By Kirsten Adshead

The Wisconsin Legislature is edging closer to asking voters whether to amend the state constitution to ensure transportation-related revenue stays in the transportation fund.

After years of raiding the transportation fund to pay for other programs, the legislature last session passed a joint resolution that would block future lawmakers from doing the same.

That puts the legislature one step away from asking Wisconsinites whether the state constitution should be amended to ensure that transportation-related revenue—from levies such as vehicle registration fees and the gas tax—stays in the transportation fund.

Must Pass Twice
Wisconsin law requires a proposed constitutional amendment pass through two consecutive legislatures before going to the voters for approval.
Wis. Moves to Protect Transportation Funds

Continued from page 1

final approval in a referendum.

Lawmakers sponsoring the joint resolution in the Assembly and Senate this session are predicting strong bipartisan support for the measure once again, meaning the question could be put before Wisconsinites on a ballot this year or next, depending on how quickly the legislature acts.

“When we collect taxes for a specific purpose, I think the money should fund what we told the public it would fund,” said state Rep. Keith Ripp (R-Lodi), the chief sponsor of the resolution in the Assembly. “We need to protect those segregated funds.”

The state’s transportation fund contains the bulk of the funding for transportation projects, about $1.8 billion in 2011–12, according to the nonpartisan Legislative Fiscal Bureau.

It’s where gas taxes, vehicle registration and title fees, and the like end up. Funds Repeatedly Raided

Since 2003, officials have been taking money from the transportation fund to help balance the general fund, taking about $1.4 billion over the decade.

Lawmakers transferred some of the money back to the transportation fund, but it did so mostly by borrowing money, which then has to be repaid with interest.

“We’re not finding fault with where the money went, because there was all the other important things that needed to be funded,” state Sen. Jerry Petrowski (R-Marathon) told the Senate Committee on Transportation, Public Safety, Veterans, and Military Affairs during a hearing on the joint resolution.

Petrowski noted he was not assigning blame for the fund transfers.

“But I do believe that because this was the largest fund that seemed to be used for a variety of other purposes, it’s important that those dollars stay in transportation,” said Petrowski, the committee’s chair, who also is a lead sponsor on the legislation.

The Wisconsin Transportation Finance and Policy Commission, a citizens group formed in October 2011, has finished its study of transportation funding, concluding the state will be short nearly $6 billion in transportation funds needed just to maintain current infrastructure over the next decade.

Governor Opposes Tax Hike

Even before the commission released its report, Gov. Scott Walker (R) said he doesn’t want to increase the gas tax, which was one of the commission’s recommendations.

“But the gap that we outlined is real, and none of the answers is necessarily simple,” commission member Craig Thompson told the Senate committee speaking in support of the commission’s recommendations.

“Budget & Tax News

Kirsten Adshead (kadshead@wisconsinreporter.com) is projects/investigations editor at Wisconsin Reporter. Reprinted with permission of WisconsinReporter.com.

An Issue for Winners

Under the FairTax, almost everyone is a Winner.

Opponents of the FairTax live in a make-believe world where they try to claim “it will never happen,” or that “it’s a political loser,” but in reality the FairTax is a Winner.

Candidates in the 2010 election who strongly supported the FairTax won 86% of their races. Even candidates who only gave the FairTax tepid support won 44% of their races. By contrast, similar candidates who didn’t support the FairTax won only 22% of their races.

Conservatives Win with the FairTax because it reduces the size, scope and power of government over the lives of the People, and prevents IRS intrusion into the lives of all Americans.

The poor are Winners with the FairTax because it helps break the poverty cycle and provides a path to independence and personal responsibility.

American businesses and workers are Winners with the FairTax because it untaxes business, increases competitiveness, and will return American jobs to American workers.

The Constitution is a Winner under the FairTax, because, as the Sixteenth Amendment is repealed, the original Vision of Our Founders is restored.

The FairTax

Once you understand it, You’ll demand it!!

Help Support the FairTax
Join our Five for FairTax Campaign at
Fiveforfairtax.org
Learn more about the FairTax
Join other FairTax Supporters
Fairtaxnation.com
Cubs Pledge $300 Mil. to Renovate Wrigley Field

Continued from page 1

rently planning to spend $300 million of their own money over five seasons to do a “complete renovation of Wrigley Field,” the team announced at its January 2013 Cubs Convention. The fate of the new proposal rests with the Chicago City Council and mayor because the city has designated Wrigley Field a historical site. Renovations of properties with that designation must comply with numerous local ordinances and receive local government approval.

‘Economic Engine’

“As I have stated in the past, there is no doubt that Wrigley Field is a Chicago treasure and an economic engine for the 44th Ward,” said Alderman Tom Tunney in an official statement. His ward includes Wrigley Field.

“Keeping the priorities and residents’ views in mind, I believe we can work together to find a compromise that will allow Wrigley Field to expand and improve while keeping an inviting and safe environment within our neighborhood,” Tunney said.

The Cubs are not the only Major League Baseball team in Chicago. The White Sox, who play at U.S. Cellular Field on Chicago’s South Side, indirectly receive amusement tax revenue from the city to help pay for their stadium, which is owned by the Illinois Sports Facilities Authority.

Wrigley Restrictions

The White Sox also have more freedom to use their stadium. Among other things, Wrigley Field is restricted as to the number of night games and other events that can take place there. Wrigley Field is located in a more residential section of the city, and the restrictions are in place to keep from disrupting residents.

The Cubs want concessions on some of these restrictions, including more freedom regarding game times, billboards, and signs.

“If [Wrigley Field] is such an asset [to the community] and we’re being restricted, we need some help. If they want to treat us like the other 29 clubs, where we can play games whenever, have advertisements, the Ricketts will be prepared to write the [[$300 million] check],” said Crane Kenney, Cubs president of business operations, at the Cubs Convention.

Local sports economists agree Wrigley Field is an economic asset, something few other sports venues can claim.

“Wrigley Field is a shining example of how a sports facility can integrate itself within a local neighborhood and provide positive economic spillovers to the nearby community. … Afternoon games allow the team to share the area with neighboring business without crowding out other activity,” wrote Robert A. Baade, a professor of economics at Lake Forest College in suburban Chicago, in a 2006 working paper he co-wrote for the International Association of Sports Economists.

Rare Economic Asset

“Of Chicago’s major professional sports franchises, as much as it pains me to say it as a lifelong White Sox fan, only the Cubs contribute a reasonable economic impact to the city and state,” said Allen R. Sanderson, a senior lecturer in economics at University of Chicago.

“The other franchises—Bears, Bulls, Blackhawks, White Sox, and Fire—overwhelmingly attract local fans who are simply choosing to spend three to four hours and $100 inside one of those venues other than at a mall, movie theater, or restaurant. The net economic impact on the economy is effectively zero,” Sanderson said. “On the other hand, the Cubs draw a sizable non-area crowd to Wrigley Field, and thus they bring some new dollars, as opposed to simply recycling old dollars, to the Chicagoland economy.”

Sanderson said he believes “it’s incumbent on the mayor and governor and the aldermen, even in these challenging economic times, to recognize—and not exploit—this contribution. If not with actual dollar transfers, then by relaxing some of the constraints under which the owners must operate.”

John W. Skorburg (jskorburg@heartland.org) is an associate editor of Budget & Tax News and a lecturer in economics and the economics of health care at the University of Illinois at Chicago.
Are left-wing, “green” policies actually harming the environment?

“I’ve been waiting for the definitive tome on the systematic errors of [the green movement], and I have finally found it in Todd Myers’ new book Eco-Fads.”

- Jay Lehr

“With what you will learn from this book, you will be better able to shake off the hypnotic spell of green mythology and return to sound environmental thinking.”

Electronic Tolling an Efficient Highway Revenue Option

By Robert Poole

The biggest problem facing the U.S. highway system is inadequate funding.

The U.S. Department of Transportation’s latest biennial “conditions and performance” report finds that just to maintain the current state of repair of highways and bridges and to prevent congestion from getting worse would require annual spending of $101 billion, compared with the current $91 billion being spent at the federal, state, and local levels. And to improve performance, via projects that pass a basic benefit/cost filter, the nation could be productively investing $170 billion per year.

For the Interstate system alone, the report finds we are about $4 billion a year short of maintaining the status quo and could productively invest an additional $43 billion per year to improve Interstate performance.

Long-term public-private partnership concessions are a critically important project delivery tool, but they will address the major funding shortfall only if there are toll concessions, generating large amounts of new highway revenue to supplement gradually shrinking fuel tax revenues.

Need for Persuasion

We will never get where we need to go in reconstructing and modernizing the Interstates unless we can persuade highway users that toll-financed modernization is genuinely in their interest. And that means persuading powerful interest groups such as AAA and the American Trucking Association (ATA).

One of the strongest arguments raised by ATA is that fuel taxation is a highly efficient means of raising highway revenue, whereas toll collection is highly inefficient (i.e. very costly). In May 2007 ATA’s American Transportation Research Institute released a major report on highway funding alternatives. It asserted collecting and enforcing toll payments consumed 22 percent to 33 percent of the revenue generated, which they compared to an estimated 1 percent of revenue used to collect fuel taxes. Such figures have become part of the conventional wisdom.

Comparable Costs

This conventional wisdom is being challenged by a recent study from the Reason Foundation. Based on original research on the cost of collecting both types of revenue, the study finds the real cost of collecting revenue via fuel taxes is actually about 5 percent of the revenue. It also found twenty-first-century all-electronic tolling (AET) can cost as little as 5 percent of the revenue collected.

The principal author of the study is Daryl S. Fleming, Ph.D., P.E. He and one of his three coauthors helped develop the world’s first AET system, implemented 15 years ago on the then-new Highway 407 electronic toll road in Toronto.

The study authors critically analyzed three recent reports that assessed the cost of collecting highway revenues via tolling. All three studies were primarily backward-looking, capturing costs that are rapidly disappearing as toll facilities shift from cash to electronic collection. One study also misleadingly lumped ferries and toll facilities together and counted one-time capital investments as part of annual costs rather than amortizing them over their useful life.

Cashless Pioneers

Fleming and his coauthors also identified and studied three toll operators that have pioneered cashless all-electronic tolling: Colorado DOT’s I-25 managed lanes, the Fort Bend County Toll Road Authority in Texas, and the Tampa-Hillsborough Expressway Authority. Despite all three being small agencies, they were able to achieve the low costs of collection that might be expected of much larger agencies that can spread fixed costs over a larger volume of transactions.

Extrapolating their findings to larger toll roads, the authors estimate AET can achieve a collection cost as low as 5 percent of the revenue collected, using streamlined business models.

They also used information from a recent National Cooperative Highway Research Program report (and other sources) to re-estimate the cost of collecting highway revenue via per-gallon fuel taxes. Thanks in part to recent information on fuel-tax evasion and exemptions and tax costs hidden within the fuel-delivery supply chain, they estimate the true cost of fuel-tax collection is close to 5 percent of the revenue collected—in the same ballpark as best-practice AET.

Strengthening User-Fee Case

These findings directly counter the trucking industry’s argument that shifting from per-gallon fuel taxes to a per-mile charging system would be ruinously expensive. The findings give advocates of mileage-based user fees a stronger case for proceeding with further research on alternative ways of making such a transition.

In this context the authors make a bold proposal, suggesting the nation begin the transition now, focusing on the limited-access highway system (urban expressways and major highways such as the Interstates).

This would not require any expensive new technology (such as a Big Brother GPS box in every vehicle). All it would take is today’s low-cost transponders in vehicles and the installation of AET equipment at on-ramps and off-ramps. Each vehicle’s miles driven would thereby be recorded and charged appropriately, based on vehicle type.

Consistent with my recommended “value-added tolling” principle, this transition to per-mile charging would be phased in, corridor-by-corridor, as each Interstate corridor was reconstructed and modernized over the next two decades or so. No one would be asked to pay a toll to drive on existing, unimproved Interstates. They would start paying only once the corridor in question was rebuilt and modernized for better performance.

Robert Poole (bob.poole@reason.org) is director of transportation at Reason Foundation. This column first appeared in Public Works Financing and is used with permission.
Fuel Taxes, Tolls Pay for Only One-Third of Road Spending

By Joseph Henchman

A key issue for many state legislatures this year is transportation funding.

Maryland Gov. Martin O'Malley (D) and Virginia Gov. Bob McDonnell (R) have proposed sales tax increases for transportation. Wyoming Gov. Matt Mead (R) has proposed raising his state’s second-lowest-in-the-nation gasoline tax, and others have proposed new toll roads or the adoption of a “vehicle mileage tax” (VMT) system.

When road funding comes from a mix of tolls and gas taxes, the people who use the roads and benefit from them bear a sizeable portion of the cost. By contrast, funding transportation out of general revenue makes roads “free,” and consequently overused or congested—often the precise problem transportation spending programs are meant to solve.

Mostly from General Funds

Nationally in 2010, state and local governments raised $37 billion in motor fuel taxes and $12 billion in tolls and non-fuel taxes, but they spent $155 billion on highways. In other words, highway user taxes and fees made up just 32 percent of state and local expenses on roads. The rest was financed out of general revenues, including federal aid.

The ratios do not change much when adding in all transportation modes. In 2010, state and local governments spent $60 billion on mass transit, $23 billion on air transportation facilities, $1.6 billion on parking facilities, and $5.3 billion on ports and water transportation. They raised $13 billion in mass transit fares, $18 billion in air transportation fees, $3.2 billion in parking fees and fines, and $3.8 billion in water transportation taxes and fees.

Altogether, states raised about 36 percent of their transportation spending from user taxes, fees, and other charges.

Delaware Tops in Funding Share

Delaware, Florida, New Jersey, North Carolina, New York, and New Hampshire do the best, raising about half of their transportation spending from user taxes and fees. Although these states’ commuters and visitors may gripe about high tolls and gasoline taxes, they are helping pay for services they are themselves using.

By contrast, Alaska, Wyoming, South Dakota, Vermont, and Iowa raise little of their transportation spending from user taxes and fees, instead subsidizing highway spending from general revenues.

Expanding tolls and indexing gasoline taxes for inflation may not be politically popular even though transportation facilities and services are highly popular. Given that transportation spending exists, states should aim to fund as much of it as possible from user-related taxes and fees. Subsidizing highway spending from general revenues creates pressure to increase income or sales taxes, which can be unfair to non-users and undermine the state’s economic growth.

Joseph Henchman (hchenchman@taxfoundation.org) is vice president of legal and state projects for the Tax Foundation.

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### STATE & LOCAL ROAD & TRANSPORTATION SPENDING COVERED BY USER TAXES AND FEES BY STATE, 2010

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Source: Tax Foundation calculations from U.S. Census Bureau, State and Local Government Finance.

Notes: Excludes federal aid from numerator but includes state and local spending financed by federal aid in denominator. Road spending is motor fuel tax revenue and highway revenue divided by highway spending. Transportation spending is motor fuel tax revenue, highway revenue, air transportation revenue, parking facility revenue, sea and inland port facility revenue, and transit revenue divided by highway spending, air transportation spending, parking facility spending, sea and inland port facility spending, and mass transit spending.

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Virginia Republicans
Steer Clear of Governor’s
Transportation Tax Idea

By Kenric Ward

Top Virginia Republicans are veering away from fellow Republican Gov. Bob McDonnell’s transportation-funding initiative, and a growing number of alternative plans threaten to block its passage.

Since unveiling his $3.1 billion program in January, McDonnell has garnered support from a variety of business groups, including chambers of commerce, realtors, and auto dealers.

But the governor’s call to abolish the 17.5-cent-per-gallon gasoline tax while increasing the state sales tax is a bridge too far for fiscal conservatives who label it a net tax increase.

A leading Republican running for attorney general is heading in the opposite direction.

Already Enough Money: Senator
State Sen. Mark Obenshain (R-Harrisonburg) said the state already has enough money to pay for road projects; it just needs to prioritize its spending. He proposes to put transportation money in a “lockbox” to prevent lawmakers from siphoning funds for other purposes.

“My amendment would ensure that money deposited into the Transportation Trust Fund—most of it coming from taxes specifically related, and dedicated, to transportation—is spent exclusively on transportation projects.”

MARK OBENSHAIN
STATE SENATOR
HARRISONBURG, VIRGINIA

State Delegate Rob Bell (R-Charlottesville), who is vying with Obenshain for the attorney general nomination, also said he opposes any plan that raises taxes.

State Delegate Jim LeMunyon (R-Chantilly) would adjust the gas tax for inflation.

Del. Randy Minchew (R-Leesburg) would allow localities to impose a 10 cent per gallon gas tax.

Del. Tom Rust (R-Herndon) proposes a 5 percent gas tax to replace the current 17.5 cent levy and would authorize planning district commissions to use an additional 0.5 percent of the sales tax and 15 cents per $100 of the grantors tax for roads.

Sen. John Watkins (R-Midlothian) and Delegate Dave Albo (R-Springfield) also filed 5 percent gas tax proposals.

Del. Mark Cole (R-Fredericksburg) says he wants to increase the share of sales and use tax revenue dedicated to the Transportation Trust Fund.

‘Road Funds for Roads’

“We support making sure that the funds collected for roads are only used for transportation needs, not other pet projects. We will oppose attempts to adjust the gas tax to inflation,” AFP said in a statement.

Audrey Jackson, director of AFP’s Virginia chapter, expressed skepticism toward McDonnell’s newly announced list of road and rail projects that would be funded under his plan.

“I think this makes a great case that we need to prioritize spending so that these projects can be addressed, but why at the expense of the hardworking Virginians when Virginia has one of the largest budgets in her history?” Jackson asked. “If transportation is a priority, let’s make it a priority.”

Business Group Unsure
The National Federation of Independent Business is polling its 6,000 member companies in the state about which route to take on road funding.

“We feel no pressure to fall into line,” said Nicole Riley, executive director of NFIB-Virginia, adding her group supports Obenshain’s lockbox amendment and opposes shuffling of funds away from transportation.

In a statement, Obenshain said, “If we’re talking about prioritizing transportation, we need to make sure that whatever monies are deposited in the Transportation Trust Fund aren’t raided to pay for unrelated programs, as has already happened three times.”

The senator and his staff declined to specify when such actions occurred, or how much money was “raided.”

Kenric Ward (kenric@watchdogvirginia.org) is Virginia bureau chief for Watchdog.org. Reprinted with permission of Watchdog.org.

Laying Down the Law

Kurtis B. Reeg is a policy advisor for legal affairs at The Heartland Institute and president/managing partner of Reeg Laywers, LLC. With more than 30 years of trial and appellate experience, Reeg is a frequent speaker at local, regional and national seminars and has published numerous articles.

He has represented clients in a wide variety of products liability, class action and toxic tort litigation, insurance coverage and underlying defense.

His depth of experience — including litigation involving aviation, biotechnology, chemicals, construction equipment, drugs and medical devices, hydraulic equipment, ladders, lead, machinery of various types, mold, pesticides, safety equipment, vehicles, matters related to asbestos, silica, herbicides, chemicals and environmental hazards — makes him uniquely qualified to speak on many legal issues.

To book Reeg as a speaker, or for more information, contact Nikki Comerford (ncomerford@heartland.org), 312/377-4000.
Florida High Court Upholds Law Requiring Pension Contributions

By Steve Stanek

Floridians’ public school teachers, state and county workers, and some municipal employees must send 3 percent of their pay to the state’s pension plan, according to a 4–3 ruling of the Florida Supreme Court.

The court’s January ruling upheld a law that had been championed by Gov. Rick Scott (R).

The decision reversed a trial judge’s ruling that the law violated the collective bargaining, contract, and property rights of more than 600,000 state and local government employees. The law went into effect on July 1, 2011. In addition to requiring the 3 percent pension contribution, the law also repealed a 3 percent annual cost of living increase for benefits accrued after that date.

“By Steve Stanek”

The ruling was a victory for Scott and the Republican-controlled legislature and a defeat for government employee unions. The Florida Education Association led the challenge to the law.

“A Promise Is a Promise”

“The court’s ruling today supports our efforts to lower the cost of living for Florida families,” Scott said in a statement. “This means even more businesses will locate and grow in our state.”

“Balancing the state budget on the backs of middle-class working families is the wrong approach,” teachers union president Andy Ford said in a statement. “We still believe that a promise is a promise. We are more determined than ever to change the face of the Florida legislature. The next elections in 2014 can turn this decision around.”

J. Robert McClure, president and CEO of the Florida-based James Madison Institute, said the ruling is “good news” for the state’s taxpayers but more must be done.

“No doubt this will be quite a battle, reaching far beyond the halls of government in Tallahassee. The Florida Retirement System covered about 623,000 people in 2012, but only about a quarter of them worked at state agencies or state-run universities or colleges. Almost half come from school districts, about 23 percent work for counties and the rest work for municipalities or special taxing districts. Miami-Dade and Broward counties are part of the FRS. ...”

“Both say the time to make the change—and it is a major one—is now, before there’s a crisis and taxpayers have to pick up the tab to pay for the retirement of thousands of workers.”

— Miami Herald editorial, February 3, 2012

“Calls for More Steps”

The first step, McClure said, is to put all new hires in a 401(k)-style plan. Such plans, known as defined contribution plans, do not guarantee a specific benefit at retirement. Instead, the employer and employee contribute to the plan, with investment decisions made by employees. The amount of the benefit at retirement depends on how much money is contributed and how well the investments perform.

McClure said the second step should be to “alter the 1999 law that limits how local officials may use the revenue from the insurance premium tax.” That could help cities restore budgets cut because of the economic downturn, he said.

“Unless we take prudent steps now, future public pensions could meet the fate of those in a growing list of cities where government retirees ruefully discovered that their municipalities could no longer afford to keep pension promises,” he said.

Steve Stanek is a research fellow at The Heartland Institute and managing editor of two Heartland publications, Budget & Tax News and FIRE Policy News.
Study Shows Need to End Secrecy in Gov’t Union Collective Bargaining

By Rob Kramer

Secret negotiations over employment contracts between union representatives and government officials are the norm in nearly every state in the union. This keeps taxpayers in the dark about how compensation packages are awarded and stops journalists from knowing what goes on behind closed doors.

In a report released by the Goldwater Institute, Director of Policy Development Nick Dranias and economists Byron Schlomach and Stephen Slivinski survey all 50 states’ transparency requirements for collective bargaining negotiations. The study finds a mere seven states have open government laws on the books to bring these negotiations out of the shadows.

When secrecy in negotiations is combined with state laws requiring governments to engage in collective bargaining, unions can exert tremendous political pressure on government officials, and both unions and government officials are able to hide from any meaningful oversight.

Routinely Inflated Compensation
According to the report, the lack of transparency in negotiations leads to routine awarding of inflated compensation and benefits packages that far exceed typical private-sector employment terms. In 2012, the Bureau of Labor Statistics reported state and local government employees make nearly 43 percent more per hour on average in total compensation than private-sector workers.

Although elected officials vote on contracts in public, by the time taxpayers are made aware of a contract and that a vote will be taken, it is too late for substantive changes to be made. Even elected officials themselves are frequently cut out of the process.

One Phoenix, Arizona council member recently acknowledged voting to approve labor contracts because he did not have enough time to become familiar with the issues that were negotiated before the vote.

Double Advantage for Unions
“Secrecy in collective bargaining gives unions a double political advantage,” said Dranias. “First, they get the government officials to themselves without any competing interest—like taxpayers—during the bargaining session, and then they get to apply their significant political influence when the deal is finally put up for a public vote.”

The report recommends state legislatures pass a measure requiring that collective bargaining negotiations be made subject to open meetings law, like all other government dealings. In the coming months, legislators in several states, including Arizona and Utah, will consider such legislation.

“It’s hard to argue that there is good reason for allowing unions to use closed-door negotiations to increase the tab that taxpayers pay for government workers’ salaries and benefits,” said Dranias. “It’s time to disinfect collective bargaining with the sunlight of transparency.”

Rob Kramer (rkramer@goldwaterinstitute.org) is communications associate at the Goldwater Institute in Phoenix, Arizona.

InterneT Info

Understanding the Many Costs of Corporate Welfare

By Sheldon Richman

When Congress and President Barack Obama in January came up with their beyond-the-last-minute deal to put off addressing the coming fiscal crisis, The Wall Street Journal turned the spotlight on a little-noticed, yet too-typical aspect of Washington’s machinations: “The bill’s seedier underside is the $40 billion or so in tax payoffs to every crony capitalist and special pleader with a lobbyist worth his million-dollar salary. Congress and the White House want everyone to ignore this corporate-welfare blowout,” the Journal reported.

So a bill that was represented as the first steps toward fiscal responsibility (try not to laugh too hard) contained billions of dollars in corporate welfare. And it was a bipartisan affair.

How sad. How Washington!

Payoffs for NASCAR, Hollywood, Wind
Beneficiaries of the various special tax treatments and exceptions include owners of NASCAR speedways, companies in American Samoa, rum producers, businesses on Indian reservations, railroads, Hollywood movie-makers, and green-energy firms, including wind-power equipment producers.

As the Journal commented, “The great joke here is that Washington pretends to want to pass ‘comprehensive tax reform,’ even as each year it adds more tax giveaways that distort the tax code and keep tax rates higher than they have to be.”

Corporate welfare is nothing new, of course, and according to Cato Institute budget analyst Tad DeHaven, in “Corporate Welfare in the Federal Budget,” fiscal 2012 saw $98 billion in “programs that provide payments or unique benefits and advantages to specific companies or industries.”

DeHaven acknowledges that defining and calculating corporate welfare is “not an exact science.” Indeed not. To the extent the U.S. military safeguards access to, say, Middle East oil fields, that portion of the Pentagon budget can be regarded as corporate welfare, but it’s not usually thought of that way. Similarly, highway subsidies to commercial shippers may give certain firms advantages over firms that don’t engage in long-distance shipping.

Power for Pols
Manipulating the tax code to benefit particular interests has obvious appeal for politicians—it’s a source of power and influence—and a code that did not permit such manipulation would be much less attractive to them. Outright cash subsidies from the taxpayers, while not unheard of, smack too much of cronyism and are more likely to alienate taxpayers. But complicated exceptions written into the tax laws can be presented as creative governance on behalf of the public interest. But it is cronyism as offensive as outright subsidies.

The benefits of a market economy lie in free competition. When the market is rigged by politics, benefits are diverted from consumers to politically chosen producers (who can be counted on to reward their patrons). This is what corporate welfare accomplishes.

In a freely functioning market economy, all products compete with one another, and producers compete not only for customers, but also for scarce factors of production, including labor, land, and materials. Remember: We live in a world of scarcity. Factors used for one purpose cannot be used for another. Tradeoffs are necessary.

The price system, which is ultimately figured by consumer preferences, guides the competitive process by which the factors of production are employed in their various purposes. For example, an entrepreneur who expects her product to be more profitable than a rival’s product will be in a better position to bid factors away from the rival, and if the entrepreneur’s forecast is correct, consumers will have been well served.

In Defiance of Consumers
But if the government intervenes with corporate welfare to lower the rival’s costs, whether by specially reducing taxes or some other manipulative method, consumers will be defied because products they prefer will not be produced or not produced in the quantities desired. The politically connected businessperson will profit at their expense, as well as the expense of the competitors who were discriminated against by the tax code, especially if the government buys the favored product.

Corporate welfare is not primarily about lowering taxes. That would be a worthwhile goal, of course, and could be achieved simply by slashing tax rates and simplifying the code. But when taxes are lowered selectively by writing complicated exceptions into the law, the goal is to bestow privileges on cronies, not to reduce the burden of government on all. Corporate welfare, among its many sins, violates equal protection under the law.

Essential to a free society is people’s ability to go about their peaceful business un molested by government. A good part of that activity includes producing goods and services for consumers, who in turn are free to say yes or no to the offerings.

Politics Over Economics
Corporate welfare is a way for politicians to maintain the façade of a free economy while rewarding some activities and punishing others. The politicians substitute their preferences for the preferences of consumers, distorting relative prices in the process. Thus if government artificially makes it more prof-
Contrast this with the free-functioning market economy. If entrepreneurs err and destroy value by misusing scarce resources, consumers’ retribution may be swift: They can simply withhold their money and reject the ill-conceived products, forcing the entrepreneur out of business and shifting resources to more able hands. Ironically, it is the free market that puts control into the hands of the people. Political democracy is only the palest approximation of the “true democracy” of the marketplace.

Consumer clout far exceeds voter clout, and therefore economic producers—when they have no access to government privilege or shelter from competition—are far more responsive to the people than are politicians. Officeholders create theoretical effects to impress voters. Entrepreneurs have to produce results.

Tax benefits directed at particular interests are often defended on grounds of “market failure.” It’s said that under some circumstances rational individual behavior in the market yields a less-than-optimal outcome for the whole public. This can be answered in several ways.

Prospect of Profit
First, if such failures truly exist, they represent profit opportunities to entrepreneurs. There’s a general principle here that is often overlooked. The case for competitive markets is not that they are perfect—how could they be when they are filled with fallible human beings? Rather, the case is that discovery and correction of errors produces entrepreneurial profit. No lure is more powerful than the prospect of profit.

Moreover, even in the unlikely event a market failure couldn’t be corrected, it would not follow that a government solution would be better than adapting to the situation. Why assume politicians won’t make things worse, particularly in light of the perverse incentive system described earlier?

There is simply no reason to believe that political operatives can have the incentives or information needed for ameliorating undesired market outcomes. One cannot invoke market failure without coming to grips with government failure.

Sheldon Richman (srichman@ff.org) is vice president of The Future of Freedom Foundation and editor of its monthly publication, Future of Freedom. Used with permission of The Project to Restore America.

Report Documents, Critiques Growing ‘Sin’ Tax Industry

By Steve Stanek

The NAACP and the Hispanic Federation went to court in January to block a ban on large sugared soft drinks that New York City is set to begin enforcing in March. They join the American Beverage Association in challenging the ban, arguing it would hit small and minority-owned businesses especially hard.

The authors of a new study from the Mercatus Center at George Mason University, “Sin Taxes: Size, Growth, and Creation of the Sin-Industry,” show how this detrimental practice has grown and what it means.

While New York City’s attempt to reduce soft drink consumption by limiting the size of soft drinks has garnered headlines, at least 33 states have special taxes on soft drinks that have a similar goal.

Such taxes fall into the “sin” tax category, but it’s tough to argue soft drink consumption is a sin. Many of the simple pleasures in life are targeted—a cold beer after work, a slice of bacon in the morning, or a hamburger at lunch.

Sin Taxes Hit Parking, Popsicles
Some other goods that have nothing to do with traditional “vices” like tobacco and alcohol are also taxed in the same way, including tires, baked goods, popsicles, playing cards, amusement parks, and parking.

“Sin taxes” have come to include just about anything lawmakers deem unhealthy or undesirable—but in truth, many are just a new way to frame revenue increases.

The Mercatus Center study notes the sin tax practice has several dubious characteristics:

• In many cases, revenue from the sin tax doesn’t go toward solving the problem it set out to fix, but instead enlarges a general fund.
• Sin taxes are a lobbyist’s dream, leading to defensive lobbying and campaign expenditures by those targeted. They represent a huge opportunity for abuse by special interests.


INTERNET INFO

By steve stanek

The report notes, “The expansion of selective taxation of sin goods and other disfavored goods is built on a welfare economics argument, namely that penalizing buyers and thereby controlling a negative externality will help to limit the production of these public ‘goods.’ However, the methodology for singling out negative externalities for taxation ultimately is a political game. Producers that can resist higher taxes will invest resources in the attempt to do so. Low-income consumers, who have the fewest alternatives available to them, will shoulder the heaviest tax burdens, while others who have more consumption alternatives will get off comparatively lightly.”

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of two Heartland publications, Budget & Tax News and Fire Policy News.
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Study Debunks Tax ‘Myths’ of Political ‘Progressives’

By Steve Stanek

The U.S. economy is suffering its deepest and most prolonged recession since the Great Depression.

The fundamental causes of that recession and the slow recovery are two decades of poorly conceived housing credit policies and the adoption of failed Keynesian economic policies, say economists Eric Fruits and Randall Pozdena, who say prescriptions for higher taxes on the wealthy and other “progressive” nostrums will do nothing to improve the situation.

Fruits and Pozdena are the authors of the newly released Tax Myths Debunked, published by the American Legislative Exchange Council. Their report exposes what the authors describe as seven “myths” commonly used by advocates of higher taxes and other economically harmful policies. Using both theoretical and empirical evidence, Tax Myths Debunked confirms the key to economic prosperity at the state level is in free-market, pro-growth tax and fiscal policy.

States Must Because Feds Won’t

Fruits and Pozdena write state governments must adopt policies that will support economic growth and “break with the long tradition of high levels of taxation, government spending and intervention at the state level. The states must do this alone because the federal government will be in no position to provide financial assistance.”

“The economy is so complex, almost any intervention comes with greater costs than benefits,” said Pozdena in a telephone interview. He is president of QuantEcon Inc., an Oregon-based consultancy, and formerly served as a vice president of the San Francisco Federal Reserve Bank.

He said government actions “have made matters worse. The recovery of the economy has been far slower than even the president’s own Keynesian-oriented economists have predicted.”

Fruits objected to calls from “progressive” politicians for higher taxes on wealthy individuals and noted states with no personal or corporate income tax have “a 1.5 percent per annum growth rate advantage over states with income tax” even though they often have higher sales taxes.

‘Positive, Persistent Advantage’

“States without an income tax have a positive advantage and one that is persistent through recessions,” said Fruits, president of Economics International Corp., an Oregon-based consulting firm specializing in economics, finance, and statistics. He is also an adjunct professor at Portland State University and Pacific Northwest College of Art.

He noted in California, where the state has repeatedly raised taxes on high-income earners, “36 percent more of the highest-income tax households leave California compared to those who move in.” Wealthy people can move their money and themselves to where they pay less tax.

The Myths

Myth 1: The belief that more government spending can pull a nation out of recession. “It is a myth that was debunked by many studies in the 1970s and 1980s but one that has enjoyed resurgence in this century. We point out theoretical and empirical data show the opposite,” Pozdena said.

Myth 2: Lower tax rates are bad for an economy in a recession, because lower tax revenue forces states and local governments to cut spending. Fruits and Pozdena argue revenues decline because a slow economy shrinks the tax base. Lower tax rates put more money into an economy and can improve growth, which in turn expands the tax base.

Myth 3: Raising tax rates will not harm growth. High-tax advocates cite high tax rates decades ago, when growth was strong. But there is a big difference between marginal rates and real rates. Virtually no one paid the highest tax rates because there were many legal ways to avoid them. “The evidence is unambiguous that higher effective rates do depress incomes and output,” Pozdena said. “I’ve studied interstate migration thoroughly and have found there tends to be outmigration to states with less-aggressive tax policy.”

Myth 4: Austerity in the form of government spending cuts harms growth and employment. Austerity critics cite failures in Europe, but Pozdena and Fruits note “austerity” there is mostly high-tax programs. “Only one or two European states are cutting government and returning resources to the private sector,” Pozdena said. “Data are being used highly selectively by those who don’t understand the underlying economics.”

Myth 5: Real household income has not grown in the past 20 years. “This [belief] is a dramatic error of measurement,” said Pozdena, noting many households receive non-cash compensation in the form of retirement and insurance benefits, company automobiles, etc. In addition, typical household composition has changed, with smaller families and many more one-person households. “Real household income consistently defined has grown 1.5 percent in real terms per year,” Pozdena said.

Myth 6: Distribution of income is becoming more inequitable. “This is not occurring as they say,” Pozdena said. “They’re looking at different individuals at different times in their life cycles, and there is as much upward as downward movement.”

Myth 7: Raising taxes on the “rich” will not harm the economy. “The notion that we can tax those who are producing the greatest amount of cash flow is beyond the pale,” Pozdena said. “The U.S. tax system is already too progressive in that the share of tax revenues by the highest-income cohorts is far out of proportion to the income they receive.”

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of two Heartland publications, Budget & Tax News and FIRE Policy News.
Missouri Legislators Mull Tax on Violent Video Games

By Johnny Kampis

A Missouri lawmaker wants to levy a tax on violent video games, with the extra money going toward studying mental health issues.

State Rep. Diane Franklin (R-Camdenton) has introduced a bill that would impose a 1 percent additional sales tax on video games rated by the Entertainment Software Rating Board as teen, mature, or adult-only.

The Entertainment Software Association, which represents publishers of video games, issued a statement opposing the measure.

“We are disappointed that even in the wake of an overwhelming decision in the United States Supreme Court finding proposals such as this to be patently unconstitutional, there are those who still try to attack video games with outdated notions of our industry,” said ESA spokesman Dan Hewitt.

Retailers Have Policies in Place

In 2011, the U.S. Supreme Court struck down a law in California that banned the sale of violent video games to minors. Most retail stores, including Walmart and Gamestop, already have policies prohibiting underage shoppers from buying mature-rated games.

One obvious problem with Franklin’s measure is that the ESRB rates games based on other factors in addition to violence, such as gambling, language, sexual content, and drugs and alcohol, says Patrick Ishmael, a policy analyst at the Show-Me Institute. Descriptions on the back of each software title clearly state which factors contribute to the game’s rating.

“In other words, teen-rated games like ‘The Sims,’ ‘Dance Central,’ or ‘Guitar Hero’ would be included in the tax, even though they’re nonviolent,” he said. “Clearly, the law is poorly crafted. It’s probably unconstitutional anyway since it targets the content of speech.”

Oklahoma Task Force

Oklahoma state Rep. William Fourkiller (D-Stillwell) pushed similar legislation in the Sooner State last year but a subcommittee threw it out by a narrow margin. His initial proposal would have imposed a 1 percent sales tax, but Fourkiller later revised it to create a task force to analyze the impact of video games on children instead.

“I have a problem with people trying to protect the Second Amendment by throwing the First Amendment under the bus,” he said.

As part of a fact-finding mission on the causes of gun violence, President Barack Obama recently called for studies of software used on Nintendo, Xbox, and PlayStation game systems.

One of the best-selling series on all of those platforms, “Call of Duty,” pits players against each other online in a series of “death matches” in which users can choose from a variety of military weapons. Those games are rated mature.

“Congress should fund research on the effects violent video games have on young minds,” Obama said. “We don’t benefit from ignorance. We don’t benefit from not knowing the science.”

For Mental Health Conditions

Franklin’s bill would set aside the additional tax revenue “solely for the treatment of mental health conditions associated with exposure to violent video games.”

A representative from her capitol office said Franklin was working on some revisions to her bill, but she didn’t say what they were and when the bill would be resubmitted.

The legislation must be referred and approved by a committee before reaching the House floor.

Johnny Kampis (johnny@missouri watchdog.org) reports for Missouri News Horizon, where an earlier version of this article appeared. Used with permission.

Sales Tax Collections Hit All-Time High

Sales tax collections in the United States are on the rise and at an all-time high, according to TaxConnex, America’s leading independent provider of sales and use tax outsourcing and consulting services.

The company recently compiled data from the U.S. Census Bureau regarding recent national sales tax trends. The study reveals sales tax collections show a steady increase over the past several years. After a fairly significant decline during 2008 and 2009 as a result of the economic crisis, states expanded the list of taxable items. The result has been a steady growth of sales tax collections.

“The conversation du jour surrounding sales tax revolves around how much sales tax collection is being lost as a result of the shift in buying patterns to the Internet. With the tenor of the conversations, you would expect that sales tax collections would be significantly down. This is just not the case,” said TaxConnex partner Brian Greer. “Sales tax collections, which account for over 30 percent of all states’ revenue and is the single largest source of revenue for many states, is at an all-time high.”

TaxConnex will continue to monitor sales tax collections in 2013 and plans to provide updated guidance on how to protect against an expanding tax base, increasing sales tax rates, and pending Federal legislation.

Source: TaxConnex
Wireless consumers in the United States pay more than 17 percent in taxes and fees on average on their cell phone bills, including more than 11 percent in state and local charges, according to a new analysis by the Tax Foundation.

In Nebraska, the combined federal-state-local average rate is nearly 24.5 percent, and in six other states—Florida, Illinois, Missouri, New York, Rhode Island, and Washington—it exceeds 20 percent.

The study notes, “As many different government entities take aim at the cell phone service tax base in an uncoordinated fashion with little concern for how other taxing authorities treat the services, cell phones are taxed at a much higher level than other consumer items (even alcohol and cigarettes).”

“Accessing new sources of information on our mobile devices may be getting easier, but paying cell phone taxes is not,” said Joseph Henchman, Tax Foundation vice president for legal and state projects and a coauthor of the study. “State and local governments should not single out one product for stealth tax increases as they are doing with wireless services.”

**Average Total: 17.18 Percent**

Included in the report, which uses recent data from a study by Scott Mackey of KSE Partners, are the following findings:

• The average U.S. wireless consumer pays taxes and fees of 17.18 percent, of which state-local charges average 11.36 percent.
• Twenty-six states have average state-local wireless taxes and fees in excess of 10 percent; with federal taxes, some cell phone subscribers pay more than 20 percent in taxes.
• States favor the taxes because they can raise revenue in a relatively hidden way. For example, Texas sued Sprint because the company listed a state tax as a line-item in its bill, rather than hiding it from customers.
• Cell phones are taxed at a much higher level than other consumer items, even as much as or more than alcohol or cigarettes. The highest sales tax in the country (combined state and average local rates) is 9.43 percent in Tennessee; the highest state and local rates for cell phone service are almost twice as high.
• Among local jurisdictions, Baltimore, Maryland imposes a $4 per line per month tax on wireless users, on top of federal and state charges. Nearby Montgomery County, Maryland imposes a $3.50 per line per month tax. These per-line charges are especially burdensome on low-priced “family share” plans.

Researchers have found it difficult to create a database of cell phone taxes, and cell phone companies have encountered similar problems in calculating the taxes. This can be a serious problem for cell phone businesses because they collect the taxes from subscribers and can be held legally accountable for any mistakes—both over-collection and under-collection.”

And, of course, it’s a serious problem for cell phone users. The authors write these stealth tax increases on wireless services “distort market decisions and risk slowing investment that contributes to economic growth. Cell phone users are overtaxed relative to consumers of other goods and at risk of double taxation.”

Steve Stanek (sstanek@heartland.org) is a research fellow at The Heartland Institute and managing editor of two Heartland publications, Budget & Tax News and FIRE Policy News.

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Legislation Aims to Slow Borrowing by Illinois Municipalities

By Matthew Glans

A move is afoot to make local governments in Illinois more responsible when borrowing money to finance projects.

State Reps. David McSweeney (R-Barrington Hills) and Jack Franks (D-Marengo) have introduced HB 983, which would bar independent consultants from providing information on how “alternate revenue” bonds could be paid off. That task would fall to local chief procurement officers. Consultants often stand to benefit from the borrowing.

The bill also would require alternate revenue bond-funded ventures be able to pay off 150 percent of the debt, up from 100 percent. It also would extend the signature-gathering period from 30 to 90 days for petitions aiming to put on the ballot a referendum to block such local borrowing. To initiate a referendum, the bill would require the lesser of 5 percent (currently 7.5 percent) of registered voters in the governmental unit or 500 signatures of registered voters.

‘Governments Keep Borrowing’

“This is a common-sense bill that allows taxpayers to more easily organize a referendum to oppose local borrowing proposals,” said McSweeney. “We are talking about large sums of taxpayer money. Property taxes are skyrocketing while local governments keep borrowing for what they want and cannot afford.”

The bill comes in the wake of news stories about property taxes soaring in numerous communities where local governments have borrowed money with the promise it would cost taxpayers nothing. Sports stadiums, golf courses, village halls, and other facilities built or bought with alternate revenue bonds are supposed to generate enough money to repay the debts. In many instances, the revenues have fallen woefully short, forcing taxpayers to cover the difference.

‘Oversight in Hands of Taxpayers’

“Municipalities have little oversight when it comes to borrowing millions of dollars which oftentimes end up being a backdoor tax hike on residents,” said Franks. “Oversight needs to be put into the hands of the taxpayers. We must increase accountability for our taxing bodies and empower the taxpayers to serve as fiscal guardians.”

Last year the Chicago Tribune reported on property taxes tripling in some small towns to repay bonds local officials promised would cost taxpayers nothing. Tax caps do not apply when the purpose is to repay alternate revenue bonds.

In the blue-collar Chicago suburb of Bridgeview, for instance, property taxes have tripled in 10 years to repay bonds for Toyota Park, home of the Chicago Fire professional soccer team. Revenue shortfalls some years match the village’s entire police department budget.

Matthew Glans (mglans@heartland.org) joined the staff of The Heartland Institute in November 2007 as legislative specialist for insurance and finance. In 2012 Glans was named senior policy analyst.

Pennsylvania Senate President Backs Plan to Stop ‘Bleeding’ of Pensions

By Eric Boehm

Calling it a way to “stop the bleeding” in the state’s public pension systems, Pennsylvania Senate President Joe Scarnati (R-Jefferson) says he would support a proposal to move all new hires into a new pension system similar to the 401(k) plans that are now common in the private sector.

But he questioned whether it was feasible—legislatively and legally—to change unearned future benefits for current employees, which seems to be a part of Gov. Tom Corbett’s as-yet-unseen pension reform package.

Scarnati said moving all new employees into a 401(k)-style plan, a proposal contained in Senate Bill 2, would be a tourniquet on the $40 billion pension debt that continues to grow each year.

“Stopping the bleeding isn’t enough, but it’s the first step we can do,” he said.

Defined Contribution vs. Defined Benefit

Those 401(k)-type plans—known as “defined contribution” plans—allow employees to invest their own contributions along with a matching share from their government employer. The risk of the investment falls on the employees, rather than on the taxpayers as in a traditional defined-benefit public-sector retirement plan.

Thanks to investment losses during the recession and a decade of deliberate underfunding by the state, pension payments are set to climb by about $1 billion in the next two state budgets.

Changing to a defined-contribution plan for new employees would not change those cost increases, but it would reduce the long-term obligations by slowly closing the deeply indebted defined-benefit systems.

Scarnati’s comments came one day after Charles Zogby, Corbett’s budget secretary, told reporters the administration was likely to target both the benefits of new employees and the unearned future benefits of existing employees.

Likely Court Challenge

Scarnati said it could be difficult to change benefits for current employees. Aside from stiff resistance from public-sector labor unions and Democrats in the legislature, he said a court challenge would be likely.

It’s pretty clear previously earned benefits cannot be changed, but the court record is cloudy on whether future benefits could be.

Democrats and public-sector unions are already warning against such a change, arguing it would cost more to operate separate pension systems—one for existing employees and another for new hires.

Senate Minority Leader Jay Costa (D-Allegheny) said he would not support changes to future benefits for existing employees.

“I think that we should not be impacting current employees in any capacity; they have done what we asked them to do,” Costa said.

Eric Boehm (eric@paindependent.com) writes for PAIndependent.com, where an earlier version of this article appeared. Used with permission.
Illinois Stops Bond Sale After S&P Downgrade

By Steve Stanek

Illinois state government has canceled a $500 million debt sale, just days after Standard & Poor’s downgraded the state’s credit rating to the worst in the nation. S&P put most of the blame for its downgrade on the state’s pension problems. The agency dropped the rating on the state’s general obligation bonds, and on the $500 million in general obligation bonds the state was about to sell, to A- from A. S&P also hinted at a further downgrade by saying the state’s credit outlook remains negative.

The agency’s action came despite Illinois raising taxes $7 billion a year in 2011. Nearly all the additional money has disappeared down the gaping maw of unfunded pension liabilities. Conservative estimates place the state’s unfunded pension liabilities at nearly $27 billion on existing debt and remains $27 billion on existing debt and remains months late paying $9 billion of bills to vendors that supply services to the state. Some vendors have gone out of business as a result.

‘Negative Outlooks’ Everywhere

In addition to the S&P downgrade, the Fitch Ratings agency also recently announced it had put Illinois on watch for a likely downgrade. The third major ratings agency, Moody’s Investor Service, also has Illinois on a “negative outlook.”

S&P’s latest move is the seventh downgrade of the state’s credit or bonds since Illinois imposed its record corporate tax rate 46 percent. Those increases raised the personal income tax rate 67 percent and the corporate tax rate 46 percent.

“Our conversations with potential bidders [to buy the state’s debt] lead us to believe the market is unsettled because of recent actions and comments by the bond-rating agencies,” said Abdon Pallasch, the state’s assistant budget director, in a statement. “We plan to schedule a new bond sale after the markets have had time to digest the news.”

Shields by ‘Accounting Gimmicks’

“We have known for years accounting gimmicks kept pension obligations separate from other debts,” said Sheila Weinberg, founder and CEO of the Illinois-based Institute for Truth in Accounting. “But the truth is finally coming out, and it’s going to be up to citizens to decide the solutions.”

She said each Illinois taxpayer owes $98,500 in state debt, four times the U.S. average of $9,586.

New Standards, Worse Problem

The state pension problems could be much worse than they appear. The Governmental Accounting Standards Board next year will put in force stricter accounting rules to more accurately account for retirement liabilities.

Under the current standards, Illinois’ government pension system for teachers, the state’s largest pension system, has about 48 percent of the money needed to pay obligations.

Under the more accurate GASB rules, the state’s Teachers Retirement System would have just 18.8 percent of the necessary funding, said David Denholm, president of the Public Service Research Foundation.

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justified for inflation, federal spending per capita has increased approximately 39 percent since 1992, yet a new Reason-Rupe poll finds 79 percent of Americans believe the government’s spending increases have reduced the quality of life or made no impact on the quality of life in the country during that time.

Forty percent say the increases in federal spending over the past 20 years reduced the quality of life in the country and 39 percent say the increases had no impact on the quality of life. Just 17 percent feel federal spending increases improved the quality of life in America.

Nearly half the country, 49 percent, says it would help the economy if the federal government returned to Clinton-era spending levels, while 30 percent believe it would make no difference and 12 percent think returning to those spending levels would hurt the economy.

Support for Military Cuts

An even larger number, 61 percent, support cutting military spending back to the amount that was spent before the wars in Iraq and Afghanistan began, while 25 percent oppose such a reduction.

In an open-ended question about what specific things the government spends too much money on, defense spending took the top spot, named by 21 percent. Congress itself—its pay and perks—was singled-out by 17 percent, followed by foreign aid at 13 percent and welfare and social programs, also at 13 percent.

When asked, open-ended, how much money the federal government wastes, the median response was that the federal government squanders 50 cents of every tax dollar.

Support for Entitlements

Two entitlement reforms often mentioned during the fiscal cliff negotiations—raising the retirement age and means-testing Social Security and Medicare—drew little support in the poll. Sixty-six percent of Americans oppose raising the retirement age from 65 to 67, while 31 percent favor doing so. Similarly, 56 percent oppose means-testing Social Security or Medicare, while 40 percent favor means-testing the programs.

When asked, open-ended, what President Barack Obama’s top priority should be during his second term, 29 percent say the economy, 19 percent would like him to focus on jobs, and 13 percent say balancing the budget and reducing the deficit.

The Reason-Rupe poll conducted live interviews with 1,000 adults on mobile (600) and landline (500) phones from January 17–21, 2013. The poll’s margin of error is plus or minus 3.8 percent. Princeton Survey Research Associates International executed the nationwide survey.

Opposition to More Debt

Although Congress recently set aside the government’s borrowing limit until May, 64 percent of Americans say Congress should not raise the debt ceiling and 29 percent say it should be raised. If Congress does not raise the debt ceiling, 25 percent expect it would create a “major” economic crisis, 30 percent think it would cause a “minor” economic downturn, and 22 percent say it would help the economy.

Three-quarters, 75 percent, of Americans consider the national debt a “major problem” that must be addressed now, 20 percent say it is a major problem that should be addressed when the economy has improved, and just 3 percent of Americans say the debt is “not much of a problem.”

Blame for Congress

Looking back at the past year, 53 percent of Americans say Congress had a negative impact on the economy and just 10 percent think Congress made a positive impact on the economy. Given the opportunity to use any word to describe Congress, the public overwhelmingly chose words like inept, incompetent, and selfish. Overall, 17 percent of Americans approve of the job Congress is doing and 74 percent disapprove.

Meanwhile, 52 percent approve of the job President Barack Obama is doing and 42 percent disapprove. The public is split over how the president is handling the economy, with 48 percent approving and 47 percent disapproving.

Source: Reason Foundation

Most People See No Improvement from Federal Spending Surge

By Bill Hardekopf

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he Consumer Financial Protection Bureau is launching an inquiry into the impact of financial products marketed to students through colleges and universities. It will then determine whether these arrangements are in the best interest of students.

“We have seen many colleges establish relationships with financial institutions to offer banking services to their students,” said CFPB Director Richard Cordray. “The Bureau wants to find out whether students using college-endorsed banking products are getting a good deal.”

The CARD Act of 2009 added regulations and restrictions on financial institutions using certain types of marketing practices on college campuses. Agreements between credit card issuers and institutions of higher education are now subject to public disclosure. But not a lot is known about the arrangements regarding other financial products marketed to students, such as student identification cards that double as debit cards, school-affiliated bank accounts, and cards used to access scholarships and student loans.

The bureau is seeking input until March 18 from the public, students, families, financial institutions, and the higher education community on a variety of related issues, including:

• What information schools share with financial institutions when they establish these relationships
• How campus financial products are marketed to students
• What fees students are being charged to use these products
• How schools set up marketing agreements with financial institutions
• Student experiences using campus financial products in their day-to-day lives.

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CFPB Wants to Know Impact of College-Marketed Financial Products

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Pa. Governor Divides, Hopes to Conquer Union Opposition to Liquor Plan

By Eric Boehm

Pennsylvania Gov. Tom Corbett (R) has unveiled a plan to privatize the Keystone State’s monopoly liquor store system, simultaneously executing a move intended to accomplish a goal of his administration while undercutting some of his loudest critics.

Corbett said the proceeds from selling off the state liquor stores—estimated at more than $1 billion—would be used to increase funding for basic education over the next four years. The revenue could be used to increase school safety and security and create a grant program for school districts to use for early education, individualized learning, and math, science, and technology courses.

“Our plan gives consumers what they want by increasing choice and convenience and helps to secure our future by adding $1 billion in funding toward the education of our children, without raising any taxes,” Corbett said.

New Element

By linking the issues, Corbett is likely hoping to short-circuit opposition to liquor privatization by promising a boost to schools. That element was missing in previous efforts by Gov. Dick Thornburgh in the 1980s, Gov. Tom Ridge in the 1990s, and Corbett last year to privatize the liquor stores, said Terry Madonna, professor of political science at Franklin and Marshall College.

Ridge’s 1997 liquor plan, for example, was tied to funding for new sports stadiums, arenas, and civic centers.

“This is the first time privatization has been linked to major funding for something like education,” Madonna said. “[Corbett] can leverage the political support for funding education.”

Labor Union Opposition

Labor unions have been the loudest opponent of liquor store privatization, led by UFCW Local 1776, which represents about 3,000 state workers in the liquor store system.

But labor unions are also among the loudest voices calling for more funding for education. On that front they are led by the Pennsylvania State Education Association, or PSEA, with more than 180,000 members.

PSEA President Michael Crossey characterized Corbett’s proposal as “holding students hostage to the governor’s political agenda.”

Pennsylvania has about 620 state-owned and -operated liquor stores. The privatization proposal would allow 1,200 licenses for the sale of wine and spirits.

Corbett’s plan also would allow wine and beer to be sold in supermarkets and would give beer distributors the right to sell six-packs and the chance to buy a license to add sales of wine and spirits.

The plan would keep the current taxing structure in place, Corbett said, including the much-maligned 18 percent “Johnstown Flood Tax.” The Pennsylvania Liquor Control Board would remain in place as an administrative and regulatory body.

‘Down to Competition’

“It all comes down to competition,” Corbett said. “What have we been running now for 75 years? A monopoly. We have laws against monopolies in this country, but we’re saying the state can still remain in a monopoly when it comes to selling wine and liquor.”

Linking the new education block grant to revenue from the liquor stores is a strong play by a governor criticized for his inability to make deals on major issues during his first two years in office.

“This is a departure from the last two years. It shows his willingness to use carrots to negotiate with the legislature on his agenda,” Madonna said.

But he still has to deal with lawmakers.

Modernizing Monopoly

Senate President Joe Scarnati (R-Jefferson) said he wanted to explore a series of bills written by state Sen. Chuck McIlhinney (R-Bucks) aiming to “modernize” the liquor monopoly by allowing stores to change pricing structures and operating hours, among other things.

Scarnati said he wanted to “put both trains on the tracks,” and he criticized the potential linking of key issues, calling it “Washington-style politics” and “hostage-taking.”

After Corbett’s announcement on January 30, state Sen. John Yudichak (R-Luzerne) told reporters the governor’s interwoven plan was a “bizarre and unhealthy attempt to tie education achievement to what can only be described as a one-time alcohol-funded stimulus package.”

Eric Boehm (eric@paindependent.com) is a reporter for PA Independent, where an earlier version of this article appeared. Used with permission of PAIndependent.com.
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