Los Angeles on Verge of Bankruptcy

Taxpayer advocates are proposing alternatives to President Barack Obama’s executive order establishing the so-called National Commission on Fiscal Responsibility and Reform.

Page 4

Public Split Over Bridge Tolls
A multibillion-dollar bridge-building project in Louisville, Kentucky could be funded with tolls on existing bridges—raising opposition.

Page 8

Red-Light Cameras Dangerous?
A survey of red-light camera studies raises significant concerns about the cameras, finding some increase accidents instead of preventing them.

Page 9

SF Mayor Threatened Mass Firing
Facing a $522 million budget deficit, San Francisco Mayor Gavin Newsom proposed firing more than 15,000 city employees. Newsom got concessions from city workers instead.

Page 21

Michigan Population Shrinking
Since 2000, Michigan’s population has decreased by 540,750 through domestic migration. Texas, by contrast, has added 848,702 residents. There is perhaps no better mechanism for evaluating the quality of life in a state.

Page 23

Los Angeles Mayor Antonio Villaraigosa threatened to curtail city government to save money.
4 Ways To Save Billions While Improving Public Education

1. Pay high school students to graduate in 3 years.
2. Send a few children to private school to avoid costly new school additions.
3. Let home schooling families work together so that poor and single-parent families are not denied this option.
4. Use more online courses in high school.

To see the savings for your community, try the free and easy-to-use calculator at yankeeinstitute.org.
New York Worst, Utah Best in Annual Competitiveness Rankings

By Sarah McIntosh


The report gives policymakers information about the economic competitiveness of each state — and about what they could do to make their state more competitive. The authors are economists Stephen Moore of The Wall Street Journal, Laffer Associates founder and CEO Arthur Laffer, and ALEC Tax and Fiscal Policy Task Force Director Jonathan Williams.

‘Unprecedented Build Up’
The report examines the toll the recent recession has taken on states, and it highlights where state policies need improvement. The authors point to “an unprecedented build up in the size of state budgets” as the “fundamental cause of why so many state budgets are broken.”

The book also considers the long-term damage of “progressive” policymaking and how the federal government’s policies are affecting the states, takes an in-depth look at Missouri, and presents the competitiveness rankings index.

“Rich States, Poor States has become a tool each one of us legislators can use to analyze what we’ve done in the past that is beneficial and what is detrimental,” Jim Buck, state senator, Kokomo, Indiana.

Soaring State Employee Costs
Only half-jokingly, Williams said, “We may have to rename the project ‘Poor States, Poorer States.’ One of the big drivers is the cost of government employees’ pension and health care costs that will expand into the future. Unfunded liabilities have the ability to totally decimate state budgets in the future.”

Williams said overspending is the reason most states are in financial distress.

“If states had implemented good economic policies in 2001, we would not see budget shortfalls,” Williams said.

Federal policies are also burdening state budgets. Williams noted the report looks at how some of the federal stimulus money to states “will actually make it more difficult for states to balance budgets in the long-term.”

Race to the Bottom
Williams said some states improved their competitiveness ranking by “resisting the urge to raise taxes.” He added, though, “Some states have been going in such a wrong direction that other states improved by doing nothing.”

Williams noted Louisiana has made a big move up in the rankings, going from 24th to 16th during the three years of reports. He said Louisiana “is one of the states with a net reduction in taxes in the [context of] pro-growth policies of Governor [Bobby] Jindal.”

Laffer said, “If you have two locations and raise taxes in B and lower them in A, producers and manufacturers are going to move to people who are going to move from B to A. You can look at the migration patterns in rich states. Those states with sound economic policies attract people from all over the nation. People don’t work in order to pay taxes. They don’t save to go bankrupt. They save to augment their [financial] growth.”

This is one reason the authors take a dim view of states that recently have raised or are considering raising taxes on high-income earners. Such individuals have a greater ability than others to move themselves—and the jobs they support—to new locations.

“Soaking the rich is a disastrous policy formula,” said Williams. “The only thing taxes redistribute is people, not wealth. The point in the book is that tax increases are not free.”

Rich States, Poor States: http://www.alec.org/AM/Template.cfm?Section=Rich_States_Poor_States

Sarah McIntosh (mcintosh.sarah@gmail.com) teaches constitutional law and American politics at Wichita State University in Kansas.

This is how the American Legislative Exchange Council report ranks the states:

1. Utah
2. Colorado
3. Arizona
4. South Dakota
5. Florida
6. Wyoming
7. Idaho
8. Virginia
9. Georgia
10. Tennessee
11. Nevada
12. North Dakota
13. Arkansas
14. Oklahoma
15. Missouri
16. Louisiana
17. Alabama
18. Mississippi
19. Texas
20. Indiana
21. North Carolina
22. Alaska
23. Wisconsin
24. Washington
25. Kansas
26. Michigan
27. West Virginia
28. Iowa
29. Maryland
30. New Hampshire
31. South Carolina
32. Massachusetts
33. Montana
34. Nebraska
35. New Mexico
36. Connecticut
37. Delaware
38. Minnesota
39. Hawaii
40. Kentucky
41. Oregon
42. Ohio
43. Pennsylvania
44. Maine
45. Rhode Island
46. California
47. Illinois
48. New Jersey
49. Vermont
50. New York

© 2010 The Heartland Institute. Nothing in this issue of Budget & Tax News should be construed as reflecting the views of The Heartland Institute, nor as an attempt to aid or hinder the passage of any legislation.
Obama Creates Fiscal Commission

Taxpayer advocates advance alternatives

By Sandra Fabry

Taxpayer advocates are proposing alternatives to President Barack Obama’s executive order establishing the National Commission on Fiscal Responsibility and Reform, a panel to recommend fast-tracked legislation making wholesale changes to government spending and the tax code.

Obama signed the order in February. The commission resembles one that had been proposed in the Senate but was rejected.

Groups including the AFL-CIO and NAACP opposed the Senate plan because they feared welfare program cuts. Taxpayer advocates pointed to the threat of higher taxes in the plan. Their concerns, which apply also to the president’s commission, are based on experience.

Broken Promises

“In past budget deals, Congress has promised to cut spending later in exchange for tax increases now. Those spending cuts never actually happened,” said Rep. Patrick McHenry (R-NC). “Instead, the extra revenue just let Congress defer dealing with the tough structural problems behind the crisis. Taking tax increases off the table is the only way we will ever have real reform.”

McHenry is the sponsor of HR1557, the CORE Spending Act, which would create a bipartisan reform commission to address entitlement spending reform. The act explicitly prohibits tax increases or new taxes in any commission proposal.

While different in scope, McHenry’s proposal is similar to two other pieces of legislation modeled after the successful Base Realignment and Closure (BRAC) Commission in removing damaging tax increases from the equation.

Fiscal conservatives point to the BRAC process as a model for reform at all levels of government, federal, state, and local. The process, put in place by Congress in 1990, led to the closure of military bases that were underused in the wake of the Cold War and has helped streamline military spending.

Base-Closing Model

“The only way for a spending or any other such commission to be effective is for it to have clear objectives, be narrowly focused, and to require Congressional action. Namely, it needs to model [itself on] the Base Realignment and Closure Commission,” said U.S. Sen. Sam Brownback (R-KS). He is sponsoring S 1282, the Commission on the Accountability and Review of Federal Agencies (CARFA) Act, modeled after the base closure commission.

“That idea has become known as CARFA, and a bipartisan majority just voted in favor of it in the Senate. CARFA is the only proven process by which otherwise-permanent government programs can be eliminated with savings directed toward paying down the national debt or redirecting saved funds to higher priorities, like keeping tax rates low,” Brownback said.

Rep. John Sullivan (R-OK) has introduced a similar bill in the U.S. House of Representatives.

Politics Out

“It’s clear that Congress has failed to do its job, and we need to take drastic action to restore fiscal sanity in Washington,” Sullivan said. “I firmly believe a BRAC-style spending commission, like my legislation HR 1023, which takes politics out of the equation and tax increases off the table, is the way to do it.

“What we absolutely don’t want is a commission, such as the one ordered by President Obama, that is designed to raise taxes on the American people,” Sullivan added. “We have to cut spending, not raise taxes. BRAC is a proven model that is used by the military to eliminate waste and save taxpayer money. Applying this same approach at the federal, state, and even municipal levels is just good government, plain and simple.”

Americans for Tax Reform President Grover Norquist says the BRAC process worked precisely because it took tax increases off the table.

“The BRAC Commission would not have worked if it had been tasked with either closing unnecessary bases or raising taxes to pay for unnecessary bases,” Norquist said. “It worked because it had one job: To save taxpayer money by closing unnecessary bases. That’s the model we should follow at the federal, and quite frankly, at the state level too.”

Model State Bill

A model for state legislative language could come from California, where former state senator and now Congressman Tom McClintock (R) sponsored a bill establishing a BRAC commission. The bill made it through the state Senate twice only to be stopped in the House both times.

McClintock’s state BRAC bill stands for “Bureaucracy Realignment and Closure Commission.”

In testimony for his California BRAC bill, McClintock said, “Wherever we sit on the political spectrum, I think we all agree that this government could operate a lot more efficiently. If we can duplicate the success of the federal BRAC, it means future legislatures will be spared the specter of $20 billion-plus budget deficits and future taxpayers can be spared a bureaucracy that is now spending a larger portion of their earnings—and delivering less with it—than at any time in our history.”

The American Legislative Exchange Council (ALEC) is developing model language for state lawmakers.

“If states ever wish to get their fiscal houses back in order, controlling state spending growth is a necessity,” said Jonathan Williams, director of ALEC’s Tax and Fiscal Policy Task Force. “BRAC-style spending reform would give legislators another tool to stop wasteful spending by taking some of the special-interest politics out of the budgeting process.”

Sandra Fabry (sfabry@atr.org) is executive director of the Center for Fiscal Accountability, a project of Americans for Tax Reform.
Deficit Commission Appointments Raise Concerns

By Thomas Cheplick

President Barack Obama’s decision to establish a national deficit commission by presidential decree is coming under fire from figures across the political spectrum as a gross example of crass politicking.

Alan Reynolds, an economist at the Cato Institute in Washington, DC, notes the commission is not bipartisan.

“President Obama could have appointed an even number of Democrats and Republicans but chose to have a panel of 10 Democrats and 8 Republicans, taking the ‘bi’ out of bipartisan,” Reynolds said.

Government First, Taxpayers Second

Congressman Mike Pence (R-IN) says the deficit commission will put the federal government’s needs first and the taxpayers’ needs second.

“I do not know what is in the president’s heart, but this is not a serious proposal,” Pence said. “It will probably not end up promoting the kind of reforms which are in the interests of the American taxpayers.”

Dean Baker, head of the influential left-wing Center for Economic and Policy Research in Washington, DC, likewise warns, “We should all hope the deficit commission will accomplish nothing.”

Budget Manipulation a Concern

Allan Meltzer, author of A History of the Federal Reserve and professor of political economy at Carnegie Mellon University’s Tepper School of Business in Pittsburgh, said he would prefer to see the Obama administration release to the country and Congress all the information relating to America’s future debt obligations. He would then want Congress to vote on whether it will accept those statistics and obligations.

“Can we expect a commission to do the work that Congress is unable to do and get Congress to agree? I am very skeptical,” Meltzer said.

“There are really only two issues,” Meltzer added. “First, the commission must decide how to divide the adjustment between spending and taxes. Then it must decide on the composition of the spending cuts and tax increases. Easy to say, but hard to do. And it must avoid gimmicks. The best that could happen, I believe, is a proposal that moves the problem farther away in time but does not reduce the entire present value of future claims to zero.”

Meltzer added, “A good agreement would require the president to submit, and Congress to approve, a budget that shows the present value of future obligations as well as current spending and revenue.”

“California is just a few years ahead of where President Obama wants to take the country. ... We spend too much. We do not need a commission to study that.”

STEVE POIZNER
INSURANCE COMMISSIONER
STATE OF CALIFORNIA

Commission a Cover

Pence says the timing of the creation of the commission is questionable and is probably only a cover for a massive tax increase to come, as the commission will not report until after election day this year.

“By mid-century the government is set to consume 40 percent of the nation’s economy, and that is without any of the new spending the president is proposing. Within 20 years our yearly government deficit level will be like Greece’s: 130 percent. We are facing a fiscal crisis of epic proportions, and that is why I have introduced a constitutional spending limit that would limit the federal government to 20 percent of the nation’s economy, which is the historical average over the last 60 years,” Pence said.

California a Cautionary Tale

California Insurance Commissioner Steve Poizner, who is running for governor as a Republican, said he is particularly worried about the nation’s debt and notes the dire fiscal situation in California, where the state government is withholding tax rebates and has issued IOUs for service payments.

““What is going on in Washington, DC is quite alarming,” Poizner said. “California is just a few years ahead of where President Obama wants to take the country. ... We spend too much. We do not need a commission to study that. We do not need more commissions, expanding government programs, and more taxes.”

Reynolds said Obama has stacked the commission with unqualified people who will act as spoilers. He notes as an example the appointment of Andy Stern to the commission. Stern recently resigned as president of the Service Employees International Union, which represents most government workers and has recently come under fire for defending government employee pay and pension packages.

Reynolds pointed to a deficit commission appointed by President Bill Clinton and said, “In 1994, Commission Chairman Bob Kerry and Vice Chairman John Danforth proposed reducing Federal Employee Retirement System benefits by up to 10 percent and Civil Service Retirement System benefits by up to 5 percent. [The cuts were not made.] Could anyone imagine Andy Stern signing up for that sort of reform?”

Special-Interest Domination

Reynolds is more hopeful about some other commission appointees, but he said he expects party politics and other special interests to dominate.

“Business people on the panel are unlikely to master complex budgetary issues in such a short time, and they are therefore likely to be trumped by the experts,” Reynolds said. In addition, he noted, “They may ‘represent business interests,’ but that is not necessarily more constructive than having someone from the farming industry to defend farm and ethanol subsidies, or someone from the weapons industry to defend the military budget.”

Thomas Cheplick (thomascheplick@yahoo.com) writes from Cambridge, Massachusetts.
 Utility Dispute Puts Los Angeles Near Bankruptcy

Continued from page 1

employees in the nation, and the highest-paid city council at $178,000 a year [per member].

“Only two groups need apply for the ear of the city council—developers and public employee union reps—and the priority is not necessarily in that order,” Vosburgh continued. “Mayor Villarigosa was at one time a union organizer. Unions elect the council, so when they negotiate, they have reps on both sides of the table.”

Electricity Rate Hike Sought
The straw that nearly broke the city’s financial back resulted from a dispute between the city council and the city’s Department of Water and Power.

The Los Angeles DWP is the largest municipally owned utility in the nation. The DWP held back a scheduled $73.5 million payment to the city’s General Fund because the council rejected an electricity rate hike request.

The city entered April with a budget shortfall of $222.4 million, but in early April City Administrative Officer Ray Ciranna announced the city had collected $26 million more than expected in property taxes. On April 14 the council voted 8-5 for a temporary 4.8 percent electricity rate increase.

Two days later the DWP board accepted the increase even though two weeks earlier board members appointed by the mayor had rejected it. They wanted a 5.7 percent increase supported by the mayor but rejected by the council.

Killer Pension Costs
The unexpected property tax receipts, and the DWP’s acceptance of the electricity rate increase and expected release of the $73.5 million payment, have given the city a little breathing room.

But it’s not enough for budget watchdogs or Riordan, who served as the city’s mayor from 1993 to 2001.

In an interview with The Los Angeles Times, Riordan argued bankruptcy might be the only way to address pension costs. He noted the city assumes an 8 percent return on pension investments when the average return over the past decade has been just 4 percent. The city could be looking at $1.5 billion in pension obligations it can’t meet, he said.

“We need some adults to come alive in the city and to talk through how to meet that [public pension] liability. If that doesn’t happen, we shouldn’t rule out bankruptcy.”

RICHARD RIORODAN
FORMER MAYOR
LOS ANGELES, CALIFORNIA

“We need some adults to come alive in the city and to talk through how to meet that [public pension] liability. If that doesn’t happen, we shouldn’t rule out bankruptcy.”

Marcia Fritz, President
California Foundation
for Fiscal Responsibility

“Fire and rescue, sanitation ... for all services the city should just send out RFPs [requests for proposals].”

MARCIA FRITZ, PRESIDENT
CALIFORNIA FOUNDATION
FOR FISCAL RESPONSIBILITY

The problems started in the 1970s, Vosburgh said, when lawmakers allowed collective bargaining for government unions. Then in the 1990s they fattened pension benefits. Public safety workers can retire after 30 years and receive 90 percent of their final year’s salary, which can include years of rolled-over unused sick days and other means to boost the final salary. Many retirees are barely 50 years old, Vosburgh said.

Outsourcing Suggested
Marcia Fritz, president of California Foundation for Fiscal Responsibility, agrees the city’s pension situation is a crisis compounded by basing benefits on the nation’s highest salaries. She said one solution might be for Los Angeles to contract out services to private businesses.

“If they can find the service in the Yellow Pages, they should contract it out,” Fritz said.

“For police we have the biggest police contractor in the nation right here, and that’s the county of Los Angeles, which contracts with many cities. They must be competitive; otherwise the cities would have their own police departments. Los Angeles could fire the police and hire them through the county,” Fritz said.

This could save huge amounts of money, Fritz noted, because the county police force has a different pension schedule. The county awards 2 percent of salary for every year served for retirees in their fifties. A police officer with 30 years on the job would receive 60 percent of final year salary instead of the 90 percent Los Angeles city police receive. Fritz said the city also could do this with firefighters.

“Fire and rescue, sanitation ... for all services the city should just send out RFPs [requests for proposals],” Fritz said.

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of Budget & Tax News.
Lawmakers in Washington Reject Voters’ Initiative

By Jason Mercier

On three separate occasions (1993, 1998, and 2007), Washington state voters have approved an initiative or referendum to require a two-thirds vote of lawmakers to raise taxes.

Also on three separate occasions (2002, 2005, and 2010), the legislature and governor have signed a law to “temporarily” repeal that requirement.

In February Gov. Christine Gregoire (D) signed the latest two-year repeal of the supermajority requirement, which voters had reinstated in 2007 by approving Initiative 960 (I-960).

Advertised as the Taxpayer Protection Act, I-960 reaffirmed an oft-ignored law that requires a two-thirds vote of the legislature to raise taxes. The measure also required that all state fee increases be approved by the legislature and the public be notified via email any time a tax or fee increase is proposed.

I-960 also mandated that if the legislature raises taxes without first referring them for voter approval, the voters would have the opportunity to participate in a non-binding advisory vote on the tax increase.

Strong Support for I-960

According to a poll of 500 voters conducted by Seattle-based KING 5 TV, voters don’t support actions to repeal the law.

The KING 5 poll found 68 percent opposed the repeal of I-960, with only 24 percent in support. In addition, the poll found 74 percent believe lawmakers should have to reach a two-thirds vote to raise taxes.

I-960 sponsor Tim Eyman has filed a new initiative to provide voters with their fourth opportunity to implement a two-thirds vote requirement for tax increases.

Pamphlet Also Canceled

Along with the two-year repeal of the two-thirds vote requirement, the legislature and governor this year also repealed the non-binding advisory votes and a subsequent voters’ pamphlet.

For each tax increase, the public was to receive the following information in the voters’ pamphlet:

• a description of each tax increase;
• a 10-year estimate of how much lawmakers increased the financial burden they place on taxpayers;
• a list showing how each lawmaker voted; and
• each legislator’s contact information.

The Seattle-based Washington Policy Center will publish the information that would have appeared in the voters’ pamphlet if Initiative 960 had remained in place. The project will be conducted by researchers at the center’s independent Web site, WashingtonVotes.org.

“If lawmakers and the governor will not be providing information about the tax increases they pass to the public, my research staff is more than willing to do the job,” said Dann Mead Smith, president of the Washington Policy Center. “In this economy, we believe people have a right to know how much lawmakers are adding to their financial burden.”

DANN MEAD SMITH
PRESIDENT
WASHINGTON POLICY CENTER

“In this economy, we believe people have a right to know how much lawmakers are adding to their financial burden.”

By Dann Mead Smith, President

WASHINGTON POLICY CENTER

Everything you need to know about budget and tax policy

BUDGET & TAX NEWS

www.budgetandtax-news.org

A new Web site combining all the best content on budget and tax policy from The Heartland Institute.

• calendar of events
• petitions and calls for action
• the latest video and audio
• blog, Webinars, and video conference opportunities
• RSS feed, podcasts, and email subscriptions
• research and commentary from PolicyBot
• articles from upcoming issues of Budget & Tax News
• archives of past issues of Budget & Tax News
• Heartland Policy Studies and Research & Commentary collections
• links to allies and experts

BUDGET & TAX NEWS
JUNE 2010

7
Public Split Over Tolls for Louisville Bridges

By Jim Waters

Few people showed up for the first three meetings of the agency overseeing the $4.1 billion Ohio River Bridges Project in Louisville, Kentucky, but that changed for the fourth meeting in April, after opponents started a Facebook effort to inform people that tolls on existing bridges could fund the bridge construction.

Seventeen people—mostly opponents of the proposed project and tolls to pay for it—asked to speak at the April 8 meeting of the Louisville-Southern Bridges Authority. Eight were given about two minutes each. Only one of the speakers favored tolls.

Facebook Face-Off

The River Bridges Project calls for two new bridges connecting Louisville with Southern Indiana, plus reconstruction of what’s become known as “Spaghetti Junction,” a confusing conglomeration of lanes and roads for drivers where Interstates 64, 65, and 71 come together in downtown Louisville.

"Lost in the criticism of the South Bay Expressway is that taxpayers haven’t had to shell out one dime to pay for the road. The risk was completely shifted to the private sector and financiers. That’s a good deal any way you look at it.”

SAM STALEY, DIRECTOR
URBAN AND LAND USE POLICY REASON FOUNDATION

Opponents of the project created two Facebook pages with nearly 1,400 members to rally opposition against imposing tolls on the currently free bridges.

Elected officials from both political parties have expressed support for tolls. Indiana Gov. Mitch Daniels (R) appointed seven members of the bridge authority and says tolling is “absolutely necessary.”

Louisville Mayor Jerry Abramson, a popular Democrat who appointed four members, also supports tolls. The issue has gained steam in the campaign to replace Abramson, who will not run for reelection after being chosen as Kentucky Gov. Steve Beshear’s running mate in the 2011 gubernatorial campaign.

Jim King, a leading Democratic Party mayoral candidate and current member of the Louisville Metro Council, has signed a petition opposing tolls on existing bridges. Republican mayoral candidate Chris Thieneman said on his Web site not all drivers crossing the existing bridges should be charged, but he “might make an exception for tolling high-occupancy traffic lanes.”

While the bridge project is on its way, with much of the preliminary environmental approval process already completed, the authority has not settled the question of funding.

Needs ‘Innovative Funding’

Tamar Henkin, a Washington, DC-based consultant, told the authority that because transportation dollars are scarce, states are turning to innovative funding such as tolls, or even farming out projects to private companies.

The financing approach the authority is considering would include placing tolls on the bridges that currently carry I-64 (Sherman Minton Bridge) and I-65 (Kennedy Bridge) traffic across the Ohio River. Completed in 1963, the Kennedy Bridge is the newest of the spans.

Local financial planner Shawn Reilly told the Louisville Courier-Journal, “the citizens should have a right to use bridges we’ve already paid for” without being forced to pay “a new tax.”

Interest Rate Benefits

While opponents held up yellow signs at the April meeting—one said “TOLLS R 4 TROLLS!”—David Nickles, chairman of the Bridges Coalition, a nonprofit group formed to speed the project along, said accepting tolls as a revenue stream to lock in current low interest rates could help save $1 billion.

The project also could mean “tens of thousands” of new construction jobs for Kentucky, where 16,100 manufacturing jobs were lost during the past year, Nickles said.

InsideIndianaBusiness.com reported economic development officials claimed the “bridge project could create more than 50,000 jobs.”

Attacks on Financing

But no financing plan—including tolling—is a guarantee of success.

San Diego’s South Bay Expressway recently filed for Chapter 11 bankruptcy protection after being open less than three years.

The March 30 Washington Times cited the South Bay project in an editorial attacking public-private road projects, concluding, “bureaucrats and politicians turn to public-private partnerships because they, in effect, outsource unpleasant revenue-raising duties to private companies.”

No Taxpayer Risk

But the bankruptcy of the South Bay Expressway does not deter public-private project supporter Sam Staley, director of urban and land use policy at the Reason Foundation, a California-based think tank.

“Privately financed, operated, and maintained toll roads are still very viable and should be expanded as an option for meeting transportation needs,” Staley said. He argues the South Bay project’s bankruptcy came about because only 22,600 paying customers travel the road daily, instead of the 60,000 customers originally forecast by the Australian firm that owns the expressway.

Staley explains the disappointing number of daily travelers as a near “perfect storm” of setbacks, including the deep economic recession, the bursting of Southern California’s housing bubble, and road usage forecasts created “years in advance and projected over decades to make decisions.”

Staley predicted the project will get “back on track” as the economy improves. Besides, he said, the worst that could happen with the South Bay project is that it would revert to public ownership.

“Lost in the criticism of the South Bay Expressway is that taxpayers haven’t had to shell out one dime to pay for the road,” Staley said. “The risk was completely shifted to the private sector and financiers. That’s a good deal any way you look at it.”

Jim Waters (jwaters@hipps.org) is director of policy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky.
Red Light Cameras Threaten Safety, Studies Find

By Brian Costin

Although many elected officials have embraced red light traffic enforcement cameras, purportedly as a safety tool, a survey of red light camera studies shows there are at least nine that raise significant concerns about the cameras, finding they increase accidents instead of preventing them.

Supporters of the cameras claim they make intersections safer by reducing accidents, and they say any money made from the cameras is merely incidental to the primary focus of making intersections safer.

But a 2008 study by the University of South Florida found, “Comprehensive studies conclude cameras actually increase crashes and injuries, providing a safety argument not to install them. ... Public policy should avoid conflicts of interest that enhance revenues for government and private interests at the risk of public safety.”

International Doubt

Studies conducted by the Virginia Department of Transportation, North Carolina A&T University, the Ontario Ministry of Transportation, the Australian Road Research Board, and Monash University in Australia cast a serious pall on the claim red light cameras reduce accidents.

Companies that operate red light cameras, and the communities that use them, have a large financial interest in the issue. For every ticket written, fees can be anywhere from $15 to $50 for a red light camera company, based on the level of service provided. The remaining money goes to the government.

Red Speed Illinois and Redflex Traffic Systems have been aggressively promoting a study by the Center for Transportation Research and Education (CTRE) at Iowa State University. A March 2008 article in the Florida Public Health Review criticized that study for its methodology and small sample size of only three towns. It observed the CTRE study didn’t measure each intersection on a before-and-after basis and the study “failed to demonstrate a credible safety outcome improvement.”

Safety or Money?

Illinois state Sen. Dan Duffy (R-Barrington), who is sponsoring SB 2466, a bill to ban red light cameras, says the cameras are about revenue, not safety. Duffy explained, “Ninety percent of tickets statewide are written for right turn on red, and that is not a high-risk activity.”

A 2001 National Highway Transportation Safety Administration report, “Analysis of Crossing Path Crashes,” revealed a typical motorist “could drive a billion miles before being involved in an accident that resulted from a motorist making a rolling stop on a right-hand turn.”

Nonetheless, municipalities are making the vast majority of the money on rolling right-on-red turns instead of the more dangerous straight-through running of red lights.

10,000 Tickets

In Schaumburg, Illinois, more than 10,000 tickets and $1 million in fines were generated in less than three months from a single red light camera-enforced intersection. More than 98 percent of the tickets were written for right-on-red violations.

A public uproar ensued. Later it was revealed the intersection never had a red-light-running problem to begin with. The intersection had zero accidents caused by red-light-running in the year prior to installation.

After that revelation, the camera was quietly removed and plans for nine additional such cameras were canceled.

At least 853 red light cameras are in operation in Illinois. To date, Schaumburg is the only municipality in the state that has taken down the cameras.

‘Profit from Errors’

“Instead of applying proper safety engineering standards, municipalities are using cameras to profit from their own engineering errors,” said Barnet Pagel, a traffic safety researcher with the National Motorists Association. He notes studies from the U.S. House of Representatives, Texas Transportation Institute, and others show increasing the duration of yellow lights and increasing the “all red” phase to one to two seconds can reduce accidents at intersections by 40 to 80 percent.

Brian Costin (bcostin@illinoispolicy.org) is director of outreach at the Illinois Policy Institute.

Follow... The Heartland Institute on Twitter and Facebook!

ON TWITTER: our username is heartlandinst

ON FACEBOOK: search for the Heartland Institute Fan Page or go to: http://www.facebook.com/pages/Heartland-Institute/16775672689?ref=ts
Group Sues to Halt Kansas Rail Project

By Cheryl K. Chumley

Environmentalists are suing to halt a 500-acre railway project in northeast Kansas near Kansas City, billed as a huge boost to economic development that could bring thousands of jobs to the region.

“This is the single largest construction project in the state of Kansas over the last 30 years,” said Steve Devore, president of the Gardner Area Chamber of Commerce, which represents 240 businesses. “From the economic development perspective, it’s going to bring thousands of jobs, increase the tax base, and give exposure not only to Gardner but also to Edgerton and the entire region.”

Edgerton and Gardner are located about 30 miles southwest of Kansas City.

The local development company, The Allen Group, purchased land in the jurisdiction years ago with plans to build a $250 million international logistics park consisting of a railway and office space. The rail, when complete, will join the network of existing Burlington Northern Santa Fe (BNSF) railway operations that traverse the United States.

All that could come to a halt, however, depending on the outcome of a lawsuit filed by the Natural Resources Defense Council (NRDC).

The U.S. Army Corp of Engineers conducted an environmental review of the proposed project last August and issued a permit to begin development. On February 1, however, NRDC filed a suit claiming the federal government failed “to comply with federal environmental laws before authorizing the construction and operation of a massive rail yard and distribution and warehousing center in Kansas.”

NRDC claims the project will pollute the air and create public health problems.

“The National Environmental Policy Act required the Corps to perform an environmental impact statement and more fully assess the public health and environmental effects of the project. It didn’t do that,” said Jessica Lass, senior press secretary for NRDC.

BNSF Railway officials say they are confident the Corps properly conducted its environmental review and that the permitting process has met all legal standards.

“The project is moving forward, and I think they [The Allen Group] are just waiting for the outcome of a $50 million grant application from the federal government,” Devore said.

According to Bernice Duletski, deputy county manager for Johnson County, over its first 10 years the development will create 5,117 jobs in Gardner County and another 3,069 in Johnson County, with estimated 10-year property tax revenues for each locality at $12.7 million and $12.2 million, respectively.

Cheryl K. Chumley (ckchumley@aol.com) writes from Northern Virginia.
Pipe Corrosion
an Avoidable
Budget-Buster

"Because it satisfies the need for tough, durable, and corrosion-resistant pipe, [PVC pipe] has become vital to rural water and wastewater systems."

By Bruce Hollands

The public rarely sees piping in government buildings or other infrastructure, but they do see its costs in the taxes they pay, because piping has a significant impact on government budgets.

Over the next 25 years, investment in electricity, water, sewer, and transportation infrastructure will require $6.5 trillion, according to a report in the Spring 2007 issue of strategy+business magazine. Of that, water and sewer lines alone will cost between $660 billion and $1.1 trillion. Pipe represents the single largest component of a water utility’s assets and significantly affects operations and maintenance costs.

Corrosion is the largest part of the problem, being the main cause of more than 700 water main breaks every day throughout North America (see www.watermainbreakclock.com). Moreover, a 2002 congressional study found corrosion costs U.S. drinking water and sewer systems $50.7 billion annually.

Old-Technology Pipe Materials

The reason for this systemic failure stems from the history of America’s network over the past 100 years. First we used cast iron pipe, and then ductile iron. Both are now suffering the ravages of corrosion.

For instance, Denver workers repaired 97 breaks just between December 1, 2009 and January 19, 2010. And the problem appears to be worsening, according to the Denver Post, which noted, “328 water-main and service-line ruptures were recorded in 2008, up from 306 in 2007 and 256 in 2006.”

In Detroit and nearby communities served by the city’s aqueduct, officials have estimated 35 billion gallons leak from the system each year, leaving residents to pay more than $25 million annually for water that never reaches their homes.

All told, leaking pipes lose an estimated 2.6 trillion gallons of drinking water every year, the equivalent of 17 percent of all water pumped in the United States.

As many as 1,000 water main breaks occur in many major cities each year.

Leaking Budgets

Water main breaks force local, state, and federal governments to take action more quickly than under normal budgetary scenarios, but the problems must be addressed one way or another.

In Cheyenne, the Wyoming Tribune-Eagle reports the water department "spends approximately $1 million to rehabilitate and replace an average of 1.5 miles of water mains each year."

Baltimore authorities estimate the cost of needed work tops $2 billion, while the Baltimore Sun reported that two costly breaks in 2009 “washed away sizable chunks of the city’s budget.”

Borrowing for Repairs

To solve the problem, local and state authorities often try some mix of borrowing, raising rates, or seeking federal assistance.

The Pittsburgh Water and Sewer Authority, for instance, has financed its improvements by borrowing, which, according to the Pittsburgh Post-Gazette, “has boosted payments on the authority’s $779 million in debt toward $44 million—25 percent higher than it paid five years ago.” The city’s credit rating has suffered accordingly, with Moody’s citing “pronounced risks” in its obligations.

Meanwhile, the cold snap in Jackson, Mississippi in January led to 154 water main breaks—the most in two decades. The breaks left much of the city without running water, forcing closure of most schools and businesses.

Jackson Mayor Harvey Johnson declared a state of emergency. He estimated the city would need $76.2 million to replace 109 miles of water lines.

Budget-Friendly Solution

Yet in the neighboring town of Ridge-land, where PVC is widely used, there was no water main crisis.

“The type of pipes we have [plastic, or PVC] are less likely to have problems than iron pipes simply because they are more flexible and hold up better underground,” said Ridgeland Mayor Gene McGee.

PVC pipe has been used in the U.S. since the 1950s, and according to the Environmental Protection Agency, it has an unsurpassed resistance to corrosion. Because it satisfies the need for tough, durable, and corrosion-resistant pipe, it has become vital to rural water and wastewater systems.

In Great Falls, Montana, City Engineer Dave Dobbs said his city’s water main failure rate of 122 in 1997 was reduced to 35 in 2009 by “replacing old water lines with plastic PVC pipe.”

Another key consideration is the cost-effectiveness of PVC. Annual savings derived from PVC pipe now used in sanitary systems throughout the U.S. are estimated at $270 million. Converting the entire sanitary sewer system to PVC could save upwards of $800 million a year.

Installation Barriers

So why isn’t PVC pipe more widely used? Outdated and prohibitive local procurement rules often ignore relatively newer yet proven corrosion-proof technologies like PVC, hindering their broader application. The reasons most often cited for this range from a need to further “study” the material, to a reluctance to try something new, and even to a reliance on myths to reject its use.

Yet the technology has been recognized by all required state, national, and international agencies and standards organizations and is used by thousands of municipalities worldwide.

The federal government already has taken steps to fight corrosion. Regulation has tackled it in the energy sector, with the Office of Pipeline Safety mandating tough corrosion standards for energy pipelines.

Similar standards should apply for water and wastewater.

Bruce Hollands (bhollands@uni-bell.org) is executive director of the Uni-Bell PVC Pipe Association, a not-for-profit organization based in Dallas, Texas.
Dire Warnings from Fed Official

Federal Reserve Bank of Kansas City President Tom Hoenig has issued a warning about where the nation’s economy is headed, a warning that questions much of what the Federal Reserve, Presidents George W. Bush and Barack Obama, and Congress have done and are doing to the economy.

“The fiscal projections for the United States are so stunning that, one way or another, reform will occur,” Hoenig said in a February speech for the Peterson-Pew Commission on Budget Reform Policy Forum in Washington, DC, “Fiscal policy is on an unsustainable course. The U.S. government must make adjustments in its spending and tax programs. It is that simple. If pre-emptive corrective action is not taken regarding the fiscal outlook, then the United States risks precipitating its own next crisis.”

Hoenig added: “Throughout history, there are many examples of severe fiscal strains leading to major inflation. It seems inevitable that a government turns to its central bank to bridge budget shortfalls, with the result being too-rapid money creation and eventually, not immediately, high inflation. Such outcomes require either a cooperative central bank or an infringement on its independence.”

— Steve Stanek

Senator Says Feds’ Student Loan Takeover Will Fund Obamacare

By Matthew Glans

A law passed with the recent health care overhaul legislation makes the federal government the primary originator of student loans for higher education, eliminating the subsidies paid by the government to private student loan providers who previously had been involved in the lending process.

But according to Sen. Lamar Alexander (R-TN), the real purpose of the Obama administration’s plan is to “overcharge 19 million students on their student loans, to help pay for the Democrats’ health care bill,” as he told reporters.

The Student Aid and Fiscal Responsibility Act (SAFRA) passed along with the health care overhaul bill, the Patient Protection and Affordable Care Act.

“This is how it will work. The federal government will borrow money at 2.8 percent and then lend it to students at 6.8 percent—spending the difference on health care and new government programs.”

LAMAR ALEXANDER (LEFT) U.S. SENATOR - TENNESSEE

“Today Congress voted to stop wasting billions of taxpayer dollars to subsidize big banks, and start investing that money directly in our students and families,” Rep. George Miller (D-CA), chairman of the House Committee on Education and Labor, said in a press statement at the time.

In a March 18 statement, Alexander explained he had a different perspective on the proposal.

“This is how it will work,” Alexander said. “The federal government will borrow money at 2.8 percent and then lend it to students at 6.8 percent—spending the difference on health care and new government programs. In Tennessee, 200,000 students have student loans, so what this latest takeover means is that those Tennessee students will, on average, pay $1,700 to 1,800 more in interest over 10 years—to pay for the Democrats’ health care bill.

“The government—instead of using that money to reduce costs for students who are borrowing the money—will use it to pay for more government programs. According to the preliminary CBO estimate produced this morning, the new bill will take $9.1 billion over 10 years from students’ interest payments to pay for this health care takeover.”

In a Wall Street Journal editorial, Secretary of Education Arne Duncan said the current system benefits banks while adding unnecessary costs to taxpayers.

“Under the current FFEL [Federal Family Education Loan] program, banks make loans to students,” Duncan wrote. “While those students remain in school, the federal government pays the interest on their loans; otherwise the interest accrues. Once the borrowers leave school or graduate, the lending agency collects on the loans. But if the student defaults, my department pays back the loan—plus the interest owed. The FFEL program, in short, is a great deal for bankers but a terrible one for taxpayers.”

The Congressional Budget Office estimated SAFRA will save $61 billion over the next 10 years.

Under the new system, all new federal student loans will originate through the Direct Student Loan program, moving the loans out of the FFEL program. The Committee on Education and Finance estimates the new program will enable 500,000 students to keep their Pell grants, avoiding the 60 percent cut that was previously expected.

Matthew Glans (mglans@heartland.org) is legislative specialist in insurance and finance at The Heartland Institute.
ANALYSIS

Michigan’s Gift to Texas? People

By Michael D. LaFaive

Recent primary elections in Texas have once again highlighted the state’s status as a place people are moving to rather than away from.

This makes it a focus of public policy interest for economists and demographers who want to know what makes the Lone Star State perhaps the most dramatic of several American “destination” states.

Michigan, by contrast, is certainly the most dramatic “flight” state.

The numbers are stark. Since 2000 Michigan’s population has decreased by 540,750, or 5.4 percent, through domestic migration. Texas, by contrast, has added 848,702 residents, a 4.1 percent gain. The meaning of these numbers cannot be overemphasized: There is perhaps no better measurement for evaluating quality of life issues than migration.

Americans are no strangers to the idea that liberty brings economic opportunity, and the migration patterns we’re witnessing are simply the effects of economic liberty, as an abundance of research makes clear.

Supporting Studies

Hundreds of scholarly studies have shown empirical links between economic factors and American migration patterns. Over the past decade migration economists have narrowed their research down to a number of key determinants such as taxes, welfare, weather, labor markets (including wages), and unemployment rates.

The Mackinac Center’s own migration study—written by adjunct scholar Michael Hicks—found people nationwide are moving to states with lower taxes, more flexible labor climates, and more days of sunshine.

Specifically, Hicks discovered for every 10 percent increase in personal taxes, Michigan loses 4,900 people every year thereafter. That means the 11.5 percent personal income tax increase the legislature imposed in 2007 already has driven more than 10,000 people out of Michigan.

By contrast, Texas has no income tax. This would be a distinct advantage even if its overall tax burden were higher than Michigan’s, and in fact it is lower. The Washington, DC-based Tax Foundation reports in 2008 Texas had the 43rd lowest state and local tax burden in the nation, while Michigan came in at 27th.

Migration Variables

Taxes are just one variable among many. Michigan’s hostile labor climate and regulatory regime are also adding to the lack of opportunity that’s chasing people away.

The American Legislative Exchange Council in Washington, DC, has published a “Competitiveness Index” based on 15 policy variables in each state, such as income and corporate taxes, tax “progressivity,” and right-to-work protections. Based on those metrics, the authors created “economic outlook” and “economic performance” rankings.

Michigan’s “outlook” ranked 34th in the 2009 version, and Texas’s ranked 10th. In economic performance Texas took the No. 1 position, and Michigan came in dead last. This supports the link between economic freedom and opportunity.

The Pacific Research Institute in California compiles an index incorporating 143 different variables in five categories designed to measure economic freedom. In its most recent report (2008) the institute ranks Michigan the 43rd economically freest state and Texas the 31st. The authors then conducted a statistical analysis of state-to-state migration, and their index showed migration to be correlated with economic freedom.

Florida Is Top Choice

People move to Texas from all over the country. When we shift the focus to specific pairs of states, Florida is the top migration choice for outbound Michigan residents. Between 2000 and the end of 2008, on a net basis, approximately 68,000 Michiganders moved to the Sunshine State, according to Internal Revenue Service data.

Texas ranks second for Wolverines among favored places to move. From 2007 to 2008, 12,748 Michigan residents moved there, while 5,272 Texans came to Michigan, for a net outflow to the Lone Star State of 7,476.

Dramatic Increase in Emigration

The IRS data can be broken down by county. We examined population flows from Michigan’s three biggest counties to Texas. The gross outflow appears to have increased dramatically in recent years. For example, the number of people moving from Macomb County, Michigan to Texas increased from approximately 200 between 2003 and 2004 to 748 from 2007 and 2008, a 274 percent difference.

For people from Oakland and Wayne counties, the Texan county of Harris (which encompasses Houston) was the most popular destination. For Macomb it was the Dallas/Fort Worth area (Note: The IRS does not report flows by county if there were fewer than 10 returns in a given inflow-outflow.)

This is the backdrop against which Michigan now faces a new round of demands for tax increases, including Gov. Jennifer Granholm’s call for a $900 million tax hike over three years.

Michael D. LaFaive (lafaive@mackinac.org) is director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Michigan.

Heartland Institute Opens Austin Office

The Heartland Institute’s Center on Finance, Insurance, and Real Estate has hired attorney Julie Drenner as director of its new office in Austin, Texas. The Austin office joins other Heartland FIRE project offices in Washington, DC and Tallahassee, Florida.

Drenner has drafted legislation and frequently testified before the Texas legislature on topics ranging from public health to family law. CNN, the Los Angeles Times, News Austin 8, KLBX, and the Dallas Morning News have interviewed and quoted her statements at key times regarding bills under consideration.
Good Times Roll for Michigan Government Employees

By Leon Drolet

Compensation for Michigan citizens employed in the private sector fell by 10.3 percent between 2007 and the third quarter of 2009, according to the most recent data available from the federal Bureau of Economic Analysis. Most Michiganders are earning less and struggling to get by.

But one group is becoming richer: government employees. State and local government employee compensation increased by 5.5 percent during the same period, and federal government employee compensation in the state is up by 7.5 percent.

And the good times will keep rolling for Michigan government bureaucrats: They’re scheduled to receive a 3 percent pay increase this year.

‘In Denial’
One lawmaker staunchly opposing the pay increases is state Senate Majority Leader Mike Bishop (R-Rochester). He said in a floor speech in March, “It’s very obvious that we can’t afford it.

“The harsh reality is we can’t afford the government that we have. And as we sit here today, we continue in denial. The denial has reached a level that I have never—could never—predict. We are now at a point where we are ... in the heart of the perfect storm.”

Bishop said he backs a pay freeze for government workers. He cited Michigan’s 15 percent unemployment rate—highest in the nation—and falling personal income levels, “a statistic we haven’t seen since 1958,” as evidence taxpayers cannot afford higher pay and benefits for government workers.

Despite Bishop’s plea, the measure to kill the pay hike was defeated. It needed 26 of 38 votes but received only 22.

Every Republican senator but one voted to reject the pay hike. The exception was state Sen. Bruce Patterson (R-Canton) who was present but did not vote.

State Sen. Mickey Switalski (D-Roseville) was the only Democrat to oppose the pay hike.

17 Percent Reduction
State Sen. Michael Prusi defended the pay increase, citing a 17 percent reduction in the Michigan government workforce over the past eight or nine years even as demands for services remain high.

“It’s become very politically popular to demonize public employees and state workers,” Prusi said, “but I think if the general public was aware of some of the sacrifices they’ve already made, the polls might look a little different, and we shouldn’t operate under polls regardless.”

Gov. Jennifer Granholm (D) and state lawmakers hiked the state income tax by 12 percent and the state business tax by 22 percent in 2007.

Broader Sales Tax
This year Granholm needs even more money to afford her proposed state budget, which includes the state employee pay increase. Granholm is pushing a plan to lower the sales tax from 6 percent to 5.5 percent but extend the tax to numerous purchases currently exempt from the sales tax, including hair cuts, oil changes, carpet cleaning, yard mowing, pet grooming, and thousands of other services.

The sales tax extension would take another $550 million out of citizens’ pockets in 2011 and transfer that money to Lansing.

Skeptical Response
Some key lawmakers, even within Granholm’s own party, express skepticism about her plan.

House Speaker Andy Dillon (D-Roebuck Township), said, “It’s time, first and foremost, to do the hard work of reforming and streamlining the state government. Tax increases should be a last resort, not a first option. I’d rather have people spending their money at the corner store than at the State Capitol.”

ANDY DILLON, SPEAKER OF THE HOUSE
REDFORD TOWNSHIP, MICHIGAN

Twice the Cost
U.S. Bureau of Labor Statistics show government employee benefits cost twice as much as full-time private-sector benefits. Many government employees receive rich benefits:

• Public school employees contribute an average of 42 percent to their health care plans, while private-sector citizens pay an average of 22 percent of their own health care costs.

• Expensive “defined benefit” retirement plans are almost nonexistent in the private sector but are commonplace for public school, public university, and local government employees.

• Macomb County government employees enjoy a taxpayer-paid retirement benefit that allows many to retire at the age of 50. Such early retirement for a class of workers is unheard of in the private sector.

There was a time when government employees enjoyed better benefits and job security than most taxpayers but were paid less than comparable private-sector employees, but that’s no longer true.

Statistics from the Bureau of Labor Statistics document that today, the government class enjoys higher salaries, richer benefits, and far better job security than the citizens they are supposed to be serving.

Leon Drolet (mtaxpayer@yahoo.com) is director of the Michigan Taxpayers Alliance.
Welcome to the Pub

The Freedom Pub is a place where freedom-lovers from around the world can share ideas and news, watch videos, and learn about upcoming events.

Create your own page and blog, share videos, and a whole lot more. This is where freedom is discovered and spreads. Become a member now!

www.freedompub.org
Labor Reform Would Boost Economy, Worker Freedom

By Rachel Culbertson

A new labor reform model could help jumpstart America’s economy and restore workers’ rights.

Sweeping the Shop Floor: A New Labor Model for America, from the Evergreen Freedom Foundation (EFF), describes how outdated labor laws have increased the political power of public-sector unions far beyond the purpose of representing members, wreaking havoc on state and local economies and individual liberty.

The study proposes the United States modernize its labor laws based on reforms successfully implemented several decades ago in New Zealand. That highly regulated nation found itself on the brink of bankruptcy by the late 1980s, causing political leaders to pass a series of sweeping economic and labor policy reforms.

Workers Get Choice

In 1991 the Employment Contracts Act gave workers the choice of whether to be represented by a union and made unions compete for members by removing their monopoly status over an entire workplace. Instead, individual employees were allowed to choose their own representative.

Over five years, unemployment dropped from 11 percent to 6 percent and productivity increased significantly.

The legislation not only boosted New Zealand’s economy but also had a strongly positive social impact on the nation’s citizens. People were allowed to create flexible working arrangements with their employers and receive compensation based on their unique skills and talents instead of rigid union contracts. By 1996, 70 percent of the nation’s employees were covered by individual contracts.

New Zealand’s labor reforms took effect nationwide and in a short amount of time, but such a model would apply differently in America’s federalist system of government. The EFF study uses the examples of two states—Colorado and Washington—to illustrate how states could adopt a labor-relations system based on freedom of association.

‘Boon for Workplace Freedom’

The two states differ greatly in political climate and union density. Twenty-two percent of Colorado’s government workforce is unionized, compared to nearly 56 percent of Washington’s public employees.

“Labor lawyers don’t call Colorado ‘the wild West’ for nothing. Local governments have a great deal of latitude to decide whether to recognize a union and how to go about it. For all practical purposes, the state already is neutral when it comes to public-sector collective bargaining,” said Ben DeGrow, education policy analyst for the Independence Institute and a coauthor of the study.

Yet it is becoming more common in Colorado for unions to enjoy legal and contractual privileges, particularly in the public school system.

“Adopting a new free agency labor model would be a boon for workplace freedom in schools as much as in any other government agency. Teachers would be represented by groups more directly accountable to them. Policymakers and school officials would face fewer obstacles in enacting needed reforms in how teachers are paid, evaluated, and retained,” said DeGrow.

Union Power in Washington

In the state of Washington, the roots of organized labor run deep. Mandated union dues from many state employees have expanded the role of special interests in elections and policymaking, with little evidence increased collective bargaining for public employees has improved the state’s economy or efficiency.

Because of the political climate in Washington, altering its labor laws would be difficult. Yet co-author Scott Dilley, a public policy analyst for the Washington Farm Bureau, is optimistic.

“Washington state has strong traditions of both collective bargaining rights and rugged individualism,” Dilley said. “These two traditions could be melded together to optimize freedom of association in our state.”

“This is exactly what the New Zealand model of reform proposes to do,” Dilley added. “It respects individual freedom of choice. Workers can choose to bargain as a voluntary, yet legally respected, collective or to negotiate as individuals directly with their employers.”

Fitting to Changing Economy

Dilley says in changing times, rigid union contracts and bargaining models have to be adapted to accord with market forces.

“Our current collective bargaining model is based on a manufacturing economy that used to involve discrete units of workers with similar concerns. Because our economy has changed, we need to have a more fluid definition of what a collective bargaining unit is, how unions are understood, and what they accomplish for their members.”

Rachel Culbertson (rculbertson@effwa.org) is a policy analyst at the Evergreen Freedom Foundation in Olympia, Washington.

IN OTHER WORDS ...

“Thanks to the depth of the economic downturn, what’s long been evident to students of government is now becoming more broadly understood. We refer to the immense power of public employee unions and how this power has yielded ever-bigger work forces with generous pay and extraordinary benefits and job protections.

“All over the United States, this clout has been on display as governments struggle to deal with huge drops in revenue while dealing with public employee unions with little appetite for the idea of shared sacrifice. Locally, this clout translated into the San Diego teachers union securing a 7.2 percent pay raise in 2012-13 in return for temporary pay concessions. In Washington, it has translated into huge portions of the $787 billion ‘economic stimulus’ package turning into strings-attached grants to states to preserve government jobs.”

— House editorial, San Diego Union-Tribune, April 2, 2010

INTERNET INFO

Sweeping the Shop Floor: http://www.effwa.org/laborstudy2010
Doctors For Disaster Preparedness 28th Annual Meeting
June 11-June 13, 2010

Featured Speakers:
George Gilder and his daughters Mary Ellen and Louisa
Howard Maccabee, MD, PhD
Jay Lehr, PhD
Alan Brodsky
Rael Jean Isaac
Willie Soon, PhD
Richard Keen, PhD
Steve Jones
Fred Singer, PhD
Marc Morano
Art Robinson, PhD

Sheraton Safari Hotel, Orlando, FL
Special DDP Group Rate: $89/night
For room reservations visit www.ddponline.org
or call 800-423-3297

The Sheraton Safari Hotel & Suites Lake Buena Vista is minutes from and
provides complimentary transportation to all Walt Disney World Theme Parks
including the Magic Kingdom Park, Epcot, Disney's Hollywood Studios, and
Disney's Animal Kingdom Theme Park.

CUT OFF DATE: May 31st. Make your reservations now!

PLEASE RESERVE MY SPACE AT THE 28TH ANNUAL DDP MEETING

Name(s) ____________________________________________________________

______________________________________________________________

Address __________________________________________________________

City __________________ State _______ Zip __________

Phone ____________________________________________________________

Email Address ___________________________________________________

MEETING REGISTRATION FEES:
( does not include tour)
$250 for first person
$200 for each additional family member

OPTIONAL KSC TOUR:
$75/adult
$50/child under 12
includes buffet lunch

Mail To:
DDP
1601 N. Tucson Blvd. Ste 9
Tucson, AZ 85716
(520)325-2680

Presented by: DDP (www.ddponline.org) and Cosponsored by Access to Energy, Oregon Institute of Science and Medicine, and Physicians for Civil Defense
This could be your last issue of 
Budget & Tax News!

THE HEARTLAND INSTITUTE IS GOING DIGITAL!
Budget & Tax News will no longer be available for free in a print edition, except for elected officials. However, it remains available for free — and updated daily! — at www.heartland.org or our new site at www.budgetandtax-news.org.

Visit these sites often for the latest news and activities on budget and tax policy, and to sign up to receive Budget & Tax News electronically.

“Budget & Tax News is my favorite source for state tax information. This publication not only provides a valuable service for tax researchers (distilling tax news from 50 different jurisdictions), but it also does so while providing commentary from leading analysts. Budget & Tax News is always on my must-read list.”

CHRIS ATKINS
Staff Attorney
Tax Foundation

“Budget & Tax News carries articles which are useful to cities at various times. If one issue does not cover a situation, then another issue will. I personally think that it is worthwhile to have and to read for any Mayor who wished to stay informed on the laws and regulations which could affect their city’s budget.”

HON. CHUCK MCLARAN
Mayor
City of Albany

“Budget & Tax News is a great tool for state legislators. In Iowa we rely on it for timely research on critical tax and spending issues. It is regularly cited by legislators looking for innovative ways to save taxpayer dollars. Heartland’s fourth public policy newspaper demonstrates again why Heartland is considered one of the leading sources of information for state legislators across the country.”

REP. JAMIE VAN FOSSEN
State Representative
State of Iowa

Become a subscriber or a member of The Heartland Institute.
Support our efforts on behalf of budget and tax reform consumers!

SUBSCRIBE ONLINE
Visit www.heartland.org or www.budgetandtax-news.org

SUBSCRIBE OR BECOME A MEMBER BY PHONE
Have a credit card ready and call 312/377-4000, ask for Cheryl Parker

SUBSCRIBE OR BECOME A MEMBER BY MAIL
Complete the form and mail it with check or credit card information to:
The Heartland Institute
19 South LaSalle Street #903
Chicago, IL 60603

Yes! I want to become a Heartland Institute member.

☐ $36
BTN Subscriber

☐ $100
Donor

☐ $250
Sustaining Donor

☐ $1,000
Patron

☐ $2,500
Benefactor

☐ $5,000
President’s Council

☐ My check in the amount of $______ is enclosed.
☐ Charge $______ to my ☐ Visa ☐ MC ☐ Am Ex

ACCOUNT NUMBER

EXPIRATION DATE

SIGNATURE

NAME

HOME PHONE

TITLE/COMPANY

WORK PHONE

ADDRESS

CITY/STATE/ZIP

☐ Please do not list my name as a sponsor in the Annual Report.
☐ Please do not share my name with other organizations.

Please return form to The Heartland Institute, 19 South LaSalle Street #903, Chicago, Illinois 60603; 312•377•4000