they’ve saved a lot of money, particularly in capital costs,” Gunz said. “There were operational savings because of the staff reductions. There were also operational increases because of some of the contract items because of the merged (union) contracts but on balance they obviously have saved a fair amount of money over the last five years.”

Historic Vote Erased Doubts

VanderWyst, a former Appleton firefighter who became Neenah’s fire chief in 1996 after a three-year stint as chief in Antigo, recalls the moment when doubts about the merger dissipated.

On August 29, 2002, VanderWyst and O’Brien had just concluded an hour-long presentation followed by questions from Neenah and Menasha aldermen about the proposed consolidation at a joint meeting of the common councils in Menasha. That’s when a Neenah alderman made a motion to approve the merger resolution.

“It passed unanimously,” said VanderWyst. He and O’Brien, who played a crucial role in the consolidation, “looked at each other and we said, ‘I think it’s going to happen.’”

When it came to the Menasha council’s turn, two aldermen suggested postponing the vote for more input. The rest of the Menasha council was not swayed. When the final 7-0 vote was announced, the large assembly broke into applause at the historic moment.

VanderWyst said he thought the Neenah council’s initiative broke the ice. “Otherwise I think it might have been studied to death and may not have ever happened,” he said.

Good Timing for Merger

Easker credited O’Brien for his leadership when he could have easily thrown a monkey wrench into the merger effort had he been protective of his own interests.

“Pat O’Brien is a very, very strong public service-minded individual. He thought it was a good idea. Had Pat not worked as hard as Len did, it wouldn’t have happened,” Easker said.

O’Brien, who retired in July 2003 during the first year of the merger, said he was surprised at how things fell into place.

“Timing is very important in this whole dialogue,” said O’Brien, who has served 24 years as a supervisor on the Winnebago County Board. “If there’s man-
CONTINUED from left

...agers that are ready to retire, that’s a great opportunity. It’s certainly not the key issue but it’s 25 percent.”

A former union president, O’Brien knew that support of the unionized firefighters would be crucial. They were told early on of a research paper about the merger that VanderWyst was starting for the Executive Fire Officer program at the National Fire Academy.

Slowly, the unified front of the two fire chiefs gained momentum among some reluctant firefighters and city officials.

“We were just so persistent that all of a sudden people just started jumping on board,” O’Brien said. He credited Easker and Stoffel for embracing the consolidation study and coming up with a cost-sharing formula that made sense for both communities.

“It was a great team effort by everybody involved,” O’Brien said.

**Shuffling Firefighters Aided Integration**

Over the past five years, VanderWyst said, “There’s been some speed bumps but I can’t say there’s been potholes or sinkholes we’ve had to get through. I would relate most of the speed bumps to personalities in bringing the two departments and communities together.”

VanderWyst and O’Brien decided it was best to “shuffle the deck immediately” and assigned firefighters from each community into the other and rotated them every four to six months through each of the four fire stations so they all gained familiarity with the various fire trucks and service areas.

Many firefighters were “trying to stay at the station and community they were used to,” VanderWyst said. “I think that was probably one of the best things we could have been done. I think that helped eliminate people still believing that they were still independent, that it’s not one organization.”

Noting that service mergers or consolidations continue to be a hot topic in the Fox Cities, VanderWyst said, “I would say that people issues was the No. 1 concern and is the No. 1 thing that the leaders should concentrate on so that there is a smooth transition.”

**California**

Continued from page 1

...ate Health Committee against the $14.9 billion plan came after nearly a year of tense negotiations between Schwarzenegger (R) and Assembly Speaker Fabian Nunez (D). Last December the two announced a bipartisan compromise on a plan to add 3.6 million of California’s five million citizens without health insurance to the rolls of the insured by 2010.

“A California Senate committee has rejected Gov. Arnold Schwarzenegger’s plan to provide government-controlled health insurance to millions more of California’s citizens.”

Called “an incredible plan” by Nunez, the proposal—which would have appeared on the California ballot in November if lawmakers had approved it—included a mandate requiring nearly all Californians to buy private health insurance or enroll in a government program that would have been expanded to meet the additional demand.

Analysts called the plan unworkable, saying the revenue sources were too unsure and the mandate too difficult to enforce.

The committee voted 7-1 against the plan. Much of the opposition was based on the projected impact on the cash-strapped state’s economy. The estimated price tag had climbed from $14 billion at the time the plan was announced to $14.9 billion by the time of the committee vote. State budget officials are projecting a $14.5 billion overall budget deficit.

**Tax Increases**

The Health Care Security and Cost Reduction Act, Assembly Bill X1 1, was to receive funding from four sources: a $2.3 billion increase in the state hospital tax, a new payroll tax on businesses of 1 to 6.5 percent, an additional $1.50 to $2 per pack tax on cigarettes, and another $2.3 billion in funding from the federal government.

The measure also would have prohibited insurers from denying coverage to people because of existing medical ailments and would have required them to spend at least 85 percent of insurance premiums exclusively on medical care.

The plan was scheduled to move through California’s state legislature in two parts.

The first, which laid out the changes and expansions being made to the state health care system, passed the General Assembly by a party-line vote at the end of 2007.

The second piece of legislation, dealing with program funding, was expected to take more time to pass than the first part because California requires a two-thirds majority vote to approve tax increases. Tax hikes therefore need bipartisan support.

**“This tax on labor would have stalled job growth and increased costs on employers whose workers aren’t willing to forgo sufficient cash wages to cover health benefits.”**

DEVON HERRICK

SENIOR FELLOW

NATIONAL CENTER FOR POLICY ANALYSIS

**Job Loss Fears**

“The biggest problem for the state was the proposal to force employers to spend between 1 percent and 6.5 percent of payroll on health coverage,” said Devon Herrick, a senior fellow at the National Center for Policy Analysis.

**Center for Policy Analysis. “This tax on labor would have stalled job growth and increased costs on employers whose workers aren’t willing to forgo sufficient cash wages to cover health benefits.”**

Stephen J. Entin, president of the Institute for Research on the Economics of Taxation, called the health plan “a tax on the poor, who smoke disproportionately, as well as on young workers and small businesses. Low-income workers would have been forced to use a large part of their limited compensation for insurance and taxes.”

California Senate Health Committee Chair Sheila Kuehl (D-Santa Monica) said, “It doesn’t matter how many good things are in the bill if there isn’t money to pay for them.”

State Sen. Leland Yee (D-San Francisco) concurred, saying, “Nothing that came out of [the committee] hearing gives me the comfort level that working people of California won’t be left holding the bag.”

Jeff Emanuel (emanuel@heartland.org) is a research fellow for The Heartland Institute and managing editor of Health Care News.
Corporate Income Tax Rates in U.S. Are Among the Highest in the World

By Chris Edwards

A mid growing concerns about U.S. economic competitiveness, policymakers are awakening to the fact that America has one of the world’s most inefficient corporate income taxes.

Rep. Charles Rangel (D-New York), chairman of the U.S. House tax committee, has proposed reducing the federal corporate tax rate from 35 percent to 30.5 percent. Henry Paulson, secretary of the Treasury, is also promoting a corporate tax rate cut.

Their efforts merit wide support, as businesses and workers alike would benefit from rate cuts that would spur rising investment and improve productivity.

Rates Revolution

Britain and the United States launched the corporate tax cut revolution in the mid-1980s. Since then, every major nation has cut its rate. In the European Union, the average corporate tax rate has fallen from 38 percent to 24 percent since 1996. Further cuts are in the pipeline in Britain, Germany, and other countries.

Canada has announced a cut to its federal corporate rate from 22 percent to 15 percent. The United States is lagging behind with a combined federal and state rate of about 40 percent.

Rates Cut, Revenues Rose

In most countries, corporate rate cuts have coincided with rising tax revenues. For a group of 19 advanced economies with data back to 1965, I calculated the average statutory tax rate and average corporate tax revenues as a share of gross domestic product.

The accompanying figure shows the average rate was 40 percent or more prior to the mid-1980s. But then supply-side tax policies gained support, and tax rates plunged. The average rate in the 19 countries fell from 45 percent in 1985 to 39 percent by 2005.

During the same period, corporate tax revenues soared from 2.6 percent to 3.7 percent of gross domestic product (GDP).

One reason is that many countries broadened their corporate tax bases during the late 1980s, often by reducing depreciation deductions. But since then, most countries have not broadened their corporate bases by much, if at all. The average value of depreciation deductions across major countries has been roughly unchanged in 15 years, and effective tax rates, which include features of the tax base, have fallen with statutory rates in recent years.

Taxpayers Respond to Cuts

The main factor causing the surge in corporate tax revenues appears to be taxpayer responses to reduced tax rates. Lower rates generate real and financial responses from businesses, prompting them to report higher profits.

Research has found corporations are increasingly responsive to taxes in the global economy across many dimensions. The University of Michigan’s James Hines concluded, “Evidence indicates that taxation significantly influences the location of foreign direct investment, corporate borrowing, transfer pricing, dividend and royalty payments, and research and development performance.”

Countries that raise corporate tax rates increase the pre-tax returns required of new projects because after-tax returns tend to be equalized across countries. The result is that fewer investment projects are undertaken, and capital emigrates. With a smaller capital stock, labor productivity and wages fall, and government revenues drop.

The University of Toronto’s Jack Mintz noted, “Economic studies show conclusively that business taxes significantly affect investment in a country.” His analyses show “high effective tax rates on capital result in less foreign direct investment and therefore less economic growth.”

Revenue Base Grows

Harvard University’s Greg Mankiw and Matthew Weinzierl examined the revenue impact of tax cuts to capital, such as corporate income tax cuts. They found tax cuts would only lose about half the revenue otherwise expected, because rising investment generates offsetting revenues over the long run.

In a 2006 study, German economists Mathias Trabandt and Harald Uhlig estimated similar dynamic revenue responses.

In addition to these real investment effects, corporate tax changes prompt an array of financial or tax avoidance responses. At the domestic level, corporate tax cuts can induce noncorporate businesses to switch to taxable corporate status. At the international level, tax cuts can induce companies to change their policies on dividend repatriations, transfer pricing, debt financing, foreign affiliate structure, intellectual property, and other items.

Laffer Curve Effects

Considering the range of real and financial responses to corporate taxes, it is likely that cutting the high U.S. corporate tax rate would induce a large expansion of the tax base over time. Both U.S. and foreign firms would invest more in the United States, and they would have less incentive to shift reported profits to other countries.

The Laffer curve illustrates the idea that above a certain tax rate, cuts to the rate cause the tax base to expand sufficiently for revenues to increase. The U.S. corporate tax rate seems to be above that rate, and thus in a strong Laffer zone.

The U.S. statutory corporate tax rate is the second highest of the 30 nations in the Organization for Economic Cooperation and Development (OECD), and by one estimate the effective rate is the highest. Yet U.S. corporate tax revenues as a share of GDP are below average.

“[T]he goal of policy should be to maximize economic growth, not tax revenues, and thus a much larger rate cut is in order.”

Large Cut Needed

Economists Alex Brill and Kevin Hassett looked at these relationships in the OECD for 1980 to 2005. They found increases to corporate tax rates in the OECD above 26 percent tended to reduce government revenues.

The U.S. corporate tax rate is 14 percentage points above that rate, and thus probably far into the Laffer zone.

A modest corporate tax rate cut would likely result in no government revenue losses in the long term. But the goal of policy should be to maximize economic growth, not tax revenues, and thus a much larger rate cut is in order. I’ve proposed that the corporate rate be cut to 15 percent within a major overhaul of the tax code.

That wouldn’t quite match Ireland’s 12.5 percent corporate rate, but it would reduce tax avoidance, make the United States a premier location for international investment, and supercharge American growth and innovation.

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INTERNET INFO

Bush Offers Record Budget of More than $3 Trillion

Democrats complain social program spending is not enough

By Steve Stanek

One sign of how rapidly government spending has been growing in recent years is the $3.1 trillion federal budget President George W. Bush introduced in February. When Bush took office in 2001, the federal budget was under $2 trillion. “All in all, the new budget tops off eight years of remarkably spendthrift policies by President Bush,” said Chris Edwards of the Cato Institute. “Over eight years, Bush has presided over a huge, 67 percent increase in total federal outlays. The comparable figure for President Clinton’s eight years was just 32 percent.”

‘Phony Accounting’

Edwards added, “President Bush promises once again that the budget will be balanced some time down the road, but he again uses phony accounting to make that claim. “For one thing,” Edwards explained, “he hasn’t accounted for future relief from the alternative minimum tax (AMT), which Congress will surely provide. Also, Bush has not included all the likely future Iraq war costs in his budget.” The complaint about phony accounting has been echoed by Democrat lawmakers and left-leaning budget watchdogs. “This budget is fiscally irresponsible and highly deceptive, hiding the costs of the war in Iraq while increasing our skyrocketing debt,” Senate Majority Leader Harry Reid (D-NV) told reporters. Critics on the left object to proposed reductions in growth for various social programs, such as health benefits for retirees, calling them spending cuts. “While discretionary funding for defense and homeland security receive an eight-plus percent increase this year, President Bush severely cuts back most other areas of discretionary spending, effectively undermining crucial investments in low- and middle-income communities around the country,” said the advocacy group OMB Watch on its Web site.

Slower Entitlement Growth

Non-defense, non-homeland security programs would grow by 0.3 percent, below the rate of inflation and population growth, OMB Watch noted. The Department of Education would see 47 programs eliminated, and the Department of Agriculture would lose 19 programs. Larger cuts in future growth would come in entitlement spending, primarily Medicare and Medicaid. Medicare subsidizes health care for senior citizens and disabled people. Bush proposes to slow growth in spending for this program from an average of 7.2 percent to 5 percent a year. He estimates savings of about $178 billion over five years and $556 billion over 10 years, most of it by reducing payments to health care providers.

Bush also wants to shave costs off Medicaid, a federal-state program that subsidizes health care and nursing home care for 55 million people. The program would slow previously projected spending by about $17 billion over five years. Though the program was designed to serve indigent persons, most states extend eligibility to persons whose incomes are much higher than the poverty level.

“One sign of how rapidly government spending has been growing in recent years is the $3.1 trillion federal budget President George W. Bush introduced in February. When Bush took office in 2001, the federal budget was under $2 trillion.”

Disagreement Over Cuts

While liberals assail the budget for spending reductions, conservatives argue such cuts are necessary. “Soaring entitlement costs are the top fiscal problem facing our country today and threaten the future of every American,” said Rep. Jeb Hensarling (R-TX), chairman of the Republican Study Committee, a group of more than 100 House conservatives, in a press statement. “We can do more, and we must. I commend President Bush for his commitment to common-sense entitlement reform and stand ready to help.” Even for Hensarling, though, the budget has problems. But he believes it could be worse. “Though I believe that the president’s budget request includes too much spending, there is no doubt that Democrats will attempt to spend even more,” Hensarling said.

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

‘Cellphone Users’ Bill of Rights’ Bad for Arizonans

By Karri Bragg

As the Arizona Legislature headed back into session in early January, a package of three “bills of rights” was introduced, purportedly to protect three groups of consumers in the state: airline passengers, cell phone users, and homeowners.

The first to hit the floor for consideration, and perhaps the most contentious, is Senate Bill 1010, the ‘Cellphone Users’ Bill of Rights,’ sponsored by state Sen. Jim Waring (R-Phoenix).

Included in the bill is an array of regulations on the wireless industry. It limits cell phone contracts to 12 months, disallows contract termination fees, and allows cell phone users to terminate their contracts nearly at will.

Cost Worries

Wireless providers are concerned Waring’s bill would drive up the cost of cell phone contracts, costing consumers more in the long haul. “The wireless industry has been one of the fastest growing of modern times. That fast growth has been due to the fact that consumers have been driving demand and innovation while government has stayed out of the way,” said Tracy King, vice president for public affairs at AT&T.

“Consumers continue to call for newer innovations,” King said, “and the race is on to find them. Government intrusion in the name of the consumer almost always results in one thing—a higher cost for that consumer.”

“Senate Bill 1010, the ‘Cellphone Users’ Bill of Rights’ ... limits wireless contracts to 12 months, disallows contract termination fees, and allows cell phone users to terminate the contract nearly at will.”

New Regulatory Burden

Telecom policy analysts warn the proposed regulations on the length of wireless contracts would hinder providers as they try to develop new technologies while forcing them to eliminate cost-saving measures such as cheaper rates for extended contract plans.

A new report from the Goldwater Institute, a free-market think tank based in Arizona, noted enforcing the regulations outlined in SB 1010 would also be costly for consumers and taxpayers. “Concerns about the costs of wireless phone users’ ‘bills of rights’ have halted legislation in other states,” said the report’s author, Solviq Singleton, a senior policy analyst with the Competitive Enterprise Institute and adjunct fellow with the Progress & Freedom Foundation’s Center for the Study of Digital Property.

Higher Prices, Lost Jobs

Singleton cited California, where a similar “bill of rights” proposal would have cost more than $1 billion a year—a price tag high enough to prevent the rules from being advanced. “They predicted higher prices, lost jobs, and other consequences as a result of the proposed rules,” Singleton said.

Grover Norquist, taxpayer advocate and president of Americans for Tax Reform, noted consumers already suffer from a high regulatory burden. “In an annual report published by Americans for Tax Reform Foundation, study author Elizabeth Karasmeighan found that in the United States, the cost of government regulation accounts for 16.9 percent of national income,” Norquist noted.

“The burden on taxpayers from regulation is already high,” Norquist said. “Adding new regulations would only cost Arizonans more.”

Karri Bragg (kbragg@atr.org) is state government affairs manager at Americans for Tax Reform.
Unions Allowed Back Into Utah’s Payroll System

By Ryan Herriman

Big Labor struck back against Utah’s Voluntary Contributions Act by convincing the state’s 10th Circuit Court unions have the right to collect political contributions of members through the state and local payroll systems.

Utah’s Voluntary Contributions Act of 2001 limited unions’ access to the state’s payroll system by allowing unions to collect only membership dues, not political contributions.

The Utah Education Association (UEA), Utah AFL-CIO, American Federation of Teachers, American Federation of State, County, and Municipal Employees Local 1004, Utah School Employees Association, and Professional Firefighters of Utah bypassed the legislature by challenging the constitutionality of the issue in court.

Free Speech Ruling

The court ruled the law restricts protected political speech.

“This is another case of the courts protecting us against a legislature that is bent on suppressing the rights of a person and an organization to participate in the political process,” said Michael McCoy, general counsel for the UEA.

Union bosses should not be allowed to use the public payroll system to generate private money to fund private political causes,” said Michael Reitz, legal counsel and director of the Evergreen Freedom Foundation Labor Policy Center.

“If an individual wishes to participate in the political process,” Reitz said, “he or she has the ability to send their contributions to their respective union. The state and local payroll system should not bear the burden to collect money for a private membership organization.”

Though the ruling was a major blow to labor policy reform in Utah, it will more than likely be challenged in the courts in the months to come.

Source: Salt Lake Tribune

Unionization Halted in Toyota Plant

Business owners who want to keep employees from joining unions might want to follow the model of Toyota in Georgetown, Kentucky, where workers have resisted union representation.

The experience at the Kentucky Toyota plant is one reason labor unions have been trying to persuade lawmakers to pass legislation friendly to their cause. Last year, for instance, unions applied strong pressure for the proposed federal Employee Free Choice Act, which would have allowed Big Labor to force employers to negotiate with them based on signed authorization cards.

The act would have deprived employees of their right to choose, in a secret ballot election, whether to have a union. The measure failed to make it through Congress, but unions are still pressuring for it.

“Big Labor struck back against Utah’s Voluntary Contributions Act by convincing the state’s 10th Circuit Court unions have the right to collect political contributions of members through the state and local payroll systems.”

Union Persistence

The United Auto Workers (UAW) has been trying to unionize the Toyota plant for the past 20 years, largely because of job cuts at U.S. automakers. Downsizing by U.S. automakers cut UAW membership 11 percent in 2005 and 3.4 percent in 2006.

“Fewer than 20 percent of Toyota workers would vote to join the UAW,” said Brian Howard, a former tax examiner who has been a Toyota employee for the past 17 years.

“The UAW knows they do not have and will never have the votes to win an election,” said Marvin Robbins, one of Howard’s co-workers. “So they want to take the rights of the workers away and not have an election.”

Toyota takes a proactive management approach to labor relations in the belief it can improve the company’s performance. Open lines of communication between workers and management have enabled Toyota to improve worker safety and employee morale. The company also offers competitive wages and benefits.


Colorado Tries to Ban Strikes

In late January, a Colorado House commission rejected the state’s first attempt since 1992 at banning strikes by public employees, but a much more limited alternative is still being considered. The legislature has not taken action on the bill so far.

State Rep. Bob Gardner (R-Colorado Springs) proposed banning strikes by all public employees in the state, including teachers and city workers. Instead, the House Business Affairs and Labor Committee voted 6-5 in favor of a measure introduced by state Rep. Jim Riesberg (D-Greeley) that bans strikes by state employees only.

“I had neither fear nor malice [toward employees] when I decided to bring this forward,” said Riesberg, who once helped to form a union in Greeley. “It was done only for the sake of clarity.”

The competing measures came in response to an executive order issued November 2, 2007 by Gov. Bill Ritter (D) giving state employee unions more bargaining power.

Ritter’s order banned strikes, but state Attorney General John Suthers (R) issued an opinion that the Colorado Supreme Court had upheld workers’ conditional right to strike, despite an old clause in state law prohibiting it.


Ryan Herriman (rharriman@effwa.org) is a labor analyst at the Evergreen Freedom Foundation in Olympia, Washington.
Alaska Is Latest of Several States to Post Government Spending Online

By Sandra Fabry

Alaska has become the latest in a string of states to boost government spending transparency by posting information online.

Gov. Sarah Palin (R) has announced the state has put its check register online. The department of administration’s Web site now hosts datasheets in PDF and Excel formats that allow taxpayers to view details of every expenditure greater than $1,000, organized by department, payee, and type of expense.

Noting the site is a work in progress, Department of Administration Commissioner Annette Kreitzer told the Daily Newsminer, “It’s not perfect ... but we wanted to get something out there to get started.”

State Sen. Bill Wielechowski (D-Anchorage), who is sponsoring additional government transparency legislation this year, said he will continue to codify spending transparency so that a comprehensive Web site for government expenditures extends beyond Palin’s term in office.

“Alaska has become the latest in a string of states to boost government spending transparency by posting information online.”

Bipartisan Support

“My constituents and colleagues—Republicans and Democrats alike—love this bill,” Wielechowski said. “Nobody wants government waste, and this allows a more transparent government.”

The idea is spreading across the country. As one of his first actions upon assuming office in January, Louisiana Gov. Bobby Jindal (R) issued an executive order requiring the commissioner of administration to create an online state spending database.

Writing in Human Events, former Speaker of the U.S. House of Representatives Newt Gingrich commended Jindal for his swift action.

“For a Louisiana governor, this was an enormous step toward reform,” Gingrich wrote.

The effort to empower taxpayers to track their tax dollars with the click of a computer mouse kicked off in the fall of 2006 with passage of the Federal Funding Accountability and Transparency Act. In December 2007 the federal government launched its own transparency Web site as a result of the Act.

“My constituents and colleagues—Republicans and Democrats alike—love this bill. Nobody wants government waste, and this allows a more transparent government.”

BILL WIELECHOWSKI
STATE SENATOR
ANCHORAGE, ALASKA

Spreading Movement

“This concept of empowering taxpayers is such a powerful one. A handful of successes in 2007 have set off the spark, and now this movement is spreading like wildfire,” said Grover Norquist, president of Americans for Tax Reform. “There is no doubt that taxpayers truly love the idea of tracking where their taxes end up.”

A poll commissioned by Maryland Del. Warren Miller (R-Annapolis), who is sponsoring spending transparency legislation in the state, found more than 80 percent of Marylanders support the creation of a searchable Web site for government expenditures.

Ohio state Rep. Tom Brinkman (R-Mount Lookout), who is sponsoring transparency legislation in his state, said, “I’ve yet to hear a discouraging word from another member [of the legislature], and the enthusiasm of the media due to their desire for open records has been overwhelming.”

Texas State Comptroller Susan Combs, who has created an online portal for her state’s expenditures, explained what makes the movement so appealing.

“Taxpayers not only expect this level of transparency and openness, but they deserve it for many reasons. First and foremost, it’s their money.”

SUSAN COMBS
COMPTROLLER
STATE OF TEXAS

Cooperative Effort

The bipartisanism that marked this issue last year continues in 2008. In early February, Michigan Attorney General Mike Cox (R) held a news conference with consumer advocate Ralph Nader, a former candidate for the Democrat presidential nomination, to announce quarterly expenditures for his office are now online. Cox also called on Michigan Gov. Jennifer Granholm (D) to post all government expenditures, including grants and contracts, on a single searchable Web site.

Nader said, “I applaud AG Cox for taking this important first step of making government operations more transparent. I hope the governor follows his example and makes the full text of all Michigan state contracts available to the public via the Internet.”

Cox expressed his full support for legislation sponsored by State Rep. Jack Hoogendyk (R-Kalamazoo) that would do just that.

Even at the local level, the transparency movement continues to gain momentum, with Milwaukee County becoming the first in Wisconsin to make its expenditures available online. The grassroots organization CRG Network, which partnered with the county to build the Web site, is looking to accomplish such fiscal transparency for all of Wisconsin.

Sandra Fabry (sfabry@atr.org) is state government affairs manager for Americans for Tax Reform.

Internet Info

For a comprehensive memo on efforts to increase transparency in government spending, go to http://www.atr.org.

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