Trump Proposes Big Budget Cuts for Government Agencies

By Ben Johnson and Jesse Hathaway

President Donald Trump’s proposal for the federal government’s fiscal year 2018 spending priorities calls for significant reductions to the federal workforce and domestic spending on government offices, such as the U.S. Environmental Protection Agency (EPA).

Trump proposes reducing EPA’s budget to about $6 billion a year, down from its $8.1 billion budget in 2016, in addition to cutting federal spending on the Department of Housing and Urban Development (HUD), Department of Commerce, and other agencies.

Trump proposes reducing the number of EPA employees by about 19 percent and cutting HUD’s staffing levels by approximately 14 percent.

BUDGET CUTS, p. 4

Missouri Becomes 28th Right-to-Work State

By Matt Hurley

Missouri is joining the growing number of states where union membership in a place of work is voluntary.

The new law, signed by Gov. Eric Greitens (R) in February, takes effect in August. It removes legal requirements currently allowing labor unions and employers to force workers to join labor unions and pay dues as a condition of employment.

Matthew Glans, a senior policy analyst for The Heartland Institute, which publishes Budget & Tax News, says opponents of right-to-work (RTW) laws often misunderstand or mischaracterize those laws.

“Right-to-work laws prohibit employers from requiring an employee to join or refuse to join a union, pay fees or other charges to a union, or pay any

RIGHT-TO-WORK, p.6
Turning Point USA’s Young Women’s Leadership Summit is a 4-day conference for young, conservative women. The 2017 YWLS will take place from June 15-18, 2017 in Dallas, TX. TPUSA will invite 750-1,000 young women between the ages of 16 and 24 to attend.

Throughout the Summit, attendees will hear from some of the nation’s most well-known conservative leaders and activists, receive first-class professional development and leadership training, and network with other attendees and organizations from all across the country.

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Please visit www.ywls.org for an updated agenda and list of confirmed speakers.

From Top Left to Right: Kellyanne Conway, Wayne LaPierre, Susan LaPierre, Antonia Okafor, Kimberly Corban, Tomi Lahren

Learn more and apply for an invitation at www.tpusa.com/YWLS. The deadline to apply is May 25, 2017.
Blocking Trump, Senate Considers Bill to Reassert Congressional Trade Oversight

By Marybeth Glenn

President Donald Trump’s top trade advisor told lawmakers the president wants to include language in trade agreements that would trigger automatic renegotiation whenever the United States runs a trade deficit with a partner country.

A bill now before the Senate would contradict that goal by giving Congress a mechanism by which to preempt presidential trade actions.

Peter Navarro, the head of the National Trade Council and White House director of trade and industrial policy, made the comments at a February 15 closed-door meeting of the U.S. Senate Committee on Finance.

In January, U.S. Sen. Mike Lee (R-UT) introduced Senate Bill 177, the Global Trade Accountability Act of 2017, proposing a congressional pre-emption mechanism affecting presidential negotiating authority such as Navarro’s trade-deficit trigger policy. At press time, SB 177 remains under consideration by the U.S. Senate Committee on Finance.

If approved by Congress and signed into law by the president, the Global Trade Accountability Act would require the executive branch to brief lawmakers on proposed trade actions, including cost-benefit analyses of those actions, a policy already required when government agencies propose other forms of regulations. Lawmakers would then vote to approve or reject the proposed regulations.

Not Targeting Trump

Lee says his bill was not inspired by any actions by ‘Trump, but instead is meant to address a longstanding problem.

“This bill is not focused on this particular president,” Lee told Budget & Tax News. “I started working on this project long before we knew who our nominee would be. This is about maintaining the separation of powers mandated by the Constitution.

“It’s not that I’m worried about Congress’ power so much as I am worried about the fact that members of Congress have seen fit to delegate power so that they can insulate themselves from voters,” Lee said. “When that happens, the democratic effect of elections becomes less meaningful, when those hired for the purpose of making law are delegating it to somebody else.”

Reasserting Congressional Power

Lee says he wants to help restore lawmakers’ seat at the policymaking table.

“We’re not bypassing the important role that the president can play in this process or that the executive branch can play. The power to establish set policy, and have that be binding and subject to enforcement through the overpowering force that is government, needs to be separated. It needs to occur in two separate, coequal branches of government.”

MIKE LEE, U.S. SENATOR, UTAH

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MIKE LEE, U.S. SENATOR, UTAH

‘Reasonable’ Reevaluation

Riley says reevaluating the balance of power between the executive and legislative branches is worth the effort.

“I think it’s a reasonable effort to try to limit the ability of the executive branch to unilaterally impose taxes without congressional consent,” Riley said. “There are several statutes that give the executive branch wide latitude to restrict international trade. Many of the statutes behind this power are decades old, and it is a good idea to revisit them.”

Marybeth Glenn (glenmarybeth@yahoo.com) writes from Wausau, Wisconsin.
Proposed spending for the U.S. Department of State would be reduced by about 37 percent from fiscal year 2017 levels.

Trump also proposes eliminating 62 federal government agencies and programs deemed duplicative or ineffective, such as the Low Income Home Energy Assistance Program and the National Endowment for the Arts. The outline document, released in March, promises “hundreds” more such closures will be included in the formal budget.

The reduced domestic government spending will offset proposals to increase military spending by approximately 10 percent, or $54 billion.

Changing Priorities

Jonathan Bydlak, president of the nonpartisan Coalition to Reduce Spending, calls Trump’s budget proposal a “historic” change in federal spending priorities.

“If you’re looking at the specific programs—cuts to the State Department, EPA, or other areas—then, yes, it is historic,” Bydlak said. “Any time an agency gets its budget cut by 40 percent or something like that, that’s pretty substantial. What this really represents is a change in priorities.”

Size Matters

Bydlak says the overall size of the federal budget matters as much as how much is spent on individual government agencies.

“When the initial top-line numbers came out with the Pentagon proposal, it was floated that it would be cuts entirely from EPA and State,” Bydlak said. “Cuts to those two departments do not add up to $54 billion, so you knew there would have to be other areas they were going to have to propose to cut to be able to pay for that. At the end of the day, the impact of the budget is driven by the top-line numbers, not by spending in any particular department.”

Other People’s Money

Gary Galles, an economics professor at Pepperdine University, says individuals are better at usefully spending money than the government.

“At the most basic level, the fact is that government has no resources of its own,” Galles said. “Every $1 of resources spent by government is a dollar government decides what to do with and also $1 less people can spend for themselves. Given that the government is essentially people with less information about you who care less for you than you do, there are very few areas government can make people better off with their money than they could do for themselves.”

Counting Opportunity Costs

Galles says government spending is wasteful by nature.

“One must also remember that the opportunity cost to society of government spending $1 is, in fact, far more than that,” Galles said. “That is because the distortions introduced by taxation—wiping out mutually beneficial trades that would otherwise have taken place—to acquire budget dollars are substantial. Say those costs are 40 cents for each $1 raised—which I think is low, given the current size and reach of government—then the only way government could benefit us with our own resources would be if every dollar government spent was worth at least $1.40, which no one comes remotely close to really believing.”

Government Gone Wild

Bydlak says government spending is largely divorced from economic reality.

“There’s a whole host of things that can be problematic when the government gets involved,” said Bydlak. “Government ultimately doesn’t face the same incentives as private-sector actors, because it’s not really susceptible to the marketplace or the price mechanisms.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio. Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News and a research fellow with The Heartland Institute.

Did you know

7 million men ages 24 to 55 are neither working nor looking for work?

To request a complimentary copy of Men Without Work by AEI’s Nicholas Eberstadt, please visit www.aei.org/heartland-offer/

To learn more about Mr. Eberstadt and his work visit www.aei.org.

IN OTHER WORDS . . .

“An early glimpse at President Donald Trump’s first budget proposal offers the clearest blueprint yet of how he plans to remake the nation.

“The plan envisages a 10 percent hike in military spending to be paid for by sharp cuts in other government departments, with the State Department and the Environmental Protection Agency each bracing for a particularly painful hit.

“If enacted, the plan would involve a radical domestic reshaping of the federal government paired with a shift in the posture of American diplomacy around the world.

“It is an approach that flows directly from the rhetoric and positions adopted by Trump on the campaign trail playing to his grassroots supporters’ deep distrust of Washington and his ‘America First’ political creed.”


Congressman Proposes Rolling Back Cigar Power Grab

By Jeff Reynolds

A Florida congressman is proposing a bill to roll back a 2016 power grab by the U.S. Food & Drug Administration, revoking the agency’s authority to restrict cigar sales.


If approved by lawmakers and signed into law by President Donald Trump, HR 564 would amend federal laws authorizing the U.S. Food & Drug Administration’s (FDA) regulatory authority, prohibiting FDA from issuing “regulations on any matter that involves traditional large and premium cigars.”

In August 2016, FDA announced it would use authority granted by the Tobacco Control Act of 2009, a bill intended to restrict cigarette sales, to expand its regulatory power to include products such as e-cigarettes and cigars.

Raised Prices on Consumers

Lindsey Stroud, a government relations coordinator with The Heartland Institute, which publishes Budget & Tax News, says FDA used its rulemaking power to increase tobacco companies’ costs and raise tobacco prices.

“The Tobacco Control Act of 2009 got pushed through under the guise of further preventing youth and children from using tobacco. In all reality, it was just an excuse for the FDA to make money off tobacco, by implementing what they call a ‘user fee’ on tobacco companies, translating into more costs being imposed on the consumer.”

LINDSEY STROUD, GOVERNMENT RELATIONS COORDINATOR, THE HEARTLAND INSTITUTE

Raise Cig Tax to Fix Budget, Connecticut Governor Says

By Lindsey Curnutte

Connecticut Gov. Dannel Malloy (D) wants to raise the state’s excise taxes on cigarettes to help cover a projected state budget gap of $1.7 billion, or about $472 in debt per Connecticut resident.

In February, Malloy unveiled his biennial budget proposal to lawmakers, including a plan to raise the state’s per-pack excise tax on cigarettes from $3.90 to $4.35, an 11.5 percent increase.

Political ‘Disconnect’

Joseph Horvath, assistant policy director at the Yankee Institute for Public Policy, says many lawmakers misunderstand how people react to cigarette tax hikes.

“There’s a fundamental disconnect with cigarette tax policy,” Horvath said. ‘People say, ‘Okay, we’ll tax cigarettes and get less smoking.’ But what I think people forget is that you’re not taxing smoking, you’re taxing the person. You may get fewer purchased cigarettes, but not necessarily less smoking.”

“Also see decreased revenue for convenience stores,” Horvath said. “People will go in there for their cigarettes and they also buy other things. These convenience stores are going to take a hit on revenue too.”

Horvath says Malloy’s tax hike is not the answer to Connecticut’s financial woes.

“On the one hand, constituents are tired of tax increases, and on the other hand, we have a huge budget deficit,” said Horvath. “I don’t think taxing cigarettes is the way to get out.”

Tax Addiction

Rajeev Goel, a professor of economics at Illinois State University, says sin taxes—excise taxes on products or behaviors lawmakers say they want to discourage—are a convenient tool for grabbing cash.

“Sin taxes have been traditionally quite attractive instruments for lawmakers to raise tax revenues because of the low demand responsiveness of the products involved,” Goel said. “However, this ability might be undermined due to greater demand responsiveness in recent years for cigarettes, plus leakages to neighboring lower-tax states.”

Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.

Who is Violating The Constitution Today?

Our American Constitution
The new website by Robert G. Natelson

Natelson is a nationally known constitutional scholar and Senior Fellow in Constitutional Jurisprudence at The Heartland Institute.

Professor Natelson’s articles and books span many different parts of the Constitution, including groundbreaking studies of the Necessary and Proper Clause, federalism, Founding-Era interpretation, regulation of elections, and the amendment process of Article V.

Visit RobNatelson.com to Find Out.
Missouri Becomes 28th Right-to-Work State

Continued from page 1

third party or charity instead of paying a union,” Glans said. “Opponents of right-to-work legislation contend the reforms force wages down, disadvantage unions, and lower people’s standard of living, but research shows right-to-work states have experienced positive economic growth across the board.”

Glans says Missouri’s new law will help promote prosperity.

“Missouri’s economy will become more competitive as a right-to-work state,” Glans said. “Six of Missouri’s neighboring states have right-to-work laws, and Investor’s Business Daily notes from 2002 to 2012, the neighboring states experienced a 3 percent increase in private-sector payroll employment while Missouri suffered a 1.6 percent decline.”

Listing the Benefits

Glans says there are plenty of reasons Missourians should expect similar growth.

“States enacting right-to-work policies have experienced positive economic progress across the board,” Glans said. “The Mackinac Center for Public Policy found, ‘According to the Bureau of Economic Analysis, right-to-work states showed a 42.6 percent gain in total employment from 1990 to 2011, while non-right-to-work states showed gains of only 18.8 percent.’ The study also reveals inflation-adjusted gross personal income in right-to-work states increased 86.5 percent between 1990 and 2013, compared to just 51.3 percent for non-RTW states.

“Right-to-work states have enjoyed greater success attracting new and existing businesses,” Glans said. “A report in Site Selection Magazine found almost half of all major businesses refuse to consider locating in jurisdictions with compulsory union membership.”

Open for Business

State Rep. Holly Rehder (R-Sikeston), a sponsor of the bill Greitens signed, says the new law will help Missouri compete with its neighbors.

“Right now in southeast Missouri, we lose opportunities to Arkansas and Tennessee,” Rehder said. “We are looking forward to new and expanded businesses. Some have already started looking at us. It’s a very exciting opportunity we’ve been waiting on for years.

“Go to the [U.S.] Department of Labor website and look at the states that have passed right-to-work in the past few years,” Rehder said. “Wages are up. Job numbers have increased—union and non-union. All of that is because there are more jobs. You have more competition among employers to get the good workers and keep them and more jobs for the workers to choose from.”

All Upside, No Downside

Rehder says the new law will benefit everyone in the state, including workers who choose to join a union.

“If an employee chooses to be in the union, nothing changes,” Rehder said. “They still have all of the benefits they experienced before this bill passed.”

Matt Hurley (wmdtmmatt@yahoo.com) writes from Dayton, Ohio.

Florida Lawmaker Proposes Bill Standardizing Short-Term Rental Rules

By Michael McGrady

The Florida Legislature is considering a bill that would prevent local governments from enacting regulations effectively banning homeowners from using Airbnb and other peer-to-peer economy companies to connect with tourists seeking short-term housing, such as for vacations.

If approved by lawmakers and signed into law by Gov. Rick Scott (R), House Bill 425 would prohibit local governments from enacting restrictions on the minimum duration homeowners may rent to other individuals through Airbnb or other short-term rental businesses.

Burdening Property Owners

HB 425’s sponsor, state Rep. Mike La Rosa (R-St. Cloud), says local governments in the state are imposing regulations to “make life harder” for property owners and consumers.

“The local authorities have gotten more creative in finding ways to make life harder for an owner who owns a property and wants to use it as a vacation rental,” La Rosa said.

La Rosa says governments should be fair and equitable with their regulatory power.

“My thought on the whole thing is, why do you have to treat that property different from any other property?” La Rosa said. “If you want to create an ordinance, create it across the board. Don’t treat someone’s property any differently. That is just a direct violation of someone’s private property rights.”

‘Promotes a Free-Market System’

Sal Nuzzo, vice president of policy for the James Madison Institute, says equal treatment under the law promotes economic prosperity.

“I think the benefit is that it promotes a free-market system for short-term rentals,” Nuzzo said. “It also has the impact of creating a very consistent landscape for kinds of regulations between counties, between jurisdictions throughout the State of Florida, and it will inevitably help tourism.”

Nuzzo says the bill will encourage more people to visit Florida, benefitting the state’s economy.

“It will inevitably help to create a more-competitive environment for short-term rentals,” Nuzzo said. “For anyone that has utilized a service like Airbnb, I think that they come away from it knowing that their experiences go into the ratings and the viability of each individual. It creates a great framework for innovation, and it’s something that I think is going to benefit the state quite heavily.”

Michael McGrady (mmcgrady@mccgradypolicyresearch.org) writes from Colorado Springs, Colorado.

INTERNET INFO


Mike La Rosa
State Representative
St. Cloud, Florida
The Illinois General Assembly rejected a pension-reform bill proposed as part of a 12-bill “grand bargain” compromise budget package, Senate Bill 11, which includes income tax increases and a full state government budget plan.

By Jeff Reynolds

Legislative leaders and Gov. Bruce Rauner (R) have been unable to reach an agreement on state government spending and taxation for more than 18 months. In January, Rauner and Senate leaders agreed to a “grand bargain” containing 12 bills, including a state government budget plan.

Senate Bill 11 would have allowed government employees to choose whether to trade annual increases in pension payments for higher starting levels for employees’ pensions upon retirement. Despite the “bargain” struck by legislative leaders, a majority of lawmakers in the Senate rejected the bill by an 18–29 vote, with 10 senators abstaining.

Accounting Tricks

Bill Bergman, director of research at Truth in Accounting, a nonprofit organization dedicated to promoting transparent government financial reporting, says Illinois lawmakers have been cheating current and future taxpayers by playing number games with government pension liabilities.

“For too many years, politicians have put themselves first, along with the unions and special interests. We see this in how the state continually spends money that it doesn’t have on government waste, bloated administration salaries, and inefficiencies in the system.”

Kayla Weems, a media relations manager with the Illinois Policy Institute, says lawmakers’ refusal to reduce government spending is the main problem with Illinois’ budgets.

“They are bearing the burdens of longstanding failure to responsibly manage the state’s finances, with untruthful accounting being a big part of that,” Bergman said.

“Illinois isn’t alone, but it’s among the biggest miscreants,” Bergman said. “We’ve been told that we have met the balanced budget requirement in the state constitution, and yet the state and the City of Chicago are still able to spend much more than they take in. Budget accounting is a big part of that, with the failure to recognize pension costs as they rose to allow for the accumulation of debt off the balance sheet.”

Taxpayers Fleeing Illinois

Bergman says the state’s pension problems are causing taxpayers to leave the state.

“If you look at migration trends, Illinois is among the leaders in the 50 states in outmigration,” Bergman said. “That reflects the fact that a growing number of people are concerned about what fixing this mess will cost. The states that are in bad shape are seeing higher rates of outmigration. The Gallup organization has a poll across the 50 states that shows that states with higher financial stress, as we measure it, also tend to have lower trust in the state government. You can see an impact in states with bad financial stats on the delivery of social services for those in low or middle classes.”

Putting Politicians First

Kayla Weems, a media relations manager with the Illinois Policy Institute, says lawmakers’ refusal to reduce government spending is the main problem with Illinois’ budgets.

“We see this in how the state continually spends money that it doesn’t have on government waste, bloated administration salaries, and inefficiencies in the system.”

Weems says enrolling new government employees in a defined-contribution pension plan—similar to pension plans enjoyed by many private-sector employees—instead of the current defined-benefit system, is one way to help solve the state’s pension problems.

“Illinois can begin to end its $130 billion pension crisis by passing a holistic 401(k)-style retirement reform plan,” Weems said. “This plan enrolls all new workers in a new, hybrid self-managed retirement plan based on the State Universities Retirement System’s existing [self-managed retirement plan], giving all current workers the option to enroll. “This SMP is the only one that protects worker benefits under the Illinois Constitution, protects funding for social services, avoids harming Illinoisans with another tax hike, begins an end to the broken pension system, ... and provides real retirement security to state workers,” Weems said.

“‘Grand Bargain’ Pension Bill

By Jeff Reynolds

The Illinois General Assembly rejected a pension-reform bill proposed as part of a 12-bill “grand bargain” compromise budget package, Senate Bill 11, which includes income tax increases and a full state government budget plan.

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The Illinois General Assembly rejected a pension-reform bill proposed as part of a 12-bill “grand bargain” compromise budget package, Senate Bill 11, which includes income tax increases and a full state government budget plan.
WI Legislature Considers Bill to Cut ‘Policing for Profit’

By Matt Hurley

Wisconsin state Sen. David Craig (R-Town of Vernon) is sponsoring a bill that would restrict local and state government agencies’ ability to take citizens’ property without criminal convictions under a process called civil-asset forfeiture.

Senate Bill 61 would require law enforcement agencies and prosecutors to obtain a criminal conviction before ownership of seized assets or property could be transferred to the government.

The bill would also increase the confidence level at which government agencies may seize property. It would require the government to demonstrate the owner’s “clear and convincing” knowledge of the crime connected to the seizure, instead of the current requirement to demonstrate a mere “preponderance of the evidence.”

Craig says police should be enforcing laws, not deciding people’s guilt.

“Only a judge and jury should be deciding on the facts of a case,” Craig said. “When we allow law enforcement to essentially determine guilt by leveling a stiff penalty prior to a conviction—and often without charges even being filed—we expand police powers beyond what the Constitution allows and skirt due-process rights of the individual. If we simply change the law to allow forfeiture only after a conviction, we ensure that only guilty people who have had their day in court are subject to forfeitures.”

“Most Americans would be gobsmacked to find out that law enforcement can seize and sell your property even if you’re not guilty. The case for this reform is spelled out in black and white in the Fifth Amendment. Anyone who values the Constitution should be able to back this common-sense reform.”

CHRIS ROCHER
COMMUNICATIONS DIRECTOR, MACIVER INSTITUTE FOR PUBLIC POLICY

Illinois Lawmakers’ ‘Grand Bargain’ Tax Hike Vote Delayed

By Judy Allen

Illinois Senate President John Cullerton (D-Chicago) blamed Gov. Bruce Rauner (R) for Cullerton’s derailment of scheduled votes on spending and taxation, accusing Rauner of “inflicting himself” into negotiations over a deal among legislative leaders to break a budget deadlock gripping the state government.

See Related Story on P.7 |

Legislative leaders and Rauner have been working since June 2016 to find a compromise on state government spending and taxation. In January, Rauner and Senate leaders agreed to a so-called “grand bargain” of 12 bills, including a state government budget and income tax hikes.

On March 1, Cullerton adjourned the legislative chamber for the night, instead of holding votes on seven of the 12 grand bargain bills.

News reports indicate Cullerton believed Rauner was sabotaging the agreement by instructing Republican lawmakers to renegotiate the compromise by rejecting the bills.

One of the grand bargain bills would increase Illinois’ income and business taxes by about $5 billion a year.

Come Aboard or S.O.S.

Grover Norquist, president of Americans for Tax Reform, says Illinois’ chief problem is the state spends too much.

“If you cut spending, you signal to the rest of the country the world has changed, Illinois has changed, Illinois is not going down the path that Illinois has been going down, and, therefore, people are more likely to invest in your state, stay in your state, or be helpful, in terms of the economy,” Norquist said.

“If you raise taxes and don’t reform government, you’ve just told everybody, ‘There is no future here. This ship is sinking.’”

Kayla Weems, manager of media relations for the Illinois Policy Institute, says Illinois is dying and more taxes will only accelerate the process.

“Illinoisans are struggling under one of the worst-recovering economies in the region, the highest tax burden in the Midwest, and stagnant job growth,” Weems said. “There are four metro areas in Illinois that are already in recession. The last thing the people of Illinois need is a tax increase of any kind.”

Fleeing for Shelter

Weems says people are fleeing Illinois in droves.

“Data suggest high taxes are driving Illinoisans out of the state,” Weems said. “Polling from the Paul Simon Public Policy Institute lists Illinois’ high taxes as the primary reason working-age adults want to leave Illinois, with inclement weather a distant second. The Land of Lincoln has the worst out-migration rate in the Midwest, and from July 2015 to July 2016, [it] lost over 114,000 residents on net to other states.”

“Simply put, residents don’t want to pay Illinois’ high taxes anymore,” Weems said.

Judy Allen (allen.j.emma@gmail.com) writes from Chicago, Illinois.

“If you raise taxes and don’t reform government, you’ve just told everybody, ‘There is no future here. This ship is sinking.’”

GROVER NORQUIST, PRESIDENT, AMERICANS FOR TAX REFORM
MO Residents Sue Over Unions’ Right-to-Work Repeal Effort

By Judy Allen

Labor unions in Missouri are collecting signatures to place a referendum question before voters in 2018, seeking to repeal the state’s newly enacted right-to-work (RTW) law, prompting residents to request a Cole County Circuit Court judge to block the repeal effort.

In February, Missouri lawmakers approved legislation removing laws compelling employees to join labor unions and pay dues as a condition of employment in some workplaces. Labor unions filed petitions to begin collecting signatures to ask voters to overturn the right-to-work law in January, nearly a month before the law, which takes effect in August, was sent to the governor.

On January 19, three Missouri residents—Mary Hill, Roger Stickler, and Michael Briggs—filed a lawsuit against Missouri Secretary of State John R. Ashcroft, alleging the ballot initiatives against the worker freedom law were improperly filed and approved by the previous secretary of state, Jason Kinder.

Playing Short-Handed

Patrick Ishmael, director of government accountability studies for the Show-Me Institute, says labor unions are trying to hobble the state’s attempts to catch up with its neighbors economically.

“It’s sort of like playing basketball with only four players on the court; you could still win, but it’s going to be a lot harder,” Ishmael said. “With the exception of Illinois, Missouri is surrounded by right-to-work states. That’s a consequential fact for assessing obstacles to state growth.”

Big Consequences

Richard Vedder, an economics professor at Ohio University, says RTW states have grown faster than forced-unionism states, in terms of both population and prosperity.

“The right-to-work states have, over the last several decades, attracted more people than non-RTW states. There’s migration from the non-right-to-work states to the right-to-work states. There’s been a sharp increase in the number of large businesses headquartered in right-to-work states as opposed to non-RTW states. There is generally a higher rate of total income growth as well as per-capita income growth in the right-to-work states.”

RICHARD VEDDER, OHIO UNIVERSITY

Benefits to Unions, Too

Vedder says labor unions also benefit from right-to-work laws.

“Union leaders are starting to realize that life can go on with right-to-work laws,” Vedder said. “Indeed, it’s a fascinating statistic that if you look at states that have had right-to-work laws for a long time—say, 10 years or more—and you look at what’s happened to their union membership in the last 10 or 15 years, in fact their union membership has done better than union membership in states without these laws. Union membership is falling everywhere. It’s not going up, it’s going down, but it’s going down less in right-to-work states.”

Judy Allen (allen.j.emma@gmail.com) writes from Chicago, Illinois.
E-Cigarette Companies Ask Judge to Void Indiana E-Cigarette Restrictions

By Jeff Reynolds

After successfully challenging e-cigarette restrictions benefitting a single company in Indiana, three e-cigarette liquid manufacturers are asking a federal judge to force the Indiana Alcohol and Tobacco Commission to accept e-cigarette liquid manufacturers’ applications to do business in the state.

The overturned law, passed in 2015 and revised by lawmakers in 2016, required e-cigarette liquid manufacturing companies located outside Indiana to sign five-year contracts with security companies meeting a defined set of standards satisfied only by a single company in the state: Mulhaupt’s, Inc.

In January, judges on the U.S. Court of Appeals for the Seventh Circuit “reversed” the judgment of the district court dismissing this case, returning the case to U.S. District Court for the Southern District of Indiana Judge Sarah Evans Barker “with instructions to enjoin enforcement of the challenged provisions against the plaintiffs and to declare the challenged provisions unenforceable against out-of-state manufacturers.”

In February, lawyers representing the plaintiffs—Legato Vapors, Jet Setter Juice, Rocky Mountain Ecigs, and Derb E Cigs Indiana—filed paperwork asking Barker to “enter the tendered proposed judgment order and permanent injunction in accordance with the mandate made by the Seventh Circuit court.”

E-Cig Cronyism

Christopher Snowdon, a director of lifestyle economics at the Institute of Economic Affairs, says the Indiana law is an example of the economic principle known as “rent-seeking,” which describes efforts to obtain income without creating any new wealth.

“The case in Indiana looks like a straightforward example of rent-seeking and cronism,” Snowdon said. “In that respect, it is no different to the nationwide overregulation of e-cigarettes in the United States, which seems to be driven by a desire to maintain sales of cigarettes and pharmaceutical nicotine products.”

Picking Winners and Losers

Guy Bentley, a consumer freedom research associate at the Reason Foundation, says the Indiana e-cigarette law is “disturbing” for several reasons.

“The case of Indiana was disturbing, to say the least—not just for the threats it posed to business and public health, but to the integrity of the political process,” Bentley said. “The regulations were mendacious, anti-competitive, and clearly designed to benefit a single company. The law had nothing whatsoever to do with ensuring safe e-liquid for vapers and everything to do with protecting some businesses at the expense of others.”

Tangled Web of Cronies

Bentley says the regulation in question “was created as a political favor.”

“The requirement for e-liquid manufacturers to work with a security company was unprecedented,” Bentley said. “The fact that only one security company based in Indiana met all the requirements was more than a coincidence, especially as the company’s vice president was the president-elect of the Door and Hardware Institute, which is—as the U.S. District Court for the Southern District of Indiana highlighted—the certifying organization identified in the statute for the architectural hardware consultant certification.”

Trump Stops Last-Minute Obama Pool-Pump Rule

By Michael McGrady

Incoming President Donald Trump thwarted a last-minute attempt by the Obama administration to place a new restriction on an obscure consumer product: swimming pool pumps.

The U.S. Department of Energy (DOE) published a rule on January 18, two days before Trump officially took office, requiring manufacturers to reduce consumer pool pumps’ energy consumption, starting in 2021.

On January 20, Trump issued a presidential memorandum calling for a freeze on new federal regulations and for regulations undergoing public review to be delayed to face additional scrutiny.

The presidential memorandum delays the regulation’s enactment indefinitely.

Bureaucrats Know Best?

H. Sterling Burnett, a research fellow at The Heartland Institute, which publishes Budget & Tax News, says the pool-filter rule demonstrates government bureaucrats’ belief they always know what’s best for everybody.

“The federal government has not developed products for commercial sale on the market in a competitive marketplace and has never had to make a profit, yet here it is telling companies that have to make a profit every day what their products have to do,” Burnett said.

“Government researchers, scientists, and bureaucrats are sitting there going, ‘Oh, we think pumps can do this.’ Then they set a rule, but they’re not the engineers,” Burnett said. “They’re not manufacturers. They set the rules and don’t ask manufacturers whether they’re feasible, realistic, or really wanted or not. The manufacturers have to comply, and the consumers pay the cost.”

No Effect on Climate

William Yeatman, a senior fellow at the Competitive Enterprise Institute, says the government should get out of the business of designing consumer products.

“When the government dictates product design on behalf of companies and you begin the pursuit of dictating what consumers must buy, it’s not an outlandish thing to say, ‘When the government dictates product design, it tends to be crummy.’ So, you know they’re basically telling the company, ‘Hey, don’t design it the way consumers want it.’”

‘Tenuous’ Prospects

Yeatman says the rule’s publishing date would have made its prospects for final enactment unlikely, even without Trump’s memorandum.

“This is a climate measure, and it is part of former President Obama’s second term and his attempt to achieve a legacy based on climate policies,” Yeatman said. “That makes it tenuous.”

Michael McGrady (mm McGrady@mccgradypol icyresearch.org) writes from Colorado Springs, Colorado.
Arizona Lawmaker Proposes Gas Tax Vote for ‘18 Ballot

By Ben Johnson

A n Arizona lawmaker is calling for a ballot question asking voters to approve a 10-cent hike in the state government’s gasoline tax.

State Rep. Noel Campbell (R-Prescott) told reporters in January he plans to propose placing a question on the state’s November 2018 ballot, asking voters to approve increasing the state’s gas tax from 18 cents per gallon to 28 cents per gallon, a 56 percent increase.

If placed on the ballot and approved by voters, Campbell’s proposal would be the state’s first gas tax increase in 16 years.

Risking Economic Appeal

Victor Riches, president and chief operating officer of the Goldwater Institute, says hiking the gas tax would cut into the already-small tax advantage Arizona has over other states.

“The biggest problem with increasing the gas tax or any other tax in Arizona is that it would put our state at an economic disadvantage compared to the rest of the country,” Riches said. “Arizona currently ranks 27th out of the 50 states in terms of overall tax burden, meaning we’re barely outside of the highest-taxed half of the country.”

Soaking the Poor

Riches says the burden of Campbell’s tax hike would fall disproportionally on low-income and middle-income people in the state.

“Middle and lower-income families would be hurt the most,” Riches said. “At a time when wages are still relatively flat for those demographics, a tax increase of nearly $300 million would be extremely detrimental to those families.”

Punishing Fuel Efficiency

Tom Jenney, director of Americans for Prosperity-Arizona, says gas tax hikes effectively punish consumers for buying more-fuel-efficient automobiles.

“Technological improvements, which have been driven partly by federal mandates, have led to the production of more-fuel-efficient vehicles,” Jenney said. “Consumers should be rewarded, not punished, for buying more-fuel-efficient vehicles.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

Michigan Lawmakers Propose Repeal of State Prevailing-Wage Laws

By Elizabeth BeShears

Michigan lawmakers are proposing to remove restrictions on how state government agencies may partner with private businesses on capital infrastructure projects.

“Technological improvements, which have led to the production of more-fuel-efficient vehicles,” Jenney said. “Consumers should be rewarded, not punished, for buying more-fuel-efficient vehicles.”

By Elizabeth BeShears

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A local school district’s assistant superintendent dismissed the pro-taxpayer reforms as a “populist priority.”

“Prevailing-wage laws require government agencies to regulate the compensation given to workers on government capital projects, such as school construction and road repair, instead of allowing businesses to set their own pay rates according to true market value,” Riches said.

Michigan lawmakers introduced three bills to repeal prevailing-wage requirements for state government infrastructure, economic development, and school construction projects in January.

In February, Ronald Koehler, assistant superintendent of the Kent Intermediate School District (ISD) in Grand Rapids, called a bill proposed by Michigan lawmakers to repeal the state’s prevailing-wage laws “populist” and a “change for change’s sake” in a blog post on School News Network, a website maintained by Kent ISD.

‘A Real-Life Example’

State Sen. Arlan Meekhof (R-Olive Township), a sponsor of two of the bills—Senate Bills 2 and 3—says prevailing-wage laws inflate the cost of government projects, placing an unnecessary additional burden on taxpayers.

“Then it was reinstated, when that court case got overturned. One of the interesting things about that was we have three years of data that we were able to gather and use that looked at the cost of construction projects.

“We know pretty definitively that it raises construction costs when you mandate higher wages for no particular reason, that isn’t based on anything other than union contracts,” Skorup said. “It’s hundreds of millions of dollars in extra costs.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.

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“As a representative of Michigan, I want to give people value for their money, and [prevailing wage] is something that doesn’t give them additional value for the additional expense. The value of whatever building it is that needs to be constructed, be it a school or harbor, is set by the market.”

ARLAN MEEKHOF
STATE SENATOR, OLIVE TOWNSHIP, MICHIGAN

INTERNET INFO

Tennessee Gov. Haslam Tries Again on Gas Tax Hike

By Elizabeth BeShears

Tennessee Gov. Bill Haslam (R) met with a business lobbying group in Nashville as part of an ongoing campaign to garner support for a proposed increase to the state’s gasoline tax.

Haslam addressed members of the Nashville Area Chamber of Commerce on February 7, speaking about his recently proposed gas tax hike.

Haslam has proposed hiking the state’s gas tax from 27 cents per gallon to 34 cents per gallon, partially offsetting the increase by creating reductions in some other sales and business taxes.

Shifting Tax Burdens

Lindsay Boyd, policy director for the Beacon Center of Tennessee, says the gas tax proposal merely shifts tax burdens around.

“This proposal comes at a time when the state has a billion-dollar surplus or more,” Boyd said. “This proposal would attempt to address some of the infrastructure issues we have in this state, particularly with road maintenance. The proposal would increase the gas tax by 7 cents per gallon, indexing it over time. To compensate, it would cut taxes in three other areas: It would cut the food tax by 0.5 percent, it would cut the income tax on investments by 1.5 percent, and it would shift the state’s [franchise and excise] tax to a single sales factor.”

Currently, Tennessee business owners pay taxes on the net worth or estimated value of physical personal property used for commerce, whichever is higher.

‘Close to Revenue-Neutral’

Boyd says Haslam’s plan is nearly revenue-neutral.

“His proposal would actually be close to revenue neutral—about $8 million short of being revenue-neutral for taxpayers—and that’s really where a lot of the rub is,” Boyd said. “Because this is a user fee, the tax itself may not be a punitive tax. At the same time, when we have a surplus, when the state hasn’t necessarily been tight on spending in other areas, the question is: ‘Why is this the time to raise the gas tax?’”

‘A Dying Rock Star’

Baruch Feigenbaum, assistant director of transportation policy for the Reason Foundation, says the gas tax is becoming outdated and ill-suited for modern times.

“The gas tax is what I like to call a dying rock star: It’s been around for about 100 years, but—because people are driving more fuel-efficient vehicles because you’ve got electric vehicles and hybrids, [and] because it’s not indexed to inflation—it’s increasingly not keeping up with needs.”

Feigenbaum says hiking the gas tax is merely stalling for time.

“What Tennessee is trying to do here is buy itself a little time, until we have a replacement mechanism for the gas tax,” Feigenbaum said. “There’s been a lot of ideas talked about. Some people have suggested more tolling [or] statewide or national sales taxes. Some people have thought about using general fund money, the way we fund education. But the most likely replacement is probably going to be a mileage-based user fee.”

Considers Tax Hike Appropriate

Feigenbaum says Haslam’s proposal is “not that bad.”

“I’m hesitant to say much good about this one, but that being said, a 7-cent gas tax increase is not that bad,” Feigenbaum said. “It’s probably something that would be appropriate. We saw Pennsylvania put through a 25-cent gas tax increase, which was certainly not needed. We saw New Jersey put through a 23-cent gas tax, which also wasn’t needed. Seven cents is not bad.”

Tennessee lawmakers ought to get creative with road policy, Feigenbaum says.

“They’ve got to start looking toward the future, whether that includes a trial of a mileage-based user fee or do some type of electric vehicle fee,” Feigenbaum said. “I’d like to see Tennessee do something a little more creative than just a flat gas tax increase, because that really does not solve the long-term problem.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.
South Dakota Cuts Hairy Occupational Licensing Restrictions

By Ben Johnson

South Dakota is cutting back some of the state’s occupational licensing requirements, exempting hair braiders from government rules intended for traditional hair stylists.

Currently, South Dakota hair braiders are required to take 2,100 hours of government-approved cosmetology classes, apply for and pass skills tests, and purchase annual licenses.

Gov. Dennis Daugaard (R) signed House Bill 1048 into law in February.

Starting in July, hair braiders will be exempt from licensing regulations and from oversight by the South Dakota Cosmetology Commission, a division of the state’s Department of Labor & Regulation.

**Trimming Back Regulations**

Ron Williamson, president of Great Plains Public Policy Institute, says the new law is an example of lawmakers fixing broken government policies.

“The exemption from state regulations is an example of how the system should work when business regulations overreach and are unnecessary,” Williamson said. “The legislative effort was citizen-led, by the parents of African-American and minority children. The parents pointed out to the legislature that, especially in South Dakota, there are a limited number of natural hair stylists and it is necessary for people to drive long distances to have their hair braided.”

**More Occupational Licensing Reforms?**

Daugaard’s approval of HB 1048 may be one of many upcoming pro-consumer wins for people in South Dakota, Williamson says.

“This was a specific issue that needed a common-sense solution and may well serve as a stepping stone for a decrease in government-administered state regulation,” Williamson said.

**Shopping for Stylists**

Simple market forces are better at weeding out poor service providers than government commissions and regulations, says Daniel Klein, an economics professor at George Mason University.

“If the person promising quality cannot ensure his trustworthiness, then the consumer can simply look for another who better provides assurance of trustworthiness,” Klein said. “Thus, there is a demand not only for hairdos but for associated assurances of quality. There are many, many ways in which assurance is supplied throughout affairs both economic and social.”

**The Invisible Hand’s Hairdo**

Klein says the great Scottish economist Adam Smith would have opposed burdensome occupational licensing regulations.

“Adam Smith said that such laws, which ‘sacrifice the ordinary laws of justice,’ ought to be enacted ‘only in the cases of the most urgent necessity,’” Klein said. “I don’t think he’d consider the risk of a bad hairdo an urgent necessity and a reason to sacrifice the ordinary laws of justice.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

N. Carolina Lawmaker Proposes Eminent Domain Ballot Question

By Jeff Reynolds

North Carolina lawmakers are considering a bill that would ask voters to approve new restrictions on local and state governments’ power to seize and resell people’s private property to private developers.

House Bill 3, cosponsored by state Rep. Chuck McGrady (R-Henderson), would place a ballot question before voters in 2018 that would ask them to prohibit North Carolina’s state and local governments from seizing and paying for individuals’ private property if the purchased property is not intended to be converted to a public use.

In a 2005 Supreme Court case, *Kelo v. City of New London*, the Court decided governments may take individuals’ private property to benefit other private individuals, redefining the “public use” power specifically included in the Fifth Amendment to the U.S. Constitution.

**Reining in Government**

McGrady says the *Kelo* decision inspired his bill.

“It makes clear that we’re talking about public use, not some sort of public benefit,” McGrady said. “It’s intended to create the opposite result that the U.S. Supreme Court agreed to in *Kelo*. A government cannot condemn just because whatever they’re condemning for creates a public benefit. They can only condemn for a public use.”

McGrady says his bill is intended to halt the creeping infringement of property rights.

“We’re trying to assert that and make sure there’s no slippage,” McGrady said. “There is loose language in a number of court cases that sort of flips back and forth between public use and public benefit. What is our Constitution all about? Protecting personal property and personal liberties.”

**Reinforcing Property Rights**

Jon Guze, director of legal studies at the John Locke Foundation, says McGrady’s bill and ballot question would increase the state’s protections for property rights.

“North Carolina is the only state that doesn’t explicitly address eminent domain in its constitution, but that doesn’t mean North Carolina property owners are completely unprotected,” Guze said.

“In the first place, the U.S. Constitution, which applies to the states via the 14th Amendment, limits the use of eminent domain to ‘public use’ and requires ‘just compensation,’” Guze said. “In addition, the North Carolina Supreme Court has consistently interpreted the ‘law of the land’ clause in Article I, Section 19 of the state’s constitution as requiring both public use and just compensation.”

**Preventing Another ‘Kelo’**

Guze says eminent domain reform would keep big government and big business from colluding against everyday people.

“The whole point of an eminent domain amendment and of changing the eminent domain statutes is to make sure North Carolina’s courts don’t ever do what the U.S. Supreme Court did in *Kelo*: allow politically powerful developers and industrialists to take ordinary citizens’ homes and businesses and use them for their own private purposes.”

**Jon Guze, Director of Legal Studies, John Locke Foundation**

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.
AZ House Approves Bill Blocking Federal ‘Commandeering’

By Leo Pusateri

A rizona government agencies will be able to refuse to use taxpayer resources in some cases when commanded by the federal government, if a bill passed by the Arizona House in February is approved by the state Senate and signed into law by Gov. Doug Ducey (R).

House Bill 2097, proposed by state Rep. Bob Thorpe (R-Flagstaff), would block commandeering, which occurs when the federal government requires local or state officials to enact, administer, or enforce federal policies. The bill would allow Arizona governments to refuse to enforce federal rules not created by Congress, including executive orders and federal agencies’ regulations.

HB 2097 was approved by the Arizona House in February and has been sent to the state Senate for consideration.

States, Not Servants

Timothy Sandefur, vice president of litigation at the Goldwater Institute and an adjunct scholar with the Cato Institute, says state governments are not obligated to serve the federal government.

“The anti-commandeering principle ... is the idea that the federal government has the responsibility to enforce federal laws, and that while states may assist in doing so, they are not required to,” Sandefur said. “The Supreme Court has endorsed the idea repeatedly, most notably in Printz v. United States. The idea is simple: States are not allowed to obstruct federal laws, but they are also not required to enforce them.”

‘A Bit of Tension’

Sandefur says tension between states and the federal government is a constitutional feature, not a bug.

“Our Founding Fathers created the federalist structure of the Constitution, purposely putting a bit of tension between the states and the federal government in order to protect individual freedom,” Sandefur said. “I think it’s constitutionally appropriate for people to decline to spend state taxpayer money enforcing federal laws that go beyond Congress’ powers, and I think it’s also financially wise in many cases.”

Laws from Lawmakers Only

Thorpe says his bill is based on constitutional principles.

“It is based upon Article 1, Section 1 of the U.S. Constitution,” Thorpe said. “Only Congress has federal legislative authority. So, if the president legislates through executive orders or his executive departments legislate through rulemaking or an activist court legis-lates from the bench, then Arizona can choose to ignore it.”

HB 2097 preserves the state’s constitutional right to self-governance, Thorpe says.

“The 10th Amendment is clear that the Constitution limits the federal government to its enumerated authority, and if an authority is not specifically granted to the national government, it is reserved to the people and states,” Thorpe said. “HB 2097 is a good tool for ensuring the proper balance between federal and state interests and [providing] a safeguard against commandeering.”

Leo Pusateri (psycheistr@fastmail.fm) writes from St. Cloud, Minnesota.

Montana Lawmakers Cook Up Food-Choice Bills

By Elizabeth BeShears

The State of Montana is considering removing regulations that prevent people from purchasing “raw milk” and homemade foods directly from farmers and bakers. The Montana House of Representatives voted to approve House Bills 325 and 352 in late February, sending both bills to the state’s Senate for consideration.

If approved by the Senate and signed into law by Gov. Steve Bullock (D), the bills would scale back government regulations preventing dairy farmers from selling unpasteurized milk and individuals from selling homemade baked goods directly to consumers.


HB 352, sponsored by state Rep. Greg Hertz (R-Polson), exempts individuals producing baking goods and other “cottage foods,” including dairy farmers, from state government regulation and licensing.

‘Just About Choice’

Hertz says HB 352, the Montana Local Food Choice Act, is designed to empower consumers in the state.

“This bill is just about choice: allowing consumers the choice of where they want to buy their products from and knowing that the product may be coming from their local neighbor and their neighbor actually processed it,” Hertz said. “They have the opportunity to meet with people in their communities, knowing where the product came from, how it was raised or grown, how it was processed, and if there were any chemicals, pesticides, or preservatives introduced in that process.”

Hertz says governments should get out of the business of restricting voluntary exchanges between individuals.

“The government should not be in between a producer and a consumer when it comes to buying from your neighbors. We’ve been doing it for thousands of years; we’ve been purchasing from and bartering with our neighbors.”

GREG HERTZ
STATE REPRESENTATIVE, POLSON, MONTANA

Who’s the Boss?

Peter Kennedy, director of the Farm-to-Consumer Legal Defense Fund, says bills such as HB 352 would limit the government’s authority to dictate individuals’ everyday decisions.

“It really gets down to the question of who decides what we put in our bodies,” Kennedy said. “When they are banning access to a food that’s legal to consume and making its sale or other distribution illegal, they’re really taking away our right to determine what we put in our bodies. Instead, the government is making that determination. These types of bills are an attempt to address that.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.

INTERNET INFO

More than 30 Pennsylvania state lawmakers from the state’s House of Representatives and Senate are joining local business owners’ legal fight against the City of Philadelphia’s newly enacted tax on soda and other sweetened beverages.

The law, which took effect in January, adds 1.5 cents per ounce to the price of soda and other sweetened beverages, or about 30 cents to the price of a 20-ounce bottle of soda.

On February 6, 36 state lawmakers filed an amicus brief on behalf of the plaintiffs, voicing their support for Philadelphia business owners appealing the decision in Pennsylvania’s Commonwealth Court, an appellate court composed of nine elected judges.

In December 2016, Pennsylvania Court of Common Pleas Judge Gary Glazer ruled in favor of the city government, dismissing the lawsuit. In September 2016, the owners of city restaurants, such as John’s Roast Pork and City View Pizza; business owner associations, such as the National Association of Theater Owners of Pennsylvania; and local residents filed a lawsuit challenging the tax.

Many Problems’ Created
Elizabeth Stelle, director of policy analysis at the Commonwealth Foundation, says sin taxes are more trouble than they’re worth.

“There are many problems with sin taxes,” Stelle said. “For starters, revenue is unreliable and tends to decline over time. If something is worth the investment, politicians should be able to garner support for reliable funding sources.”

Chasing Businesses Out of Town
Stelle says she has already seen examples of Philadelphia entrepreneurs being driven out of business by the city’s many sin taxes.

‘Yasir Ishmael runs a convenience store one block away, [in Philadelphia], right below the 52nd Street ‘L’ stop,” Stelle said. “He said that between the new sweetened beverage tax and the nearly $5-per-pack tax on cigarettes, some of his customers are opting to ride the train out of the city to make their purchases.”

Taxing the Poor
Joe Carter, a senior editor with the Acton Institute for the Study of Religion and Liberty, says sin taxes burden low-income earners more than other people. (The author of this news story is an employee of the Acton Institute, in addition to serving as a writer for Budget & Tax News.)

“We’re taxing a product that is used mostly by the poor,” Carter said. “It’s kind of a class-based tax to discourage behavior we look down on.”

Government Sin-dustry
Carter says sin taxes are an example of governments legislating morality.

“We’re not really trying to discourage consumption,” Carter said. “It’s not effective. It’s really a moral judgment about what they should or should not consume. The tax isn’t really enough to discourage people from drinking sodas. It’s still cheaper for someone who is poor to go to the vending machine and get a Coke than to go to Starbucks and get a soy mocha latte.”

Carter says discouraging alleged sins is not the proper role of government.

“We shouldn’t allow the state, in the tax code, to discourage legal types of consumption,” Carter said. “That should be the place of the church and parents. It’s not the role of the state.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

Preventing Tomorrow’s Disasters

The Terrible 10
A Century of Economic Folly
Burton A. Abrams

“The Terrible 10 is a book that’s both delightful and therapeutic. In wry and stylish prose Burton Abrams describes all the symptoms of what happens when the disease of government infects the body of the marketplace. . . . The Terrible 10 will help us restore the balance of our economy’s health away from politics and toward liberty.”

—P. J. O’Rourke, bestselling author, Parliament of Whores

Risky Business
Insurance Markets and Regulation
Edited by Lawrence S. Powell

“The very fine and careful book Risky Business offers in one convenient place clear and compelling explanations of both [insurance’s] economic foundations and its regulatory strengths and weaknesses, with a prudent eye toward sensible and incremental market-based reforms, which should prove of great value to the industry specialist and the concerned citizen alike.”

—Richard A. Epstein, Laurence A. Tisch Professor of Law, New York University

The Terrible 10 shows the causes and consequences of America’s worst policy mistakes. Leading the list of causes is that government decisionmakers, regardless of political party, tend to favor short-run benefits for friends while imposing costs on the rest of us or on later generations. The Terrible 10 provides more than an identification of the worst policies, however. It offers lessons to help avoid repeating such blunders.

In Risky Business, leading scholars in risk management address some of the most important questions about the future of insurance regulation and the potential for market-based alternatives. They examine regulatory and deregulatory frameworks used in the United States and the European Union, and whether a competitive and innovative system of free-market insurance might best serve consumers.

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Lawmakers in the Utah Senate rejected a lawmaker’s resolution calling for a national convention to draft and enact a balanced budget amendment prohibiting the federal government from spending more money than is taken from taxpayers in any single fiscal year.

In February, members of the Utah Senate Government Operations and Political Subdivisions Standing Committee voted to recommend passage of House Joint Resolution 3, a measure to call on Congress to begin the Article V convention process, but the full Senate voted against the measure later that month.

According to reports from local journalists, Senate lawmakers rejected the resolution out of fear the national convention would become a “runaway convention,” departing from the amendment or amendments specified in the call.

Currently, 28 states have approved at least one balanced-budget resolution. Eight states have approved the COS resolution.

Restoring States’ Power
Nelson says drafting constitutional restraints on federal government spending will empower states to take a more active role in governance.

“We’re not trying to hurt people. We’re not trying to cut essential programs,” Nelson said. “We’re trying to do this in a rational, reasonable way that meets the needs of the people but [also] restores the proper balance of federalism and puts the federal government back where it should be: engaged in its delegated powers and leaving everything else to the states.”

No ‘Runaway’ Risk
David Guldenschuh, a former legislative liaison director for the Convention of States Project and a policy advisor to The Heartland Institute, which publishes Budget & Tax News, says the limitation of the amendment convention process to a single subject prevents a “runaway convention.”

“There will not be a runaway convention,” Guldenschuh said. “Representatives from the states will meet, debate, draft a proposed amendment on the specific subject that they were sent for, vote on it, and then adjourn. Representatives to the convention will not be allowed to deliberate on issues outside of what the states assembled them for.”

The Convention of States project of Citizens for Self-Governance, a nonprofit organization advocating restoring state and local government authority, is based on model legislation proposed by the Convention of States (COS). After 34 states call for an Article V convention, the gathering, consisting of commissioners selected by state lawmakers, is limited to consideration of the amendment or amendments specified in the call.

Currently, 28 states have approved at least one balanced-budget resolution. Eight states have approved the COS resolution.

“The Convention of States is based on model legislation proposed by the Convention of States (COS), a project of Citizens for Self-Governance, a nonprofit organization advocating restoring state and local government authority.”

MERRILL NELSON, STATE REPRESENTATIVE, GRANTSVILLE, UTAH

Utah Senate Rejects Lawmaker’s Call for Amendment Resolution

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Oregon Lawmaker Proposes Legalizing Daily Fantasy Sports

By Elizabeth Sanders

Sports fans in Oregon will be able to participate legally in daily fantasy sports (DFS) competitions, competing for cash and prizes, if lawmakers approve a bill currently before the state’s legislature.

In January, Oregon state Rep. Jodi Hack (R-Salem) proposed House Bill 2549, which would legalize DFS transactions in the state and regulate the financial structure of DFS companies such as FanDuel and DraftKings.

In DFS competitions, consumers pay entry fees to enter competitions in which a set of professional athletes’ real-world performance during a set period is tracked, scored, and compared to other participants’ choices.

If approved by the Oregon Legislative Assembly and signed by Gov. Kate Brown (D), the bill would require DFS companies to keep players’ funds separate from operational funds.

HB 2549 grants the Oregon State Lottery Commission oversight authority over DFS, including restrictions on how often individuals may participate in DFS.

A Gambling ‘Hybrid’

Marc Edelman, a law professor at Baruch College, says DFS combines elements of fantasy sports with sports gambling.

“Daily fantasy sports, in earnest, is a hybrid product between traditional fantasy sports and sports gambling,” Edelman said. “In some ways, DFS looks just like traditional fantasy sports, in that participants select a collection of players that they believe will perform well. These players will compete against players selected by other contestants, and points are accumulated due to the performance of the players in the real-world sporting events.

“On the other hand, however, DFS bears certain characteristics reminiscent of more-traditional sports gambling,” Edelman said. “For example, an entire contest is played over the course of a single day and not a long duration. In addition, in most instances, the participants in DFS do not know each other, and they use mathematical analysis when predicting their players’ performance, rather than objective watching of the players and negotiating with club owners over a period of time.”

Resisting the Regulatory Urge

Edelman says state lawmakers should not make new regulations on DFS if existing regulations will suffice.

“The first thing state legislators need to do is look at the existing gaming law within that state,” Edelman said. “Everybody is rushing to create new laws with respect to DFS. They’re just fantasy sports in the form of online gaming. I think many already regulate it under general gaming laws.”

Get Government Out of Gambling

Steve Buckstein, a senior policy advisor with the Cascade Institute, says government shouldn’t be in the business of hosting or micromanaging gambling.

“The state ultimately should get out of the gambling business itself,” Buckstein said. “Sell or dissolve the Oregon Lottery and stop either promoting or discouraging gambling or other peaceful activities by Oregonians.

“Government should not be mandating limits on the number of entries a fantasy-contest player may submit to each contest,” Buckstein said. “If it’s legal, which it should be, such rules should be up to the company running the game, not the government.”

Elizabeth Sanders (elizabethsanders.heartland@gmail.com) writes from Chicago, Illinois.

Florida Lawmaker Bets on Legalizing Fantasy Sports Games

By Leo Pusateri

Florida state Rep. David Brodeur (R-Sanford) has proposed a bill defining daily fantasy sports games as games of skill, which would remove these online player competitions from state gambling restrictions.

Daily fantasy sports (DFS) services, such as DraftKings and FanDuel, allow players to compete online by selecting professional athletes for fictional “fantasy” teams, comparing real-world performance statistics over an agreed-upon period. Players whose fantasy teams achieve the best results can win prizes or cash.

Popular Among Floridians

Brodeur says House Bill 149 would benefit consumers by clarifying the legal status of DFS competitions, removing questions about the popular entertainment activity’s legality in Florida.

“More than three million Floridians participate in fantasy sports,” Brodeur said. “I believe it will be a relief for all of them to know that they can no longer be perceived as criminals.”

Brodeur says physical games of skill, such as golf tournaments, are similar to virtual games of skill such as DFS games.

“If we allow people to enter contests for an entry fee in exchange for a chance to win an overall prize, as we do in golf and bowling and fishing tournaments, then participating in a fantasy football league should also be definitively legal,” Brodeur said. “Gambling pertains to games of chance, not skill. A definition of the activity was needed to settle the question of legislative intent.”

Protecting Criminals, Not Consumers

Michelle Minton, a researcher specializing in consumer policy at the Competitive Enterprise Institute, says restrictions on forms of entertainment such as gambling and DFS don’t protect consumers as intended.

“Laws that block or restrict adults’ access to gambling aren’t consumer-protection regulations,” Minton said. “They don’t protect anyone, except maybe illegal bookmakers, who will happily serve the black market. Criminalizing the activity will never stop people from finding a way to gamble. We’ve been gambling since the dawn of history, probably longer.”

On the other hand, legalizing the activity affords states the opportunity to monitor licensed operators and tap into the billions of dollars currently being spent on the black market,” Minton said.

‘Gangs Love a Prohibition’

Minton says government restrictions and bans generally create more crime than they prevent.

“Mobs and gangs love a prohibition,” Minton said. “It eliminates their competition and drives otherwise law-abiding citizens into their world, where there are virtually zero consumer protections.”

Leo Pusateri (psychmeistr@fastmail.fm) writes from St. Cloud, Minnesota.
Hegseth recounts how his love of country and belief in American exceptionalism made him want to take up a new fight: the cultural tries in the U.S. media inspired Hegseth to enlist in the U.S. Army after the September 11, 2001, terrorist attacks and how that same patriotism called him to take his message to the battlefield in Afghanistan and Iraq, differences between the reality he saw every day and the descriptions of those countries in the U.S. media inspired Hegseth to take up a new fight: the cultural effort to rekindle America’s spirit of greatness.

Fortune Favors the Bold
In 1910, President Theodore Roosevelt spoke at the Sorbonne, in Paris, France, representing a newly ascendant America to a European audience.

“It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better,” Roosevelt said. “The credit belongs to the man who is actually in the arena, … who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.”

Forgotten American Greatness
Hegseth turns from looking back at Roosevelt’s place in history to examining the present state of the nation. He succinctly explains how America has forgotten what made this nation great in the days of Roosevelt and why it’s important to recapture Roosevelt’s can-do spirit, which led to America’s rise as a global superpower.

The values Roosevelt espoused in his “Arena” speech have been forgotten, Hegseth writes, causing children to grow up ignorant of why America enjoys a special role in history.

“But we look out at America today, and realize that—tragically—the spirit of Teddy Roosevelt’s speech has been snuffed out,” Hegseth wrote. “At home, we teach our kids to be environmental evangelists, but not economically self-sufficient. We give all our kids a fifth place trophy, but not the tough love of failure that breeds development, improvement, and ultimately earned success.”

Remembering Free-Market Values
Hegseth says believing in and practicing free-market values, such as individualism, were a key to America’s success in the twentieth century. Replacing those values with un-American ideas, such as socialism and collectivism, has caused the nation’s decline, says Hegseth.

“Socialism and other forms of collectivism purport to support ‘workers’ through greater government control of the economy and steeper forms of wealth redistribution, but the opposite plays out every time such a system is attempted,” Hegseth wrote. “Socialism inherently restricts the competitive engine of any economy, creating less opportunity, and less wealth, for the entire society. Socialism shrinks the economic pie, puts a ceiling on earned success, and diminishes society.

“Only capitalism unleashes the potential of individuals, families, and companies to innovate, compete, and earn in ways that benefit themselves and the entire economy,” Hegseth wrote. “Free-market capitalism, while never perfect, is by far the most moral, fair, and prosperous form of economic organization the world has ever seen.”

In the Arena: Good Citizens, a Great Republic, and How One Speech Can Reinvigorate America is a wonderful book. It was written by a man who has seen and done great things precisely because he was inspired by America itself.

“Merely reading In the Arena is not enough to make America great again, however. Readers will be challenged to heed Hegseth’s words and recapture the rugged American spirit in thought and deed. In doing so, another American century will dawn anew, as the people return to ‘the arena’ and apply the principles that unleashed American greatness in the past.”

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director at The Heartland Institute.

**BOOK REVIEW**

An Invigorating Call to Arms Promoting Passionate Civic Engagement

By Jay Lehr

Pete Hegseth’s In the Arena: Good Citizens, a Great Republic, and How One Speech Can Reinvigorate America is a passionate call for engaged citizens who will stop complaining about the state of affairs in their communities, and become the people who will take up the fight: the cultural tries in the U.S. media inspired Hegseth to take up a new fight: the cultural effort to rekindle America’s spirit of greatness.

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Somewhat Reasonable Thoughts on Life and Liberty from The Heartland Institute

The cause of liberty has not looked so bright in a long time. To keep up with ever-changing current events from a free-market perspective, pull up a stool at the Freedom Pub, The Heartland Institute’s newly redesigned blog.

This is where Heartland scholars and staff post incisive pieces pushing back at climate alarmism, arguing for market-based health care, championing school choice, fighting for a smaller government, and urging more reforms that serve the cause of liberty.