Wisconsin Unions Fall Short at Polls

By Steve Stanek

Wisconsin government workers may be wondering whether their effort to recall six state senators from office was worth the price. The government unions directly spent more than $15 million in trying to recall six Republican senators as payback for their role in reducing collective bargaining powers and the ability of unions to forcibly collect dues. The reforms supported by the senators also made most state government workers pay more for their health insurance and pension benefits. At least another $15 million,

Wisconsin Republican State Senator Alberta Darling greets supporters after surviving a recall attempt.

Judge Overturns Red-Light Camera Ban

By Nick Baker

Houston residents have learned their vote may not matter after all.

A federal judge has overturned on a technicality the results of a ballot measure held last November that would have banned the City of Houston’s use of red-light traffic enforcement cameras.

Camera opponents vow to continue the fight.

In his ruling, handed down in July, Judge Lynn Hughes said under the city’s charter, any efforts to overturn an ordinance must have occurred within 30 days of the ordinance’s passage. The city council passed the ordinance allowing for traffic enforcement cameras in September 2004 and had them installed.

Judge Overturns Red-Light Camera Ban

The Bottom Line

USPS Near Collapse

The U.S. Postal Service says it may have to lay off 120,000 workers, remove collective bargaining restrictions, and rework employee benefits.

Stadium Subsidy Rejected

Voters in Long Island, New York and surrounding Nassau County rejected a proposal to borrow $400 million for the New York Islanders hockey team.

Kansas May End Income Tax

Kansas Budget Director Steve Anderson and Gov. Sam Brownback are working to eliminate the state’s personal income tax. In an exclusive interview, Anderson tells us the reasons for the proposal.

NC Mulls State Property Sales

North Carolina lawmakers have formed a committee to examine the revenue potential of surplus state property.

Rahm the Reformer

Chicago Mayor Rahm Emanuel has committed to closing a budget deficit of more than $600 million without tax increases.

CAMERA, p. 8

Wisconsin, p. 6

CAMERA, p. 8
The financial crisis continues to shake America. It’s getting a lot worse for towns and communities. Where can you turn for help and information?

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U.S. Postal Service, Near Collapse, Wants to Lay Off 120,000 Workers

By Steve Stanek

The U.S. Postal Service says it may lay off 120,000 workers, remove collective bargaining restrictions, and rework health insurance and pension programs for employees.

The requests to Congress, made public August 11, come as the result of billions of dollars of operating losses, including more than $3 billion of losses from April through June of this year. The USPS estimates its losses for the full fiscal year ending September 30 will top $8.3 billion.

The USPS stated it might default on payments to the federal government for the pension portion of the Federal Employees Retirement System. The postal service does not receive tax dollars. Revenue comes from selling postal services.

‘Past Brink of Insolvency’

“The United States Postal Service, our nation’s second-largest employer, is now past the brink of insolvency. This would not be tolerated in a private company,” said Rep. Darrell Issa (R-CA), chairman of the House Committee on Oversight and Government Reform, in a press statement.

“Incredibly, the unprecedented action to suspend these [pension] payments will only offer USPS an additional $800 million through the end of the year in liquidity, not even 10 percent of their projected deficit of $8.3 billion,” Issa continued. “USPS needs fundamental structural and financial reforms to cut costs and protect taxpayers from an expensive bailout.”

Union Blasts Proposed Changes

American Postal Workers Union President Cliff Guffey said in a statement the union will vehemently oppose any attempt to destroy the collective bargaining rights of postal employees or tamper with our recently negotiated contract. Crushing postal workers and slashing service will not solve the Postal Service’s financial crisis.

“As we have pointed out many times,” Guffey added, “postal employees are not the cause of the crisis.”

He blamed the financial problems at the USPS on a provision of the Postal Accountability and Enhancement Act of 2006 “that requires the Postal Service to pre-fund the healthcare benefits of future retirees—a burden no other government agency or private company bears.”

The mandate requires the USPS to fund a 75-year liability over a 10-year period and costs the USPS more than $5.5 billion a year.

Guffey also said the federal government is holding billions of dollars in postal overpayments to its pension accounts.

Postmaster General’s Requests

Postmaster General Patrick Donahoe has been trying to persuade Congress to alter the pension prefunding mandate. And he is asking for permission to tap into the pension account overpayments.

HR 1351, introduced by Rep. Stephen Lynch (D-MA), would allow the postal service to use the overpayments and the pre-funding monies. It also would keep workers’ collective bargaining rights and make no changes to wages, benefits, or layoff protections.

Issa in June introduced a bill to fundamentally reform how the postal service operates and stop any government bailout.

He said the increasing use of electronic, paper-free technology “has caused a permanent decline in mail usage and the Postal Service must adapt its outdated brick-and-mortar model to meet current customer needs. Only serious cost-cutting structural reforms that reduce workforce costs and right-size infrastructure can save the Postal Service and prevent a multi-billion taxpayer funded bailout.”

100,000 Workers Already Gone

In a letter to members of Congress in June, Donahoe and the USPS Board of Governors stated the USPS has cut more than 100,000 workers and saved $12 billion in operating costs over the past four years. But the savings apparently are not enough to stave off possible collapse of the postal service.

Mail volume over that period dropped 20 percent, and despite the savings, operating losses have totaled approximately $20 billion, according to documents the USPS has sent Congress.

“The Postal Service is facing dire economic challenges that threaten its very existence and, therefore, threaten the livelihoods of our employees and the businesses and employees in the broader postal industry and overall economy,” a USPS document on workforce reduction said.

In July the USPS released a list of 3,700 post offices across the country it said should be closed because of inefficiencies. The list caused a backlash among people in communities targeted for post office closings.

The postal service also has proposed ending Saturday deliveries.

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of Budget & Tax News.
Little Noticed Federal Online Tax Proposal Draws Fire

By Douglas Kellogg

On the sweltering Friday afternoon of July 29, all of Washington and most of the nation was fixated on the political drama over raising the federal debt ceiling. Few may have noticed that same afternoon also marked U.S. Sen. Dick Durbin’s (D-IL) introduction of the Main Street Fairness Act (S 1452), which would give the federal government’s backing to the Streamlined Sales and Use Tax Agreement (SSUTA). The compact would empower state and local governments to collect sales taxes from online retailers that have no physical presence in their state. The House companion is HR 2701, written by Rep. John Conyers (D-MI).

Supporters Cite Competition
Supporters of S 1452 and HR 2701 argue “bricks-and-mortar” stores cannot compete with online and mail-order outfits unless these operate under the same tax regime that traditional stores do. “Consumers shouldn’t have to face the burden of reporting all of their online purchases,” Durbin said. “Main Street retailers collect sales taxes on behalf of consumers, why shouldn’t online retailers do the same?”

The SSUTA must clear some hurdles. Opponents also point to the variety of certain levies that don’t hit conventional retail businesses. Unlike a bricks-and-mortar establishment, which faces one set of sales taxes to collect in its physical location, online firms could face compliance with as many as 15,000 different tax rates. Furthermore, though the Durbin/Conyers bill allows for a “small sellers” exemption, the terms of that protection would be left to the administrators of SSUTA.

eBay is one critic of the bill, and it is not impressed with the exemption: “The small seller exception in the Internet Sales Tax bills offers no real protection to small businesses; instead it tips the balance away from small business innovators and entrepreneurs that use technology to challenge the retail status quo and serve consumers in new ways,” said Brian Bieron, eBay’s senior director of federal government relations and global public policy. “Preserving the core principle that businesses and consumers owe tax duties to governments where they live and work will keep the Internet open to ecommerce innovation at all levels, benefiting consumers and small business job creators.”

Opponents also point to the variety of taxes online sales already face. Retail remote sales are subject to “use tax” on the part of the purchaser, while sales tax is already remitted on Internet transactions between a buyer and seller in the same state, which is not uncommon in places such as California and Texas.

Both Bricks and Clicks
In addition, the “clicks-and-mortar” model, where large firms such as Target and Wal-Mart allow online shoppers to make returns and exchanges at retail outlets, meets the physical presence test and therefore incurs sales tax obligations. Online businesses and customers also pay many traditional levies such as property, profit, and payroll taxes, plus certain levies that don’t hit conventional stores as hard (such as fuel taxes associated with shipping orders to recipients).

But critics’ greatest worry about the Main Street Fairness Act is its chilling effect on the “laboratory of the states,” in which governments’ tax policies beneficially compete with each other.

“The legislation could provide cover for high-tax states, whose political powers—that-be refuse to provide their constituents with an economic climate that would allow businesses to flourish and jobs to be created,” said National Taxpayers Union Executive Vice President Pete Sepp. “Overspending, not under-taxing, is the primary cause behind state and local budget shortfalls.”

Alternatives to the SSUTA include programs, such as Alabama’s, to inform customers of use tax obligations, which have met with success while avoiding punitive new collection burdens. And H. Res. 95, currently pending in Congress, would affirm Congress won’t give states the authority to impose any new burdensome or unfair tax collecting requirements on small online businesses. The heated battle over this legislation will determine which approach wins out.

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— LORI CREVER, host of TV show “30 Minutes with the Author.”
Long Island-Area Voters Nix Stadium Subsidy Proposal

By Steve Stanek

The owner of the New York Islanders of the National Hockey League threatened to move his team unless he receives hundreds of millions of dollars of taxpayer backing for a new stadium.

Taxpayers in Long Island and surrounding Nassau County responded with a message that could be interpreted as, “Don’t let the door hit you on the behind on your way out.”

Voters in August overwhelmingly rejected a proposal to borrow $400 million for the Islanders and their billionaire owner, Charles Wang. A minor league baseball stadium also would have been built. The vote was 57–43 percent against.

‘Merely the Beginning’

Nassau County Executive Edward Mangano had spent weeks trying to build election-day support for the borrowing measure.

“Over the course of the past several weeks, we all learned a lot about our county and what is needed to improve our local economy,” Mangano said in remarks at the Nassau Coliseum, where the Islanders play, after the vote totals were in. “I can tell you this, tonight is not the end of our journey, but merely the beginning. In the coming weeks I will explore a path for new opportunities and growth in Nassau County.”

Nassau County has some of the nation’s highest property taxes. And despite being a wealthy county, it has borrowed $100 million annually to cover operating expenses, putting its finances in such bad shape the state took over financial control last year.

‘Voter Suppression Effort’

County Elections Commissioner William Biamonte told WNYC News voters opposed the measure because they saw it as a tax increase. The election itself was tainted, he said.

“That they scheduled this on a Monday, on August 1, in the summer, resonated with voters. They saw this as a voter suppression effort, to try to tilt their vote in the ‘yes’ column, and I think that hurt their credibility.”

WILLIAM BIAMONTE
elections commissioner
nassau county, new york

‘Raw Deal for Taxpayers’

“The taxpayers of Nassau County have just affirmed at the ballot box what many citizen groups and economists have pointed out previously: Sports stadium deals negotiated between owners and politicians can often be raw deals for taxpayers,” said NTU Government Affairs Manager Brent Mead.

“The Islanders stadium plan would have hit taxpayers with a 3.5 percent to 4 percent property tax hike, and upwards of $800 million in bonds outstanding over a 30-year period. These numbers are far more dramatic than the rosy estimates touted by proponents of the arena project,” he said.

Mead pointed out the Islanders could have moved away from Long Island even with a new stadium.

“The good judgment of taxpayers saved Nassau County from a government which is already over $100 million in debt, clearly cannot manage itself, and is under state financial control,” Mead said.

Growing Public Skepticism

New York-based writer Neil deMause is author of Field of Schemes: How the Great Stadium Swindle Turns Public Money Into Private Profit and operator of the fieldsofschemes.com Web site, which tracks sports subsidies. He said the strong majority vote against using taxpayer money for the Islanders “tells [local officials] they ran the wrong flag up the pole. The thing about arena campaigns is that they never truly die. They just get reincarnated with a different kind of subsidy.

“The first time I looked at stadium and arena referendums [in the 1990s], there was a clear split: Anything where the pro side didn’t outspend the con side by at least 30 to 1, the vote failed,” deMause said. “The next time I looked, the dividing line was 100 to 1. I haven’t seen spending figures for the Islanders vote yet, but my guess is the problem is that they didn’t spend enough to overwhelm the opposition.”

He said most sports fans and taxpayers for a decade or more have realized sports team subsidies usually fail to fulfill the promises supporters make. Yet many local government officials ignore the economic evidence and the skepticism of the citizens they represent “because they don’t realize—or they convince themselves—it’s not true” that sports subsidies provide little or no economic benefit to a community.

77 Acres for Development

Mangano said he intends to keep the Islanders at the Coliseum and “still pursue a sports entertainment destination.” The stadium lease with the Islanders expires in 2015.

He announced the county wants developers to submit proposals that could be used to draw up a request for proposal (RFP) for redevelopment of the current stadium property, including approximately 77 acres surrounding the Coliseum.

At a press conference Mangano told reporters, “As you know, over the last two weeks there have been several statements that there are several privately financed proposals that would achieve that purpose. We’d like to see those proposals before drafting a new RFP, and we’ll take it into consideration while drafting a new RFP.”

Several years ago Wang proposed the “Lighthouse at Long Island,” a multibillion-dollar project that would have used all private funding to rebuild the Coliseum and develop the nearby area with houses, a five-star hotel, restaurants, offices, stores, and other amenities. That proposal has not received local government approval.

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Wis. Unions Spend Millions But Fall Short in Recall

Continued from page 1

most of it in support of the unions’ recall effort, came from outside the state, from unregistered groups not required to provide detailed reporting.

The senators targeted in the August 9 recall election were Republicans who went along with Republican Gov. Scott Walker’s collective bargaining and benefits reforms, which took effect early this year. If Democrats had picked up three of the six seats under recall, they could have retained the state senate and blocked Walker’s future moves. The Democrats won only two.

The victorious Republicans were state Sens. Alberta Darling of River Hills, Sheila Harsdorf of River Falls, Luther Olsen of Ripon, and Rob Cowles of Allouez. Republican Sens. Dan Kapanke of LaCrosse and Randy Hopper of Empire lost to Democratic Rep. Jennifer Shilling of LaCrosse and Jessica King of Oshkosh, respectively.

‘National Implications’
“This recall had national implications. That’s why outside unions dumped so much money in here,” Olsen said. “They wanted to crush us, so anyone who wanted to do what we did would wake up in a cold sweat. At the end of the day, people asked us to balance the budget, not raise taxes, and get our fiscal house in order. We thought we’d find out next year what people thought of how we did. We found out today if you do what people want you to do, they’ll be with you.”

He also said “the unions overplayed their hand” by pouring so much outside money into the state to try to influence voters.

“They ticked people off. We had to put up with a flood of radio ads, TV ads, mail, phone calls,” Olsen said.

Better State Economy
“I think if voters get the facts, if they cut through all the campaign ads and attacks and everything else, in the end voters want results,” Walker told the Wisconsin-based John K. MacIver Institute for Public Policy. “More and more, as voters looked at the facts, they saw that the budget is balanced, we did it without raising taxes—in fact we essentially froze property taxes for the next couple of years—and we’ve done it in a way that empowers our local governments and school districts to fare better.”

Onslaught Overcome
Wisconsin resident and Heartland Institute Senior Fellow Maureen Martin had a ringside seat from her home near the state capitol. She said the state government’s handling of the budget under a new Republican governor and lawmakers, and the improving economic performance of the state, were big factors in the Republicans retaining the state senate despite an onslaught of negative advertising from the unions and their backers.

“GOP lawmakers have passed Gov. Walker’s balanced budget eliminating a $3 billion deficit without raising taxes. Private employers in the state have created 39,300 new jobs in that time period. In June alone, private employers in the state created 9,500 new jobs,” she said.

Martin said the unions and their allies flooded the state with campaign ads that accused Republicans “of class warfare, of depriving the elderly of Social Security and the poor of health care, and schoolchildren everywhere of a quality education. These accusations didn’t fly because they are false and Wisconsin voters know better.”

The Wisconsin Education Association Council (WEAC) issued a statement that read, “Wisconsin voters on Tuesday tossed two Republican state senators out of office in recall elections, sending a message that they won’t tolerate the politics of extremism. Although the recall elections fell short of the goal of turning over control of the State Senate, we’re not done yet—and we’re not going away.”

A week later, on August 16, WEAC announced it has issued layoff notices to about 40 percent of its employees, about 42 individuals. “The layoff notices show the handwriting on the wall—that teachers, given a choice whether or not to pay union dues, won’t pay them,” Martin said. “Any organization able to survive only through forced dues payment doesn’t deserve to survive, because its members don’t value the services provided.”

‘Nothing’ Accomplished
MacIver Institute President Brett Healy said, “Big labor spent $15 million on the ground game and millions more on campaign ads. Big Labor threw its best punch and Gov. Walker is still standing. Your rank-and-file union member has to be scratching his head today, wondering if it was worth it handing over all of his hard-earned money so the union bosses could run political ads that accomplished nothing.”

Mike Buelow, research director for the Wisconsin Democracy Campaign, a non-partisan group that works for open and honest elections and transparent government, said his organization estimates the total amount of spending on the campaigns will easily exceed $36 million, a huge amount by Wisconsin standards. The candidates spent approximately $5.4 million, with the rest of the money coming from other groups.

“Last fall in the regular 2010 legislative elections, there were 116 races—99 in the Assembly and 17 in the Senate. Altogether, spending came to $17.5 million,” Buelow said. “In 2008 there were 115 races and the tally came to $20 million. That was the record.

“We haven’t seen money like this ever,” he continued. “People were definitely energized by what happened after the 2010 elections. Both sides saw a need to make a stand to show other places how things might go.”

He said if the results have a message, it could be simply, “It’s hard to beat an incumbent.”

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Pennsylvania House Majority Leader Mike Turzai (R-Allegheny) is leading the charge to privatize the state’s liquor sales.

Utah is the only other state that retains control over both wholesale and retail liquor sales within its borders.

In Pennsylvania, the monopoly is the legacy of Gov. Gifford Pinchot, whose goal in the post-Prohibition world of 1933 was to make sales of alcohol “as inconvenient and expensive as possible.”

House Bill 11 would do away with the current state-run system in favor of 1,250 independent stores—twice as many as exist currently in Pennsylvania.

"A Core Government Function?"

"Should Pennsylvania be in the business of selling alcohol? Is this a core government function? I don’t think so, and the large majority of Pennsylvanians agree," Turzai said in a statement. "The current system is antiquated and out of touch. It’s time to end the statewide monopoly and give consumers better selection and more convenience."

Conflicting Interests

The Pennsylvania Liquor Control Board (PLCB) has conflicting interests—to both promote and regulate alcohol consumption. Under Turzai’s reformed system, the PLCB would be responsible only for regulation and other safety- and health-related operations.

Enforcement at state-run stores is minimal today, and there are few measures in place to protect teens or others who might abuse alcohol, Turzai says.

Earlier this year, Pennsylvania Independent reporter Eric Boehm noted in an article, “As part of their alcohol enforcement duties, state police use undercover operations involving minors attempting to purchase liquor from bars and restaurants. However, the same age compliance checks do not apply to the 614 state-owned and -operated liquor stores across the commonwealth. In fact, the state police say they do not engage those stores with any age compliance checks at all, trusting the employees to handle it.”

The proposed legislation would strengthen law enforcement’s hand in alcohol sales and prioritize alcohol safety and awareness efforts.

Opponents of the reforms, led by 3,500 unionized liquor store clerks, say the state would lose tax revenue and jobs.

$1.7 Billion Sales Estimate

Geoffrey Segal and Geoffrey Underwood of the Reason Foundation two years ago estimated Pennsylvania could raise $1.7 billion by selling its liquor stores.

Nathan Benefield of the Pennsylvania-based Commonwealth Foundation estimated the commonwealth would take in close to $350 million annually in alcohol sales taxes under a privatized system. The PLCB returned nearly $500 million to the Pennsylvania treasury this fiscal year.

The new system would involve restructuring taxes, in part by implementing a new gallonage tax of $8 to $12 a gallon of liquor to help close the gap.

Elizabeth Henderson (ehenderson@heartland.org) is a government relations assistant at The Heartland Institute.
two years later.

Last fall’s effort to end the use of red-light cameras had widespread support: More than 20,000 signatures were gathered to have the measure placed on the ballot, and it passed with 53 percent of the vote. After the election, the cameras were turned off while the city pursued legal action.

After the judge’s ruling, Mayor Anise Parker ordered the cameras turned back on.

“I clearly understand the will of the voters,” Parker said. “They voted to have the cameras removed, but a federal judge has ruled that that election process was invalid, and, because of that, we are in a dilemma.”

The city has more than 70 cameras at 50 intersections, which have resulted in 800,000 tickets bringing in more than $50 million in fines since 2006. The city has a contract with Arizona-based American Traffic Solutions (ATS), which owns and operates the cameras. ATS is also responsible for processing the citations and collecting payment.

Contract Threat
Jessica Michon, press secretary to Parker, said had the election results been upheld, the city’s contract with ATS would have been broken, and the city would have owed ATS some $20 million. She said with all the other recent budget cuts, the city does not have the money to pay ATS to break its contract.

“I would say that the mayor’s decision [to turn the cameras back on] was not unexpected. She is addicted to the money. We will continue to struggle against Mayor Parker and her ATS allies. This is just one battle in a long war.”

Michael Kubosh
CITIZENS AGAINST RED LIGHT CAMERAS

“I would say that the mayor’s decision [to turn the cameras back on] was not unexpected. She is addicted to the money. We will continue to struggle against Mayor Parker and her ATS allies. This is just one battle in a long war.”

Michael Kubosh said the November municipal elections approach, he wants all the council members to state publicly where they stand on the issue of the cameras.

“It’s not up to just the mayor alone. The council voted to put them in years ago, and the council needs to be on record as to how they stand on this issue. We’re having an election in November. It’s very important for the 186,000 citizens who voted against these cameras to know where these city council members stand,” he said.

Nick Baker (nickbaker1776@gmail.com) writes from Washington, DC.
How Green Scissors Could Snip $200 Billion

By Eli Lehrer

Friends of the Earth, Taxpayers for Common Sense, Public Citizen, and The Heartland Institute, which publishes Budget & Tax News, will soon release a new “Green Scissors” report recommending at least $200 billion in federal spending cuts that also would help the environment.

Under Heartland’s influence, the report will for the first time include sections on wasteful alternative energy programs, hybrid cars, and other government programs with heavy left-of-center support.

The Green Scissors Campaign began more than 15 years ago to make environmental and fiscal responsibility priorities in Washington. The campaign seeks to eliminate subsidies and programs that both harm the environment and waste taxpayer dollars.

Can’t Have Perfect

Three important points:

First, if we want to cut spending and save the environment, we can’t let the perfect be the enemy of the good. I favor the elimination of all federal subsidies for any form of energy generation and know most or all of my Heartland colleagues do too. Friends of the Earth and Public Citizen favor some sorts of energy subsidies although they agree that most existing ones are environmentally destructive.

Thus, the report proposes the elimination of approximately 90 percent of energy subsidies. For me, that’s a very, very good start. There will be plenty of time later to discuss the rest of the subsidies.

Second, I see no reason to quarrel with people who support cutting government for reasons that I don’t think are very good. Best as I understand, genetically engineered crops and animals are an environmental good that people who want a cleaner environment ought to be enthusiastic about. I do, however, think the federal government doesn’t really need to play a role in applied research or product development. That’s something for the private sector to do.

Thus, while I think Friends of the Earth opposes genetic engineering research for the wrong reason, I’m happy to stand with them in supporting the elimination of federal funding for it.

Broad Coalitions Necessary

Third, cutting government in meaningful ways is not going to be possible unless we form broad coalitions. It’s pretty simple: A significant portion of the Democratic Party and a decent part of the Republican Party support bigger government and will generally vote in favor of any program that’s put before them by leadership. Of those members of Congress who realize we’re often better off with less government, many will have constituents who rely on (or think they rely on) a given program.

We can’t reasonably ask these members to ignore direct constituent interests. Thus, it’s very hard to build a working majority for most spending cuts. We need to look for other benefits of cuts if we want to make them a reality. Green Scissors does that.

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“[W]hen big companies look at moving a large facility, it’s a major operation. That commitment is a two- to five-year study process in movement, so when they get there, they want to know they have an environment that’s either going to be stable or improving.”

“There are some very bright individuals driving this train, and I think that’s part of why I’m very optimistic that we’re going to have a structure that makes Kansas competitive in all the contiguous United States.”

“K”ansas Budget Director Steve Anderson hopes lawmakers will pass proposed legislation to eliminate gradually the state’s personal income tax. A similar attempt to end the tax stalled in the state Senate last year.

In addition to eliminating the personal income tax, the current bill would raise sales and property taxes and cap state revenue at the 2010 level. It also would reduce corporate taxes from 4 or 7 percent to 3.5 percent.

Budget & Tax News recently spoke with Anderson about efforts to cap state revenue in Kansas.

State as ‘Business Enterprise’

Henderson: Why are you considering ending the state income tax? What benefits do you expect the citizens of Kansas to enjoy if this legislation passes?

Anderson: Let’s just think about the state as a business enterprise. When you think about a business, you look at all of the factors—revenues in, expenditures out, debt, payments. And if we look at the State of Kansas, and we look over the last 10 years or even the last 40 years, what we see is that there was a net outflow.

I’ll give you an example. From 2005 to 2009, according to IRS migration data, approximately three-quarters of a billion dollars of annually recurring income left the state.

So when you look at that, you think, from a revenue perspective, in order to keep my clients, i.e. my citizens and their income, it looks like the factor that most positively correlates to that is the income tax. In fact, when you look across the whole country and look at Census data ... it’s interesting the dispersion of high-tax and low-tax states.

The large [population] gains have largely been in low-tax states. In fact, the zero income-tax states are largely grouped in the upper 50 percent, and you look at the high-income-tax states and it is the opposite.

So when you get those factors, our thought process is that we are a state that is well-positioned to do business; however, we’ve created a climate that is not conducive to doing business.

Corporate Tax Cut

Henderson: Why also try to cut the corporate tax?

Anderson: It is a short drive [from Kansas] across the panhandle of Oklahoma to Texas, the difference being that when I jump that 120 miles all of a sudden I’m losing $6.45 for every hundred dollars I make if I stay in Kansas. For a short jump across, I set up my business, and I am now keeping that in my pocket.

So that’s part of the driver of that—the relationship we’re looking at is how much you can cut initially to become competitive regionally.

We’re making progress, but what we’re looking at is a relatively flat revenue growth, and it’s been that way in the past, even in decent economic times. And we’re trying to correct that by letting business know that not only are we going to cut income taxes, but our ultimate goal is to make it zero.

I think that’s important because when you go to recruit, when big companies look at moving a large facility, it’s a major operation. That commitment is a two- to five-year study process in movement, so when they get there, they want to know they have an environment that’s either going to be stable or improving.

From our perspective, if we can get below, for example, Missouri’s individual income tax rate ... they’re at 6 percent and we’re at 6.45 percent.

So when you get those factors, our thought process is that we are a state that is well-positioned to do business; however, we’ve created a climate that is not conducive to doing business.

Corporate Tax Cut

Henderson: Why also try to cut the corporate tax?

Anderson: It is a short drive [from Kansas] across the panhandle of Oklahoma to Texas, the difference being that when I jump that 120 miles all of a sudden I’m losing $6.45 for every hundred dollars I make if I stay in Kansas. For a short jump across, I set up my business, and I am now keeping that in my pocket.

So that’s part of the driver of that—the relationship we’re looking at is how much you can cut initially to become competitive regionally.

We’re making progress, but what we’re looking at is a relatively flat revenue growth, and it’s been that way in the past, even in decent economic times. And we’re trying to correct that by letting business know that not only are we going to cut income taxes, but our ultimate goal is to make it zero.

I think that’s important because when you go to recruit, when big companies look at moving a large facility, it’s a major operation. That commitment is a two- to five-year study process in movement, so when they get there, they want to know they have an environment that’s either going to be stable or improving.

From our perspective, if we can get below, for example, Missouri’s individual income tax rate ... they’re at 6 percent and we’re at 6.45 percent.

Kansas vs. Missouri

Henderson: Missouri also repealed its anti-business franchise tax this year. Do you think that provides further incentive to eliminate the income tax and prevent corporate border bleed in Kansas?

Anderson: The competition is ongoing. It goes back a long way with Missouri and Kansas, back to the Border Wars and Quantrill’s Raiders. [Editor’s note: Quantrill’s Raiders were a loose band of pro-Confederate rangers during the Civil War who fought along the Kansas-Missouri border under the command of William Clarke Quantrill.] It is a short drive [from Kansas]

We’ve been in competition for a long time, and we’ve been losing that competition. I am privileged to work for a governor [Republican Sam Brownback] who really gets it. You know, many politicians don’t understand the business relationship between revenues and expenditures. This governor certainly understands it in a way that is very impressive.
Calls for End of State Income Tax

Spending Control
Anderson: Remember, this is more than just revenues. We’re working hard on expenditures. When we came into office [in January], the last fiscal year had ended with $826.05 in the bank, which I think is just staggering. Even an individual getting down to $826.05 in the bank is disturbing, and when you consider a state with approximately 2.9 million citizens allowing themselves to be in that position ...

We were looking at a $550 million budget hole, and a short-term financing mechanism that was $750 million. Now, in just the course of six months, we’ve fixed the $550 million budget hole, we ended the [fiscal] year with approximately $228 million in cash, and we reduced the $750 million to $600 million.

Henderson: Could you detail specific initiatives you’ve taken to cut back spending?

Anderson: If you look over the last decade, Kansas overspent during the good times, and in that overspending we grew ourselves to the point that I think the latest edition of Rich States, Poor States says we are 48th in the number of government employees. In other words, we’re the third-highest state in per-capita government employees. We need to draw that down, focus on essential services, and we’ve been in that process.

I think you’ve seen how, if you’ve followed in the news, even drawing something down as nonessential in hard economic times as the Arts Commission has been a difficult thing to do.

Henderson: What other measures have you taken that have been successful at cutting spending so far? I know the Arts Commission cut was difficult to get people on board with.

Anderson: That was actually a minor one that has gotten most of the attention. Really, what we’ve done is we’ve adapted the indirect overheads and the direct overheads. Now let me give you an example of the indirect overheads. These are the ones that the government is terrible at, they just aren’t very efficient in this way.

Information technology: When we did our survey of the state servers we found out that we’ve got 5,400 servers spread across the state—and we’re not talking the small servers, we’re talking large servers—but the state tends to overbuy because the thought process is always, “Well, let’s make sure that we are completely covered.” Instead of thinking about what we need, they think about protecting themselves only, so we end up overbuying. We found that the server usage ranged from 10 percent to 30 percent of capacity. In other words, we badly overbought. So, we had to consolidate the IT down. We’re getting some significant savings there.

A great example of how you can cut things is to start thinking about [the government] as one component unit. Now, we’ve been lucky enough to have a governor who is very firm on “we’re all a team.” And I think that’s important, that you have that team concept and you bid on things together.

A good example would be your FedEx contracts. You need to look at how many you do as a whole of the state unit instead of the idea that you’re going to have to pay the going rate. You negotiate with them. You say, “Okay, here’s my usage level, and I’d be paying you 20 percent below that. Can we make a deal?” And I think we’ll find that the industry is very interested in talking to us about things like this.

These are things that business has done for a long time, but during good times government doesn’t think about squeezing costs.

Governor ‘At the Helm’
Anderson: A lot of people think [this initiative] is being driven by the financial end of the government. That’s not true. The governor is very much at the helm. He understands the relationship between state revenue-supported debt and your expenditures. That’s one of the things that’s always buried up in the financial statement. That is a part that is poorly understood by many elected officials.

I’m a very, very minor part of this. There are some very bright individuals driving this train, and I think that’s part of why I’m very optimistic that we’re going to have a structure that makes Kansas competitive in all the contiguous United States.

Henderson: Best of luck with this initiative. It sounds like things are off to a good start.

Anderson: Keep your eye on Kansas. I think when you see the budget come out in January of this next year, there are going to be a lot of people who sit up and take notice.

“I am privileged to work for a governor [Republican Sam Brownback] who really gets it. You know, many politicians don’t understand the business relationship between revenues and expenditures. This governor certainly understands it in a way that is very impressive.”

“Keep your eye on Kansas. I think when you see the budget come out in January of this next year, there are going to be a lot of people who sit up and take notice.”

Elizabeth Henderson (ehenderson@heart land.org) is a government relations assistant at The Heartland Institute.
Let the Billionaires Pay! Then What?

By Daniel Sutter

As Congress wrestled with the debt ceiling this summer, many commentators argued for tax increases, and specifically for the wealthiest Americans to pay more. One would think the federal government could eliminate its red ink by raising taxes modestly on the rich or super-rich. But it just ain’t so.

The wealthiest Americans already pay a huge amount in taxes. In 2008, the top 1 percent of households paid 38 percent of all federal income taxes. A second reason taxing the rich won’t work is because government spending dwarfs the wealth of the richest Americans. Even taxing away all of the wealth of the nation’s billionaires would fund the federal government for only about four months.

To arrive at this figure, I consulted Forbes’ list of the 400 wealthiest Americans for 2010. The threshold for making the top 400 was $1 billion in wealth, so this serves as the billionaires’ list. Forbes estimated each of these individuals’ wealth, and the 400 billionaires together had a net wealth of $1.37 trillion, led by Bill Gates at $54 billion. These estimates will contain some errors, some of which will cancel out, so I use this total net worth estimate.

Federal spending in fiscal year 2011 was $3.82 trillion, or $10 billion per day. America’s billionaires are very wealthy, but all of their wealth would keep the federal government going for only 131 days, or a little more than four months.

Taxing away all of the wealth of America’s billionaires would come close to eliminating the federal budget deficit—but just for one year, and it could only be done once, as afterwards the billionaires would no longer be billionaires or even millionaires.

Taxing the billionaires’ income instead of wealth could be sustained over time, but it would yield only a fraction of this amount in revenue, only enough to fund the federal government for a matter of days.

Taxing away the billionaires’ wealth wouldn’t be a wise policy even if it could balance the federal budget. Although one might guess the ranks of America’s billionaires are full of old-money Rockefellers, Fords, Kennedys, and Vanderbilts, many of the nation’s wealthiest citizens have earned their wealth from relatively new companies that have changed the shape of the U.S. economy over the past several decades, led of course by Bill Gates and Microsoft.

Wal-Mart built the fortunes of three of the richest 10 Americans. Other billionaires have earned their fortunes building companies such as Apple, Dell, Nike, Oracle, Google, Facebook, and Home Depot. Their wealth helps them continue to expand these (and other) businesses, benefiting all of us.

Proposing to solve Washington’s deficit woes by taxing the rich may win applause. The reality is that the federal government’s addiction to spending is a habit even the wealthiest Americans cannot afford to support for long.

Daniel Sutter (dsutter@troy.edu) is professor of economics at Troy University’s Johnson Center for Political Economy.

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N.C. House Considers Selling Government Assets

By Karen Welsh

The proposed sale of Rex Healthcare to WakeMed Health & Hospitals spurred North Carolina House Speaker Thom Tillis (R-Mecklenburg) to take a more thorough look at the assets on the state's balance sheet.

Tillis picked a former House speaker, Rep. Harold Brubaker (R-Randolph), to head a committee that would examine surplus state property, including unwanted land, vehicles, and buildings.

Fiscal conservatives repeatedly have called for such a review. They say property that has commercial value and is not needed for state operations should be taken off the government ledger and put in private hands, where it can generate tax revenues. Liberals are more cautious, warning against shedding buildings and other property used to provide essential public services.

Committee Forming

Jordan Shaw, a spokesman for Tillis, said Brubaker is currently putting together a committee to look at asset distribution and management.

“They are not too far along in the process,” Shaw said. “[The committee] will be looking at various assets and options and asking if the State of North Carolina should be responsible for running these assets. A body of individuals will meet to ascertain this, and it will be a very deliberate process.”

Shaw said the $750 million unsolicited bid by WakeMed to purchase Rex Healthcare from UNC Hospitals kicked off the process, but he’s not sure what other assets will be considered when the panel meets.

Long List of Assets

Dallas Woodhouse, North Carolina director for Americans for Prosperity, says there is a vast list of land and other assets the state either is not using or is losing tax revenue on that could be sold to raise money for the state.

As examples, Woodhouse said railroads, airplanes, prisons, ports, lodges, retreat centers, liquor stores, and the “second” governor’s mansion near Asheville should be on the block.

“If we are selling off property that is not needed or was purchased for [a] dubious reason, that is good,” Woodhouse said. “Over time it could raise tens of millions of dollars. If it is sold to the right owner and is privatized, the business or the property could get back on the tax rolls, and that’s a good thing.”

Woodhouse cited Kinston’s Global TransPark as a specific example of a state asset that may have a low net worth but could save taxpayers money from ongoing maintenance and debt costs if it were sold.

“It’s one of the huge boondoggles of all time,” he said. “Anything we can do to get rid of it would be good. It’s a nightmare that never ends.”

‘No Justification for State’

Brian Balfour, a policy analyst for the Civitas Institute, agrees. “There is no justification in my mind for the state to keep running [the GTP],” he said. “It’s been outsourced as a money pit that taxpayers have been paying for for years. There’s no justification in my mind for the state to continue to operate it. It should be left to the private sector to run.”

Balfour said state leaders should look at all ongoing maintenance and operation costs of public assets before determining whether to sell something.

“We could raise and save hundreds of millions of dollars right off the top,” Balfour said. “It certainly could relieve budget pressures now and in the future.”

Woodhouse said there is no doubt the selling of state assets is a difficult process, and the taxpayers have to maintain their “don’t raise my taxes” stand in order to see progress continue.

Temptation for Lease-Backs

Woodhouse said those reviewing state assets must avoid the temptation to sell property the state now uses and then lease it back to the government.

“That is not good if the property is something the state legitimately needs,” he said. “That only takes the equity out. To get the money out and then rent it for government use is not a good idea.”

Woodhouse also said the state must avoid putting stipulations on the property when it is sold.

“This is key,” he said. “They shouldn’t control or have stipulations on how it is used once it is sold off.”

Rob Thompson, coordinator of the liberal group Together NC, said he generally worries about selling state assets because it can jeopardize the state and can undermine the state’s ability to provide services.

Ways to Balance Budget

However, Thompson said, during difficult financial times state leaders have to look at responsible ways to balance the budget.

“It’s a tightrope walk,” he said. “Selling assets we don’t need or use any more makes sense.” Thompson said his organization will continue to monitor the proposed sales, along with any budget cuts in education, criminal justice, human services, and programs that have an impact on people.

Jill Lucas, communications director for the North Carolina Department of Administration, said her department currently is developing the protocol for the selling of state assets.

“We are deep in the process,” she said. “It’s going to be very exacting and appropriate when it is put in place. ... It’s a new order, and we have to be very thorough in creating a protocol that is comprehensive.”

Karen Welsh (kwelsh@carolinajournal.org) is a contributor to Carolina Journal, where an earlier version of this article first appeared. Used with permission.
Ill. State Workers’ Pay Out of Sync with Private Sector

By Diana Sroka Rickert

Government employee unions in Illinois have sued the governor over his failure to give state workers a third raise in seven months.

During his 2010 reelection campaign, Illinois Gov. Pat Quinn (D) inked a “no-layoff” deal with the state chapter of the American Federation of State, County, and Municipal Employees, or AFSCME. The deal included several rounds of raises during 2011.

However, after signing the Fiscal Year 2012 budget, Quinn said lawmakers tied his hands by not appropriating enough money to pay the $75 million in raises scheduled for July 1.

“Funding these raises would mean that these agencies would not be able to make payroll for the entire year, disrupting core services for the people of Illinois,” a Quinn spokesman said, referring to the agencies where the state of Illinois, a Quinn spokesman said, referring to the agencies where the state employees work.

Lawsuit and Pickets

Furious at the governor’s alleged “assault on public employee collective bargaining,” AFSCME filed suit in federal court. The union also took its anger to the streets in July, picketing in more than 70 locations across the state.

Hoping to generate public sympathy, many picketers held signs that read, “Stand up for the middle class” and “Public servants deserve a fair wage.” A new report by the nonpartisan Illinois Policy Institute tells a much different story about state worker compensation.

Higher Pay and Benefits

The study found the average worker in 2008 received $69,500 in annual compensation. The average private-sector worker’s compensation was approximately 23 percent lower, at $56,500.

Beyond this wide gap between those who are paid by government and those who pay for it, the study also found wages and benefits for private-sector workers had declined 2.3 percent between 1993 and 2008, while wages and benefits for state government workers had climbed nearly 18 percent.

The study also found voluntary turnover in state government is about one-quarter the rate in the private sector, which indicates state workers know they’re receiving a plum deal, study author Wendell Cox said.

“The ultimate test is the value employees themselves place on the job,” said Cox. “The employee turnover rate at the state level is comparatively low, ... which could indicate overall that employee compensation is higher than appropriate.”

Call for Concessions

Lawmakers and newspaper editorial boards in Illinois responded to the study with calls for the union to reconsider the pay raise demands.

“During financial hard times we all ‘must give a little,’” wrote state Rep. Jim Sacia (R-Freeport) in a recent newsletter.

Another fact the investigation revealed was that the Illinois state government does not maintain sufficiently detailed information about its workforce. To compile the institute’s report, Cox and other researchers at the Illinois Policy Institute sent numerous public document requests and consulted federal data.

“The first step in identifying options for achieving fairness in government worker compensation is to understand its present cost,” Cox wrote in his report.

Transparency Elsewhere

Although Illinois fails to make workforce data readily available to the public, other states do.

Pennsylvania, similar in size to Illinois, offers a best practices model for workforce reporting and government transparency. The state maintains a Workforce Statistics database online, which provides illuminating statistics such as costs per employee, average employee age, and length of service. The online dashboard also offers valuable information to rank-and-file workers, such as paid time off policies and how their compensation stacks up against pay awarded to another bargaining union.

“With state labor contracts up for renewal this year, Pennsylvania’s new state workforce data portal helped provide context for taxpayers and labor advocates on compensation, size, total cost of benefits, and tenure of government employees,” said Nathan Benefield, director of policy analysis at the Commonwealth Foundation, a Pennsylvania think tank.

Better Workforce Reporting

Cox said Illinois cannot begin to bridge the gap between public- and private-sector compensation until the Illinois state government develops an extensive workforce report.

“Pennsylvania’s Web site provides much of the necessary management information and could be used as a model for Illinois and other states,” Cox said. “A comprehensive state employee compensation reporting system should be implemented without delay.”

Diana Sroka Rickert (drickert@illinoispolicy.org) is manager of media relations at the Illinois Policy Institute.
Study Calls Baltimore’s State Center Project a $127 Million Handout

By Steve Stanek

The first phase of the State Center project in Baltimore represents a $127 million giveaway of taxpayer dollars, with hundreds of millions of dollars more likely to be handed out, according to a recent report from the Maryland Public Policy Institute and the Maryland Tax Education Foundation.

The $1.5 billion project would provide some 2 million square feet of office space—most of it for state government agencies—spread over eight city blocks. A parking garage, retail stores, 1,400 homes, and a grocery store are also planned.

But downtown Baltimore businesses and property owners are trying to block the measure in court. They have filed suit claiming procurement laws were violated and challenging the costs to taxpayers. Because of the lawsuit, the project is on hold.

The MPPI/MTEF study, released in July, focuses on the project’s cost to taxpayers. The first of five phases of the multi-year project would have taxpayers subsidizing $127 million in development costs, according to the analysis.

High Rents, Debts, TIF

The study examines costs from rents that state offices would pay private developers, bonds for the parking garage, lost rent on the land where the complex is located, federal tax credits, and tax-increment financing bonds. According to the study:

- Office space rents would cost approximately $38 a square foot—substantially more than the state currently pays to rent space in the area. The estimate includes annual rent increases of 3 percent, which is standard for Baltimore.
- $33 million in bonds have been approved by the Board of Public Works to pay for a proposed 928-space parking garage.
- If the state were to charge $500,000 rent for each acre, it could bring in $11 million for the State Center parcel.
- Developers would receive a $2 million federal tax credit for constructing low-income housing.
- $15 million in tax-increment financing would be spent. TIF diverts future increases in property taxes that result from development and price inflation to pay for property improvements. Because the State Center project is on state property, the additional tax burden would fall on the state’s taxpayers.

Though phase two is years in the future, the study estimates taxpayers would be forced to throw in another $273 million for that part of the project.

“When the state’s competitive bidding laws are skirted, taxpayers pay more and get less,” said the Coalition to Save Downtown Baltimore, which is suing to stop the project, in a statement.

“That lesson is driven home by the MPPI assessment. This is particularly troublesome when over 2 million square feet of vacant office space is already available in the downtown business district at considerably lower cost. It’s hard to understand this project from any perspective.”

Officials Hit Back

One day after the study’s release, state officials pushed back against it, demanding in a letter the Maryland Public Policy Institute “withdraw your recently issued report.”

“The MPPI report’s analysis overstates the cost of the project to the public while excluding all of the revenues and benefits that would be generated by the project,” wrote Michael A. Gaines, Sr. of the Maryland Department of General Services and Christopher Patusky, State Center project director in the Maryland Department of Transportation.

They argued the development will generate $81 million in taxes, ground rents, and parking fees and will be a “world class transit-oriented development” that will create “thousands of jobs.”

They also took issue with an MPPI recommendation for the state to move agencies into existing office buildings, writing “such a relocation would turn State Center into a vacant 28-acre blight” and raise government costs by scattering state facilities instead of grouping them together. Using existing buildings also would not generate the jobs, revenues, or private investment the state expects to come with the project.

Columnist Raises Doubts

In a July 11 newspaper column, Baltimore Sun writer Jay Hancock noted, “The rents the state has agreed to pay seem substantially above the going rate. The developers want the city to approve an expensive tax-increment financing deal.

The Department of Legislative Services, the General Assembly’s nonpartisan research wing, found that the project ‘is not in the best interests of the state’ and that the projected property-tax assessments appear ‘unrealistically high.’”

In a column a few days earlier he also noted, “The process of awarding the project was irregular. The composition of the development team changed afterward. The project could create a Baltimore office supply glut, suck tenants from downtown and add to a vacancy problem on the harborfront. And it’s very expensive for taxpayers.”

‘Asking for Level Playing Field’

“It’s outlandish,” said Dave Johnson, a local real estate manager, in an interview with Fox 45 News. He said the market rate for real estate in the city is about $20 a square foot. For State Center, taxpayers would spend more than $36 a square foot.

“We’re asking for a level playing field,” Johnson said. “We don’t mind leasing office space. That’s what we do. It’s competitive to do that in Baltimore, or anywhere for that matter. But when we’re competing against state-supported development for the benefit of a few, that’s just plain wrong.”

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of Budget & Tax News.
Chicago Mayor Rahm Emanuel (D) has declared his intention to make city workers compete with private-sector workers to provide certain city services. He’s starting with the city’s “Blue Cart Recycling” program, in which the city’s Department of Streets & Sanitation picks up recyclables and yard waste separate from household garbage. The city instituted the program in 1995. It has never lived up to its promise, with low levels of participation and higher costs than recycling programs in other major cities.

Emanuel promises to allow outside contractors to bid on the program. If they can provide the service at lower costs, they will win the work.

Appealing to the People

The concept is called “managed competition.” Emanuel has taken his idea straight to the people, explaining his thinking in a recent guest column in the Chicago Tribune:

“Managed competition shifts the focus from the city’s payroll to the city’s taxpayers, where it belongs,” wrote Emanuel. “The dominant driver in our

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On February 19, 2009, CNBC commentator Rick Santelli stood on the trading floor of the Chicago Board of Trade and called for a “new tea party” to protest out-of-control spending by politicians in Washington. Little did he know that his words would become the rallying call for millions of Americans, many of them getting involved in politics for the very first time.

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328 pages published 2011
Rahm Emanuel Says ‘No’ to New Taxes

By John W. Skorburg

Chicago Mayor Rahm Emanuel (D) says without significant reforms the city’s 2012 budget will be hundreds of millions of dollars in the red, and he pledges to address the problem without raising taxes.

“We have come to that moment of truth as a city. We now must make the tough choices,” to deal with the city’s budget issues in “a structural and fundamental way,” Emanuel said during a July 29 press conference.

“The taxpayers, as we know, feel nicked and dimed as it relates to taxes,” the mayor said, “and I will not ask them to pay more for an inefficient government that is not delivering services on a more cost-effective basis. I have committed to making the tough choices needed to put our fiscal house in order and protect Chicago’s taxpayers. As we move forward in this budget process, my administration is open to ideas from across the city on how to tackle the challenges we face.”

Big Deficits Getting Bigger

City budget officials forecast a $635.7 million budget gap in 2012 and deficits of $741.4 million in 2013 and $790.7 million in 2014 without significant changes in how the city operates. City officials and outside observers put much of the blame on long-term union contracts with locked-in raises, rising health insurance costs for city workers, and increased borrowing resulting in higher debt burdens.

Emanuel inherited the budget problems upon becoming mayor in May. He followed Richard M. Daley, who had decided not to run for reelection. Daley had been mayor since 1989. Before becoming mayor, Emanuel served in Congress and left that office to become President Barack Obama’s first chief of staff, a position he held until resigning late in 2010 to return to Chicago to run for mayor.

Slam Against Middle Management

A draft study commissioned by the Chicago Federation of Labor and recently obtained by the Chicago News Cooperative suggests the city could save money by weeding out middle management.

“Fewer workers are actually doing the work and an excessive number of supervisors and managers are overseeing the work,” the consultants contend in the report. “We don’t need to be firing any more of the people actually doing the work—we need to get rid of the excessive number of people watching them do it.”

Kathleen Strand, a spokeswoman for the city budget office, said payroll for mid- and upper-management personnel has decreased 34 percent since 2002.

“The Civic Federation sees a need for the mayor and aldermen to work together to improve the long-term fiscal sustainability of our city, including implementing significant reforms to the responsibilities of the City Council, Treasurer, and City Clerk,” said Lawrence Msall, president of the Chicago-based Civic Federation, a nonpartisan government research organization.

“Given the scope of Chicago’s fiscal predicament, it is imperative that every elected official be engaged in the difficult and painful process of prioritization and reduction,” said Msall. “With a growing structural deficit, high levels of debt, and staggering unfunded pension liabilities, every option to control costs must be on the table for discussion.”

The federation recommends, among other things, reducing the size of the Chicago City Council to 25 from 50, more in line with the number of council members per capita for other large cities in the United States.

Calls from City Workers

Alderman Matt O’Shea of the 19th Ward said he has received “lots of calls” since Emanuel became mayor, especially from city workers living in his neighborhoods.

“I’ve personally received calls from constituents saying, ‘Hey, I’m on the chopping block,’” O’Shea told reporters after a recent council meeting. “We need to cut costs, but we need to save jobs. I’m confident we can cut the fat while saving jobs.”

City hall recently sent layoff notices to 625 government workers whose union leaders declined to renegotiate parts of their contract, and Emanuel has said he wants to bring “managed competition” to city government to allow private businesses to bid to provide certain services.

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New Local Taxes Shelved in California—For Now

By Sreya Sarkar

California Senate President Pro Tem Darrell Steinberg (D-Sacramento) has shelved SB 23x, a bill that would have authorized cities, counties, and more than 1,000 school districts to levy a broad range of new taxes.

The bill would have allowed local officials to seek voter approval to impose local personal income taxes, sales taxes, car taxes, soda taxes, and other excise taxes on goods and services.

The bill had been approved by the state Senate and was to be sent to the Assembly, when Steinberg decided not to pursue the measure until next year in hopes of putting a broader coalition of supporters in place. The bill had won support from some labor and state employee associations but was criticized strongly by business and taxpayer groups.

IN OTHER WORDS . . .

“Laws and regulations nowadays are longer than ever because length is needed to specify how people will be treated unequally. For example, the health care bill of 2010 takes more than 2,700 pages to make sure not just that some states will be treated differently from others because their senators offered key political support, but more importantly to codify bargains between the government and various parts of the health care industry, state governments, and large employers about who would receive what benefits (e.g., public employee unions and auto workers) and who would pass what indirect taxes onto the general public.

“The financial regulation bill of 2010, far from setting universal rules for the entire financial industry in few words, spends some 3,000 pages (at this writing) tilting the field exquisitely toward some and away from others.

“Even more significantly, these and other products of Democratic and Republican administrations and Congresses empower countless boards and commissions arbitrarily to protect some persons and companies, while ruining others. Thus in 2008 the Republican administration first bailed out Bear Stearns, then let Lehman Brothers sink in the ensuing panic, but then rescued Goldman Sachs by infusing cash into its principal debtor, AIG.”

— Angelo M. Codevilla, The American Spectator, July-August 2010

Would Allow ‘Unlimited Taxes’

Jennifer Barrera, policy advocate for the California Chamber of Commerce, said the main reason businesspersons oppose the bill is it “creates uncertainty for businesses and investors given the unlimited taxes that 58 counties, more than 1,000 school districts, and over 70 community college districts could impose at the local level.”

“[The bill] creates uncertainty for businesses and investors given the unlimited taxes that 58 counties, more than 1,000 school districts, and over 70 community college districts could impose at the local level.”

JENNIFER BARRERA
POLICY ADVOCATE
CALIFORNIA CHAMBER OF COMMERCE

Referendum Immunity Attempt

Steinberg initially had introduced the local taxation option as SB 653 but later amended it to a “Budget Trailer Bill,” SB 23x, to give it immunity from referendum, through which voters are asked to accept or reject a particular policy proposal passed by the legislature. But the Legislative Counsel of California soon declared the bill is not “referendum-proof.”

“SB 23x is not a valid budget trailer bill in either form or substance ... that can be implemented immediately as a part of the budget,” explained Barrera.

Steinberg may have known the bill would not pass the referendum test and definitely knew of the strong opposition. “I am acutely aware of the sensitivity and the business community, by and large, really dislikes the measure,” he said.

Possible Return

Wolfe said if the bill comes back in any other form, it has to be clearer and would still have to pass the referendum test, “which would be a tall task.”

Smith said, “If revenue projections fail to materialize, the bill will be placed back on the active file. Also, some legislators that feel that we need increased revenues may have found a road map around the two-thirds vote requirement to raise taxes in the legislature.”

Macdonald said the public employee unions in support of the bill have a lot of influence on state lawmakers and could succeed in having them bring back the bill next year.

“But,” Macdonald said, “with the upcoming state election in November 2012, the Democrats might not be willing to push Californians too hard.”

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