Smoking Ban Harms Business

Apparently, smoking bans are dangerous to the business health of Michigan bars and taverns that traditionally have a high percentage of customers who smoke.

Stories Prompt Illinois Reform

Illinois lawmakers have approved minor reforms to the state’s government pension system, the nation’s most poorly funded. Embarrassing news articles describing how certain political insiders have been able to game the pension system prompted the legislation.

‘Control of Everything’ in Md.

Many local government officials in Maryland oppose a state land-use plan that one opponent says “gives the state control of everything, even food production. It’s a statewide smart growth planning document that attempts to channel development.”

Biggest Tax Dodgers

Of all the companies that have the ability to reduce or avoid paying taxes, the biggest tax dodgers may be the “green energy” industry companies that have the political favor of White House officials.

Colorado Voters Reject Increases in Income and Sales Taxes

“As soon as [Prop. 103] would have passed, the legislature could have legally diverted that money to use it wherever they want.”

KENT LAMBERT, STATE SENATOR
COLORADO SPRINGS, COLORADO

By Jim Waters

Lopsided defeats of proposed education tax hikes across the nation, including a 64–36 drubbing in Colorado, indicate a decidedly anti-tax attitude among voters as states struggle to pay for rising education costs and teacher pensions.

Colorado’s Proposition 103 would have raised the state income tax on individuals and corporations by 8 percent—from 4.63 to 5 percent of adjusted gross income—and the state sales tax from 2.9 percent to 3 percent, a 3.4 percent increase. Proponents said both increases would be used to fund public schools.

“It remains the sentiment of the country that we have to get our fiscal house in order,” said Colorado state Sen. Kent Lambert (R-Colorado Springs), one of the leading voices against Proposition 103. “People are getting a lot more savvy about these issues.
Rhode Island Lawmakers Pass Major Pension Reforms

Continued from page 1

The hybrid nature of the plan shares the risk between the employer and the employee instead of placing the risk entirely on taxpayers if assumptions are inaccurate or investment targets are not met.

The normal retirement age for most employees will be raised to 67, or age 62 with 20 years of service with a reduced benefit. The normal retirement age for general state employees had been 62. Other categories of workers have different normal retirement ages, depending on when they were hired and years of service. The normal retirement age for all public safety employees will be 55 with 25 years of service, up from 20 years.

Simmons said Rhode Island lawmakers “have been acting over the last several years in ways that show they are willing to take on reasonable solutions to important problems.” As an example, he cited income tax changes that have lowered tax rates and simplified the tax system to make the state more competitive with its neighbors and stem the flow of high-income earners out of Rhode Island.
Colorado Voters Reject Tax Increases

Continued from page 1

Even a lot of Democrats were saying, ‘We can’t afford another tax increase.’”

Although there could be some exceptions in the coming elections, the Colora-
do result suggests tax increases current-
ly are not likely to pass in most states, said Michael Barone, an American Enterprise Institute political analyst. Voters in Douglas County also reject-
ed tax increases aimed at instituting a teacher pay-for-performance program and a $200 million bond proposal. They relected, by wide margins, school board candidates who had approved the nation’s first county-initiated voucher program. Two of three reform-minded Denver School Board candidates won seats, but the two union-backed school board candidates in Jefferson County also won seats.

Tax Increase Split Democrats

The Colorado initiative was the only statewide tax on the ballot in the nation this year. Last year, voters rejected by 66 to 29 percent Initiative 1098 in Wash-
ington, which would have established that state’s first income tax.

Lambert notes “only about four Demo-
crats out of 100 legislators showed up” when state Sen. Rollie Heath (D-Boul-
der) “held the initial press conference to announce this money-grabbing bill. If this would have brought support within the Demo-
ocratic Party, they would have been there. It didn’t and it never did.”

Gov. John Hickenlooper (D) refused to endorse the measure, choosing instead to propose—one on the same day as the Prop. 103 vote in November—a budget cutting K-12 education spending by $97 million next year.

The governor could have been avoid-
ing the fight in order to maintain party unity, Barone said.

“Maybe he thought the tax increases were bad public policy but didn’t want to anger advocates and split his party by opposing them outright,” Barone said.

‘Flat-Out Lie’

In trying to build momentum for the tax increase, supporters claimed Colorado is one of the nation’s poorest funders of K-12 education, saying it ranks No. 49 among all states in per-pupil spending.

An analysis of Prop. 103 from the Colorado-based Independence Institute supports Lambert’s claim the ranking is “a flat-out lie.”

Colorado, which spent $11,133 per student during the 2007-08 school year, is actually “in the middle of the pack or a little ahead when making regional comparisons of per-pupil spending,” said Penn Piffner, a senior fellow in fiscal policy for the institute.

Piffner compared that figure to sur-
rounding states’ per-pupil spending, and found it was higher than neighboring Kansas, New Mexico, Arizona, and Utah.

“Locally, only Nebraska came in high-
er, at $1,164 more,” Piffner reported.

The National Education Association ranked Colorado No. 30 in per-pupil spending in December 2010.

Program Sustainability Questioned

Critics also questioned the sustainabil-
ity of new education programs the fund-
ing created, since the measure stipulat-
ed the tax increase would expire in five years.

The measure would have broken “a basic rule in public finance [which] is that onetime money should not be used to finance ongoing programs,” noted Barry Paulson, a senior fellow with the Independence Institute.

Because the money likely would have been used to fund ongoing education pro-
grams, there would have been “tremen-
dous pressure on the state to extend the tax increase and make it permanent,” Paulson said.

Voter Interest in Reforms

Prop. 103’s crushing defeat reflects vot-
ers’ steadfast refusal to provide new tax money to schools “without any reforms attached,” such as charter school expan-
sion, introducing vouchers, and teacher pay-for-performance, said Victor Mitch-
ell, a former state lawmaker and leader of Save Colorado Jobs, which opposed the measure.

“There’s been a lot of venom against charter schools from the education establishment, but charters are a key reason why our state public schools are staying up [since charters are public schools],” Lambert said in agreement. “Unfortunately, the other side is not interested in real reform and changing their practices.”

Jim Waters (jwaters@freedom kentucky.com) is vice president of poli-
cy and communications at the Bluegrass Institute for Public Policy Solutions in Bowling Green, Kentucky. This article first appeared in the January 2012 issue of School Reform News and is used with permission.
Smoked Out: Group Says Ban Has Hurt Bar, Tavern Business

By Jack Spencer

Apparently, smoking bans are dangerous to the business health of Michigan bars and taverns that traditionally have a high percentage of customers who smoke.

The state’s ban on smoking in places of business, including bars, taverns, and restaurants, began about halfway through 2010. New data show purchases of alcoholic beverages at establishments in Michigan with on-premises liquor licenses fell off severely between 2010 and September 2011.

The statistics were compiled by Protect Private Property Rights in Michigan from the Michigan Liquor Control Commission Web site. PPPRM is fighting to have the smoking ban lifted.

Big Declines

The MLCC data showed 3,048 license holders reported a decrease in purchases; 2,162 license holders reported decreases of 10 percent or more. In addition, the data showed the state’s 375 private and veterans clubs reported on average an 18.6 percent drop in purchases.

However, they advocated that, if adopted, the ban should cover all establishments equally. Generally, the types of establishments that seem to be suffering the most from the ban aren’t represented by any lobbying group or association in Lansing. This also was the case while the ban was being debated in the legislature.

Supporters Blame Weak Economy

Supporters of the ban argue the fall-off in sales is probably more a result of the weak economy than the impact of the smoking ban.

“I haven’t seen these numbers, so I can’t comment on them specifically,” said Shelly Kiser of the American Lung Association. “Our primary objective is people’s health. The economy is not doing well. Jobs are scarce, and if the only job someone can find is in a bar they still have the right to a safe working environment.

“I can also say that every study that has used objective measurements has shown that workplace smoking bans do not harm the economy,” Kiser continued. “I’m talking about objective studies, not anecdotal statements.”

“That’s a lot of B.S.,” said Pam Lezotte, owner of Buster’s Place in Trenton. “I’ve lost my smoking clientele. Instead of coming here, they’re holding house parties, where they can smoke while they drink.”

“Look, bars have survived good times and bad times,” Mace said. “People drink during good times and people drink during bad times. When people are happy they drink, when they’re sad they drink. The truth is that customers have been lost because of the smoking ban.”

Customers Have Been Lost

Theresa Shackleford, owner of The Village Bar in Wayne, says there’s no doubt in her mind the smoking ban has seriously hurt her business.

“It absolutely has not been because of the economy,” Shackleford said. “It used to be that summer was typically the slowest season for bars. There are so many other things to do in the summer. But now our business falls off in the winter because customers don’t like to have to stand outside in the cold weather when they smoke. It’s already starting to get colder out, and our business is beginning to drop off.”

Stephen Mace, executive director of PPPRM, said the bad economy has made things tougher on bar owners. He added, however, aspects of bar and tavern business always have been recession-proof and the smoking ban has cut into the heart of that portion of the customer base.

“Customers have been lost because of the smoking ban,” Mace said. “People drink during good times and people drink during bad times. When people are happy they drink, when they’re sad they drink. The truth is that customers have been lost because of the smoking ban.”

You can purchase the book at http://www.amlibpub.com

Each book will be signed by the author!
Mich. Caregiving Parents Forced to Pay Union Dues

By Jack Spencer

Michigan’s “forced unionization” is not only taking money away from home health care workers, it’s taking dollars out of the pockets of parents of the afflicted as well.

Meanwhile, campaign records show the lawmakers who seem to be helping keep the “forced unionization” alive received money from the union that benefits from the situation.

Robert Haynes and his wife, Patricia, take care of their cerebral palsy-stricken son and daughter in their Macomb Township home. Taxpayers help out with monthly checks to the Haynes family. The checks, which are sent by the state, allow them to keep their son and daughter at home instead of having them institutionalized.

$30 a Month to Union

But some of the taxpayer dollars that are supposed to go to the Haynes family are being siphoned off. The state takes a $30 monthly deduction from the checks that’s being sent to the union.

“We’re not even home health care workers. We’re just parents taking care of our kids,” said Robert Haynes, a retired Detroit police officer. “Our daughter is 34, and our son is 30. They have cerebral palsy. They are basically like 6-month-olds in adult bodies. They need to be fed, and they wear diapers. We could sure use that $30 a month that’s being sent to the union.”

Capitol Confidential sent emails to the offices of state Sen. Roger Kahn (R-Saginaw Twp.), Gov. Rick Snyder, Senate Majority Leader Randy Richardville (R-Monroe), and House Appropriations Subcommittee on Community Health Chair Matt Lori (R-Constantine). The emails gave a very brief explanation of the Haynes’ situation and asked the governor and the lawmakers if they approved of what is happening.

Of those contacted, only Lori responded.

No Funding, No End

“Do I approve of this? No,” Lori wrote in an email. “I had believed that the [community health budget] bill passed that defunded it would end it.”

In this year’s budget, the legislature ended all funding for the Michigan Quality Community Care Council, which posed as the employer of the home health care workers.

Two separate forced unionizations took place on Granholm’s watch. Both involved the creation of dummy employers and statewide union elections that were kept secret from the news media.

It was believed the “forced unionization” would end when Granholm left office. However, in spite of efforts by the state legislature, the deductions haven’t stopped.

Ties to Former Governor

Emails show Kahn, chairman of the Michigan Senate Appropriations Committee, worked behind the scenes to keep the forced unionization of home health care workers intact, which, in turn, keeps the deductions flowing. Those emails were obtained by the Mackinac Center for Public Policy through a Freedom of Information Act request.

According to campaign finance reports filed with the Michigan secretary of state, Kahn received $2,500 from the SEIU in 2010.

Kahn was Granholm’s first campaign manager. His wife, Jill Alper, was a chief campaign strategist for Granholm in 2002 and 2006.

Nothing from Union

Haynes says his family is receiving no benefits whatsoever from their alleged membership in the SEIU. The only impact it’s having on them is the monthly loss of money through the dues deductions.

“We take care of our kids at home. There aren’t any working condition issues. There are no raises to negotiate. There aren’t any union issues involved. But the money keeps being taken out of our checks anyway.”

ROBERT HAYNES, PARENT AND CAREGIVER

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IN OTHER WORDS . . .

“‘Second Energy Department-Backed Company Goes Bankrupt,’ reported the Hill the other day. Beacon Power of Massachusetts got a $43 million loan guarantee from the Energy Department before it went belly-up trying to make a buck in the energy-storage business.

“You can add that to the half-billion-and-change the Solyndra flop has left taxpayers on the hook for. Solyndra was supposed to be a one-off, according to administration supporters who blame the unique economics of the solar industry and Solyndra’s approach to it, rather than the folly of corporate welfare, for the flop. Wonder what excuse they’ll come up with for Beacon.

“It’s entirely true that the previous administration also played similar games, and that Republicans in Washington didn’t seem to mind at the time. But that’s hardly an excuse for the Obama administration’s own crony capitalism. Principled conservatives should have spoken up loudly, regardless of party affiliations, against the political allocation of economic resources, which has contributed greatly to much of the nation’s economic misery. Principled liberals should do so now.”

— Richmond Times-Dispatch editorial, November 25, 2011

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Roger Kahn
Senator - MI

benefits whatsoever from their alleged membership in the SEIU. The only impact it’s having on them is the monthly loss of money through the dues deductions.

“Nothing,” Haynes said. “We’re not getting anything from them. We’ve tried to contact them, and they don’t even bother to respond. I don’t even know what they could do to help. Considering the dues money we’re sending them, maybe they should come over and babysit our kids so we could have a night out.

“We take care of our kids at home,” Haynes continued. “There aren’t any working condition issues. There are no raises to negotiate. There aren’t any union issues involved. But the money keeps being taken out of our checks anyway.”

Jack Spencer (author@mackinac.org) is capital affairs specialist for Michigan Capitol Confidential, a news service of the Mackinac Center for Public Policy, where an earlier version of this article appeared. Used with permission.
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Revelations Lead to Reform of Ill. Pensions

By Steve Stanek

Illinois lawmakers have approved legislation to reform the state’s government pension system, the nation’s most poorly funded.

But having barely half the money needed to fund future pension obligations was not the reason for the reform. A string of embarrassing news articles describing how certain political insiders have been able to game the pension system, legally, to receive millions of dollars of potential benefits prompted the legislation.

For this reason, the reform, though a good step, is just a small one, said Ted Dabrowski, vice president of policy at the Illinois Policy Institute, which has been advocating for more fundamental reform.

“There are really two different things going on,” Dabrowski said. “This reform deals more with the corruption side of how Illinois state government and the pensions are run. A separate issue is the overall pension underfunding and growing obligations. Gov. [Pat] Quinn has not had a bill dealing with those issues sent to him.”

Illinois has the nation’s worst unfunded pension liability, conservatively estimated at $85 billion. The reform the state’s lawmakers approved at the end of November closes a provision that allows union leaders to draw pensions from both labor and government pension systems.

The measure had bipartisan support. Quinn has said he will sign the bill.

‘Obscene Loophole’

House Minority Leader Tom Cross (R-Oswego) said the provision allowing union officials to collect government pensions has been badly abused.

“We’re talking in cases where there are individuals that are getting more than one pension, and it’s hard to be sympathetic to a fellow who substitute teaches for a day and retires with a city pension and a union pension,” said Cross.

State Rep. Jack Franks (D-Woodstock) said, “With this legislation, we are closing an obscene loophole that harms Illinois’ hardworking teachers. This type of all-too-familiar insider gamesmanship has contributed to the widespread demonization of our public-sector employees and has put Illinois’ retirement systems further into debt.”

Embarrassing Revelations

Cross and Frank were referring to a Chicago Tribune report detailing how two teacher union lobbyists were allowed to work one day each as substitute teachers and potentially receive millions of dollars of future pension benefits from the Teachers Retirement System.

That report followed several others that gave examples of union officials receiving years of credit toward government pensions even though they were working for the unions during those years.

“Does the Illinois General Assembly have no shame? Is it capable of being embarrassed?

“In a state in which two governors in a row have been convicted of corruption, perhaps it is too much to ask lawmakers to enact reforms to stop misdeeds and misconduct of any type—not just criminal activity involving governors or ex-governors.

“But we will keep asking anyway.

“The public is tired of people gaming the system and saying no laws were broken. It just shows why the laws must be changed.

“Two recent matters come to mind: abuse and misuse of the public pension system, uncovered in a joint investigation by WGN-TV and the Chicago Tribune, and another example of the questionable awarding of legislative ‘scholarships’ to politically connected individuals. ...

“To the General Assembly’s credit, the House and Senate have both passed legislation that would prevent people who take leaves of absences to work for unions to count their union work toward their public pensions or base their public pension on their union pay. ...

“Lawmakers have a full menu for the final days of the ‘veto session.’ But they should make room on their plate for these two items—and all budget-related items—or voters should give them their just desserts on Election Day.”

— Bloomington Pantagraph editorial, November 29, 2011

“Welcome to the Free Market!”

Makers and Takers is a fact-filled and superbly documented book on how wealth and progress are made, and how they are taken away or prevented. It shows how the free market works—and why government intervention doesn’t.

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— ED FLYNN, host of “Talk of the Town” radio program
By Mike Reid

Jefferson County, Alabama’s financial struggles have taken the local government into the largest municipal bankruptcy in national history as nearly two dozen persons associated with the county’s financial troubles have been convicted of criminal conduct.

Jefferson County, which includes the city of Birmingham, filed for bankruptcy November 9, with more than $3.2 billion in debt.

The county has been under financial strain since 2008 because of a pyramid of debt that started with an EPA-mandated repair of the sewer system. Costs were inflated by corrupt politicians, bribes, and subprime loans.

As of October, it seemed the county would avoid bankruptcy by striking a deal with its creditors, the most prominent being financial firm J.P. Morgan. The deal included cutting approximately $1 billion from the debt.

MESSY TANGLE

State Rep. John Rogers (D), whose district includes Jefferson County, said the creditors changed the terms county officials thought they had agreed to. And “because they had no deal on the table at that time, all they could do was file Chapter 9 bankruptcy.”

George Singleton, a county ratepayer who sends research reports on the case to Rogers and other legislators, said it was virtually impossible to reach a deal because “you had such a mess and tangle of pension funds, insurers, guarantors, and bank creditors.” He said the Chapter 9 bankruptcy will force all those other players to appoint a single negotiator.

Corruption Convictions

Twenty-two people have been convicted on corruption charges connected to the case. Among them are four Jefferson County commissioners, including Larry Langford, who was elected mayor of Birmingham in 2007. Langford is serving a 15-year federal prison sentence for accepting $236,000 in bribes in connection with refinancing the sewer debt in 2002.

A key and controversial plank of the recently failed deal with creditors was sewer-rate increases overseen by the state-court-appointed receiver, John Young.

Rate Dispute

Berger said for the county to meet its obligations, “They really have to raise rates a lot. And they haven’t raised rates to the extent that they need to.”

Rogers said the problem can be solved without a rate increase.

“Basiclly, a lot of the increase is corruption and fraud committed by J.P. Morgan and several other people involved,” Rogers said. “So why should the ratepayers have to pay for the fraud and bribery?”

Young said believing the county can avoid rate increases and repair the sewer system to EPA standards is “naive.”

Key Decision

Berger said one aspect of the case many people would be watching closely is whether Young retains his powers as receiver or is removed by the federal bankruptcy court.

He said removing Young would have “a profound impact. He has a really good handle on what’s going on there. And it could really have a chilling impact on the municipal bond market.”

On November 21, U.S. Bankruptcy Judge Thomas B. Bennett announced he would allow Young to remain. He added, though, that he could decide later to limit Young’s powers.

Young has been criticized for his $500-an-hour wage and alleged conflicts of interest. Jefferson County’s legislators have expressed their unanimous support for removing Young.

Young could not be reached for comment.

State Intervention

Part of the failed deal with creditors hinged on the state guaranteeing the county’s debt. Rogers is glad the governor “backed down” on this provision when he saw the breadth of opposition.

Berger said the state will “have to play more of a role than they’re playing now, because I think they’re going to see that the market otherwise may penalize issuers in the state of Alabama.”

Berger said he believes municipal bankruptcies are rare and will remain so.

Douglas French, president of the Alabama-based Ludwig von Mises Institute, said it’s “hard to know what kind of financial shape many municipal debt issuers are in, because they are not quick to update their financial statements.”

Mike Reid (mikereid@mises.com) writes from Manitoba, Canada.

“[It’s] hard to know what kind of financial shape many municipal debt issuers are in, because they are not quick to update their financial statements.”

DOUGLAS FRENCH, PRESIDENT
LUDWIG VON MISES INSTITUTE
Washington Voters End the State’s Liquor Monopoly

By Ian Mason

Washington State voters in November approved Initiative 1183, ending the state’s monopoly on the sale and distribution of alcohol. The state expects to be out of the liquor business by June 1, 2012.

With 20,502 citizens per state-run liquor outlet, Washington’s monopoly system provides less convenient access to alcohol than any other Western state save Utah. The new, private liquor licensees will not only allow consumers more choices of where to purchase their alcohol but will also introduce competition, ending what backers of the initiative say is a stagnant and inflated system of price controls.

The Washington State Liquor Control Board, joined by currently approved liquor wholesalers and labor unions, opposed the initiative. The main supporter of the proposal was Costco Wholesale.

New Revenue Potential

Last year’s failed attempt at privatizing Washington’s liquor trade, Initiative 1100, also would have allowed for increased choice and competition. Washington voters’ approval of this year’s measure may have been a result of projections regarding the referendum’s effect on state and municipal government revenue.

Whereas the Washington Office of Financial Management had estimated last year’s I-1100 would have reduced the state’s General Fund revenue by more than $75 million and local governments’ revenues by more than $180 million, the agency expects this year’s I-1183 to add at least $216 million and $186 million, respectively, to government coffers.

Jason Mercier, director of the Center for Government Reform at the Washington Policy Center, said the dramatically different fiscal implications primarily stem from I-1183 indexing license fees to retailer and distributor revenues. The new fee structure will initially negate much of the retail price savings from privatization, said Mercier, but he nonetheless foresees competition steadily driving down the prices consumers will pay.

“It is exciting to see voters embrace the idea of focusing government efforts on strict enforcement of the public health, safety, and drinking-age laws related to liquor sales, while leaving the business of distributing, pricing, and selling liquor products to the competitive marketplace,” he said.

Entrenched Interests

I-1183’s promise of choice and value for consumers and increased revenues for the state and local governments did not, however, ensure its universal support. Save Our Communities, the main political action committee opposing I-1183, was funded almost entirely by alcohol wholesalers and labor unions.

The wholesalers currently have the exclusive right to distribute beer and wine to businesses and, under a bill passed earlier this year by the Washington legislature, bid for the opportunity to run the state’s liquor warehouse as a private monopoly. They stand to lose substantial profits in a competitive market.

The state-run liquor stores’ union workers, far better compensated than their private-sector equivalents, knew their positions depended on the state maintaining uncompetitive monopoly pricing.

The Liquor Control Board issued a statement after the vote that read in part, “Weighing most heavily on our hearts and minds are the more than 900 Liquor Control Board employees who will lose their jobs” as a result of the passage of I-1183.

Ian Mason (ninthoption@gmail.com) writes from Chicago.
N.C. City Struggles with Failed Music Theater’s TIF

By Don Carrington

Country singer Dolly Parton joined her lesser-known brother Randy Parton on November 11, 2005 in Roanoke Rapids at a groundbreaking ceremony for a city-owned music theater that would bear his name. Thousands of citizens and several government officials attended the event. Project supporters said the Randy Parton Theatre would make Roanoke Rapids a significant tourist destination. It didn’t—and six years later the project provides a lesson to cities that pay for economic development projects using untested financial vehicles.

City officials voted in an emergency meeting in November to sell the theater to a Chicago investor because the city cannot make payments on the debt.

The $21.5 million project was the first major economic development effort underwritten by a North Carolina municipality using tax increment financing (TIF).

Under TIF, a public economic development investment is supposed to improve the values of surrounding property; the incremental increase in property tax collections is then used to repay the borrowed money.

The city borrowed $21.5 million to build the 35,000-square-foot, 1,500-seat theater. But when the project failed, Roanoke Rapids was left with a debt to retire, and little revenue with which to do so.

‘City Gave False Information’

“In the beginning, city officials gave us a bunch of false information. They didn’t tell us what the feasibility study said. They didn’t give us any of the negatives,” said Jim Garrett, a local businessman who initially supported the project.

The Randy Parton Theatre was to be the anchor tenant of Carolina Crossroads, a 1,000-acre entertainment and retail development, with Randy Parton as the manager. Randy Parton’s band played regularly, but he didn’t book other acts to perform. Attendance plummeted. As revenues fell, the city fired Parton and the facility declined.

Randy Parton’s contract with the city called for Roanoke Rapids to pay him up to $1.5 million per year as an “artist fee” to manage the theater, over and above all other expenses. In addition, the city was required to provide him an “acceptable” fully furnished home and the city was required to provide him an “acceptable” fully furnished home and the city was required to provide him an “acceptable” fully furnished home and the city was required to provide him an “acceptable” fully furnished home and the city was required to provide him an “acceptable” fully furnished home.

The theater was completed in March 2007 and turned over to Parton to manage. Parton’s first show with his newly formed band, the Moonlight Bandits, was on July 26, 2007 to a sold-out crowd. Parton’s band usually performed Wednesday through Saturday, but attendance eventually declined. Crowds of less than 100 became frequent.

The city scrapped the original contract with Parton on November 20, 2007 and removed him as the theater’s manager.

New Name, Same Problems

The situation quickly deteriorated. On December 6, 2007 then-Mayor Drewry Beale asked Parton, who appeared to be intoxicated, to leave the theater just before his show was to begin. Parton exited the back of the building and encountered a few reporters. He never performed there again, and city officials quickly renamed the facility The Roanoke Rapids Theatre.

Roanoke Rapids officials had planned for the expected increase in property tax revenue to be used only as a reserve. They expected Parton to make the debt payments with theater revenues over a 20-year period. Once Parton retired the debt, he could buy the theater for $1.

City Finance Director Melinda Hite said the city currently owes $19.9 million in principal. The annual debt service payments of $1.7 million are scheduled to continue until 2027. The city’s current annual operating budget is $14.3 million, and Hite has developed a recommended budget of $13.5 million for the next fiscal year beginning July 2012. Debt service on the theater would soak up 12.6 percent of the city’s operating budget.

Failed Sales Tax Increase

In 2011 the city council approved an initiative for a 1 cent sales tax increase that would be dedicated to the annual debt payment. The city estimated the increase would bring in $1.7 million to $2 million per year.

Such a vote would have to be authorized by the North Carolina General Assembly. State Sen. Ed Jones, a Democrat, sponsored a bill to allow such a vote. But Jones withdrew his bill from consideration after Republican leaders in the Senate told him they would not support it.

Official Profited from Project

Former Northeast Partnership CEO Rick Watson originally developed the concept for the theater and recruited Randy Parton to participate. The partnership was a state-funded economic development agency that seeks to recruit businesses to a 16-county region stretching from Halifax County to Dare County. Watson convinced Roanoke Rapids officials they were competing with other North Carolina communities to land the project.

Watson had a one-third ownership interest in Parton’s company, Moonlight Bandit Productions. Watson’s board of directors terminated him in 2006 for working for Parton while still being paid for his state-funded economic development job.

City officials had bet on Parton’s ability to manage the theater competently and attract enough customers to cover expenses. Before coming to Roanoke Rapids, Parton had played at the Dollywood Amusement Park in Pigeon Forge, Tennessee but had no experience managing a theater. He never invested any of his own money in the Roanoke Rapids project.

“In the beginning, city officials gave us a bunch of false information. They didn’t tell us what the feasibility study said. They didn’t give us any of the negatives.”

JIM GARRETT, BUSINESSMAN ROANOKE RAPIDS, NORTH CAROLINA

Don Carrington (dcarrington@carolina journal.com) is a reporter for Carolina Journal, where an earlier version of this article appeared. Used with permission.
By Cheryl K. Chumley

Nearly 40 years ago, the Maryland General Assembly passed the Land Use Act of 1974 requiring the state’s Department of Planning to create a strategy for land development. Little happened until 2011, when Gov. Martin O’Malley (D) issued an executive order creating PlanMaryland.

In brief, the plan is to establish a “smart growth” strategy for the entire state by creating zones—such as Resource Protection Zones, Residential Zones, and Commercial Zones—to be managed by government entities. The root goal of PlanMaryland is to bring about 12 visions, according to proponents. Vision Number One is to save the environment.

The plan went into effect in November. “Sustainability,” a draft copy states, is the highest goal of the program. “A high quality of life is achieved through universal stewardship of the land, water and air resulting in sustainable communities and protection of the environment.”

‘An Executive Plan’

To some, that’s a considerable power to create by the simple stroke of a pen. But PlanMaryland supporters don’t see it that way.

“It’s an executive plan,” said Andrew Ratner, director of communications and education for the Maryland Department of Planning, addressing the question of why it comes from an executive order and not a legislative bill. “So it’s really a governor’s plan to guide the state agencies as he sees fit. It has already gone through the legislative process, ... and the legislature has actually been the impetus.”

Those who support the plan see it as providing the state multiple kinds of saving: saving money, saving land, and saving government agencies from performing duplicative or conflicting services.

“It will help align state agencies with a smart growth program. It will save 300,000 acres of farm and forest land over the next 25 years. It will save more than $29 billion a year in infrastructure costs,” said Ratner in describing the expected benefits of PlanMaryland.

It will do this largely by slowing or stopping construction of new projects, he said.

‘State Control of Everything’

But that outlook is a bit rosy, said Jim Simpson, a spokesman for Maryland’s Carroll County.

“It’s a sweeping document,” Simpson said. “It gives the state control of everything, even food production. It’s a statewide smart growth planning document that attempts to channel development. When PlanMaryland was presented in April, it was largely a surprise to everyone.”

Simpson says April 4, 2011 was the first public presentation of PlanMaryland. The governor’s office and agencies spent more than three years crafting the plan, Simpson said, using the 1974 law as justification for bypassing the General Assembly. Public meetings were held on the matter, he said, but they were poorly advertised, sparsely attended, and heavily “facilitated.”

“They had input from those public meetings, but those things were pre-arranged using facilitators to get the results they wanted,” Simpson said. “The meetings were way under the radar.”

On top of that, he said, the Carroll County commissioners were elected in 2010, after PlanMaryland was already in motion. That means at least one local governing authority never got an opportunity to comment.

‘Soviet-Style Central Planning’

That such sweeping reforms could be put in place without the due diligence of legislative vetting is an affront, said Carroll County Commissioner Richard Rothschild.

“We do not view this plan as having legitimacy,” Rothschild said. “The plan disrupts 250 years of precedence where the decisions over land use have been made locally by elected officials, where if you don’t like what [they] do, you can fire [them]. This plan is a top-down, Soviet-style, centralized approach to planning.”

Shortly after learning of the plan in April, Simpson and Rothschild began a campaign to educate other county government officials and the public of its environmental provisions and to question its far-reaching impact on development.

For instance, much of the plan’s program for creating a sustainable environment is based on claims sea levels will rise by 10 feet because of “catastrophic global warming,” Simpson said. But not all buy into that science.

Opposition from Most Counties

“Most of the counties throughout the state have concerns with the plan,” Simpson said, noting 19 of Maryland’s 23 counties responded to Carroll County’s call to sign a letter to the governor requesting a delay in implementation of PlanMaryland.

“What happened is the plan went in on November 9 but the governor has not signed it yet,” Simpson said. “The Maryland Senate sent a letter to the governor asking him to defer signing until they’ve had a hearing.”

It’s only a small win, Simpson said, given the political support O’Malley has in the general assembly. But the county has taken more steps to fight back. They’ve sent another letter to the governor requesting more delay; sent a letter to the state’s attorney general advising PlanMaryland does not uphold the general welfare clause inserted in the 1974 legislation; and proposed the insertion of a Bill of Rights to be circulated for signing among the counties to make it clear land-use planning rightly rests with the local governments.

And if the governor goes forth regardless? “I think it would be a mistake,” Rothschild said. “He will galvanize all of us against him.”

Cheryl K. Chumley (ckchumley@gmail.com) writes from Northern Virginia.
States are increasingly extending higher tax rates to products such as candy and soda, ostensibly to fight obesity, but such moves are unlikely to have an impact on obesity rates and health outcomes, according to a new study by the Tax Foundation.

Instead, the taxes will create a complex and confusing classification system dividing the “good” food and drink products from the allegedly “bad” ones, says Tax Foundation analyst Scott Drenkard, author of the report.

“No Impact on Obesity

Drenkard said higher taxes likely would have little or no impact on obesity rates. Recent studies suggest even when selective taxes on certain food products do cause individuals to consume less, those same people replace the calories avoided with other foods, resulting in no net decrease in caloric intake.

In addition to questions about the effectiveness of reducing obesity rates, the systems already in place for taxing candy and soda illustrate the unexpected difficulties in deciding what does and does not count as candy and even soda. Chocolate bars that include any kind of flour, for example, generally do not meet the legal definition of candy.

Drenkard notes under the Streamlined Sales Tax Project, in which 44 states are trying to standardize the collection of sales taxes so they may be collected on Internet sales anywhere in the country, Milky Way and Milky Way Midnight candy bars would be taxed differently because one has flour and the other does not. The SSTP takes six pages to explain what candy is and clarify the definition of flour.

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“Definitional Contortions’

“These definitional contortions are necessary only because states treat products differently for sales tax purposes,” Drenkard writes in his report. “Once a state has decided to treat candy differently from other groceries or other goods and services, this necessitates complex definitions and unequal treatment of specific products. Taxing all final retail sales equally and reducing rates overall could avoid these issues.

“The solution to the obesity problem will not come from government authorities picking out a handful of products to saddle with extra taxes,” said Drenkard. “Consumers need to be free to make prudent decisions about their own diets and health needs without lawmakers trying to stack the deck in one direction or another.”

Penalizing the Healthy

Drenkard points out many people who are not obese but enjoy these sweet treats would be penalized for consuming them by having to pay higher taxes.

“We don’t want to punish those people.”

There is also dispute over how bad the obesity problem is. The body mass index used to identify obesity is based on a person’s height and weight and does not distinguish between fat and muscle, so even some top athletes would be considered obese because of the muscle they carry, Drenkard notes.

He also said research shows there likely will be unintended consequences if candy and soda taxes spread. For instance, if taxes on soda rise, soda makers may be tempted to market “super sodas” with higher levels of sugar, caffeine, or other ingredients to give buyers “more bang for the buck.”

“It seems equally likely that servings would get smaller and more concentrated to avoid taxation on a per-ounce basis. Energy drinks would likely become more popular,” he writes.

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.
Cook County Holds Line on Spending, Raises Sin Taxes

By John W. Skorburg

The Cook County, Illinois board of commissioners went against years of rising spending and general tax increases by voting 16–1 to pass a budget that holds the line on spending and rejects general tax increases, though it does raise “sin” taxes and fees a projected $51 million a year.

The only nay vote was cast by William Beavers (D), a commissioner from the South Side of Chicago who is a political rival of Board President Toni Preckwinkle (D).

The $2.94 billion budget, approved in November, includes nearly 800 layoffs and a quarter percentage-point cut in the county’s share of the retail sales tax.

“The spirit of compromise and collaboration that allowed us to pass this budget will continue in the weeks and months ahead as we continue to address the challenges that face Cook County,” Preckwinkle said in a press statement.

Big Alcohol Tax Hike

Before the budget vote, the county Finance Committee approved a 50 percent increase in alcohol taxes and new taxes on tobacco products other than cigarettes, including cigars and loose tobacco. That measure was a bit more contentious, winning by a 12–5 vote.

According to Preckwinkle’s office, “the county’s tax on wholesale alcohol will increase, with the tax on a 24-pack of beer increasing by 6 cents, and the tax on a 750 ml bottle of vodka by no more than 50 cents.”

“When the cost of alcohol is higher, younger people are less likely to drink and if they do drink, they drink less,” Dr. Ramanathan Raju, CEO of Cook County Hospitals, said at a press conference shortly before the board’s vote.

“Illinois alcohol taxes are already higher than surrounding Midwestern states and increased dramatically in 2009 after Gov. Pat Quinn (D) signed a capital construction bill that hiked alcohol taxes to raise roughly $114 million in annual revenue,” noted the American Beverage Institute (ABI) in a statement. “After the 2009 tax increase, alcohol sales across the state border skyrocketed. Cook County’s proposal would push the rates even higher.”

One of Nation’s Highest Rates

“Alcohol is already one of the highest taxed consumer products in the United States, and Illinois has one of the highest tax rates in the country. Fifty-eight percent of the cost of every bottle of distilled spirits sold in Cook County already goes to taxes and fees,” said ABI Managing Director Sarah Longwell. “Too often, hospitality taxes are treated like an ATM to generate extra revenue to make up for wasteful government spending. As Americans struggle through tough economic conditions, Cook County could not pick a worse time to increase taxes.”

Distilled Spirits Council Vice President Dale Szyndrowski said in a statement, “While we appreciate the difficult position the commissioners are in with respect to the budget, the Chicago-area hospitality industry is also in a very difficult position—down 13,000 jobs since the recession.”

After the vote, Commissioner Joan Patricia Murphy (D) said she agreed to the sin tax hikes because she “thinks the county needs the money” but added she believes businesses near the Indiana border “will take a financial hit” as shoppers cross the state line to avoid paying the higher taxes.

Possible Sales, Jobs Losses

Bill Spann, chief executive officer of the International Premium Cigar & Pipe Retailers Association, said Cook County consumers “are already paying high taxes on all tobacco products. If the county board or city council increases those taxes, consumers will take their business elsewhere. When consumers take their business elsewhere, jobs are lost and businesses are hurt. That’s not in the best interests of Cook County residents, whether or not they use tobacco products.”

Beavers was equally pointed in his criticism of the tax increases.

“Whoever drafted this budget did it in the dark. All I see are poor man’s taxes,” he said.

The Chicago-based Civic Federation, made up of business and professional leaders from Chicago and Cook County, said in a statement it supported the budget “because it reduces spending from FY2011, implements efficiencies and avoids raising broad-based taxes.” But some other business and taxpayer groups opposed the tax increases and worried about the consequences to local employment.

Calls for Long-Term Reform

John Nothdurft, director of government relations for The Heartland Institute, which publishes Budget & Tax News, said Cook County “needs a commitment by the board to implement long-term cost-saving reforms that slow the increasing burden on future residents, not higher taxes on alcohol and other products.”

Kristina Rasmussen, executive vice president of the Illinois Policy Institute, says targeting politically incorrect products may seem easy, but that doesn’t make it right, especially for households already hit by a 67 percent increase in the state income tax in 2011.

“These tax increases might not make that big of a dent in the wallet of a high-flying lawyer out for a night on the town, but it could cost a waiter or a corner storeowner dearly,” Rasmussen said. “Industry analysts predict that the liquor taxes could cost upward of 270 retailer and wholesaler positions.”

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Economist Arthur Laffer, the father of supply-side economics, visited Oklahoma’s capital city to provide what could be called a “conversation starter.”

As keynote speaker at the 55th annual joint meeting of three venerable civic clubs—Kiwanis, Lions, and Rotary—Laffer on November 29 laid out a précis of a new policy analysis from the Oklahoma Council of Public Affairs (OCPA) in cooperation with Arduin, Laffer & Moore Econometrics (ALME).

OCPA, an Oklahoma-based free-market think tank, commissioned the study to lay out the implications of a 10-year glide path to elimination of the state income tax.

Job Creation
Bottom line: A complete phase-out of the levy “would create a long-lasting economic boom, benefiting generations to come,” said Laffer in his speech. Highlights include projected net growth of approximately 312,000 jobs more than if current policies stay in place.

The analysis is certain to provoke controversy and conversation “under the dome” at the state capitol and throughout the state government.

Preston Doerflinger, cabinet secretary of finance in the administration of Gov. Mary Fallin (R), was asked for a succinct reaction to Laffer’s proposal. He said, “Let’s get it on.”

With charts and analysis, ALME documented in the study what Laffer shared with the civic leaders: No matter how you slice it, states without income taxes perform better than those with the levy.

More Consumer Spending
In response to a question asked by a luncheon attendee, Laffer predicted Oklahoma would see higher sales tax receipts due to greater consumer spending as income tax rates come down.

He encouraged policymakers to be bold and to think of their children and grandchildren. Public policy should “make it more attractive for firms to hire, and for workers to work.”

Larkin Warner, an emeritus professor of economics at Oklahoma State University, gave Laffer a warm introduction, saying he had always considered him “primarily an economic educator, teaching us all how excessive taxation can work to the detriment of all.”

Response to Tax Rates
Laffer’s famous “curve” is based on the observation that income generators respond to tax rates and that there are both “arithmetic” and “economic” effects. Rates too high reduce government revenue, while lower rates provoke new productive activity, higher income, and higher tax revenue that would otherwise never emerge. The “curve” certainly informed Laffer’s presentation.

After the speech, OCPA President Michael Carnuccio said, “Eliminating our personal income tax through a gradual phase-out is the kind of transformational change that will move us from having a better-than-average economic climate to being among the very best states in the nation to do business, create jobs, raise a family, and retire.”

Oklahoma has in recent years performed better economically than most states, but it still lags behind states without an income tax.

Oklahoma is performing well in economic growth and boasts one of the nation’s lowest unemployment rates. Traditionally one of the poorest states, Oklahoma is edging upward in a variety of measurements.

State’s ‘Achilles Heel’
But the authors of the OCPA-ALME analysis argue, “Oklahoma’s Achilles’ heel remains the state’s progressive personal income tax. Progressive income taxes filled with special-interest loopholes and exemptions are especially bad. Progressive income taxes produce disproportionately large distortions and revenue volatility, and thereby seriously damage the economy. The damage they cause to the economy always reduces other tax revenues.”

To reach the top tier of states in terms of economic growth and prospects, the authors contend the state needs to take additional steps, including a phase-out of the income tax.

Small Cost
The “cost” to tax coffers of the “glide path” to abolition would put state government revenues around $400 million (about 6 percent) below what they would be in a status quo model.

That gives policymakers “ample time to adjust, meaning only relatively minimal reductions in non-core areas of state spending would be necessary,” Carnuccio said.

He added, “Oklahoma does not need to raise taxes to cut taxes. With hundreds of millions of dollars in waste, inefficiency, and non-core spending in state government, there is plenty of revenue to fund education, transportation, public safety, and a safety net for the truly needy while returning tax dollars to the many Oklahoma families struggling to make ends meet.”

Lowest Tax Burden
The study found an Oklahoma family of four with $50,000 in gross income would save more than $1,300 a year after phase-out of the unpopular levy.

A September statewide survey found two-thirds of likely voters would prefer lower taxes, even if that meant fewer government-provided services.

If the legislature and Fallin were to go down this path, Oklahoma would have the lowest tax burden in the lower 48 states a decade from now.

Carnuccio says that is a “a recipe for the best economic environment in the country. Not just better, the best.”

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INTERNET INFO

‘Green’ Energy Industry Gets Crony-Capitalist Coddling

By Rich Trzupek

A recently released report prepared by liberal think tank Citizens for Tax Justice (CTJ) has attracted the attention of the mainstream media.

Titled “Corporate Taxpayers and Corporate Tax Dodgers 2008–2010,” the report points fingers at corporations that paid the lowest effective tax rates over those three years.

The leading “tax dodger” according to the report was Washington, DC-based Pepco Holdings, a relatively small power company serving D.C. and Maryland. CTJ says Pepco’s effective tax rate over the three-year period was -57.6 percent, which sounds bad, but the actual amount comes to about $500 million over three years, which is roughly the amount of money the Obama administration flushed down the toilet in the Solyndra scandal. At least Pepco is still in business.

$5 Billion to General Electric

Number two on the list is a not-so-little company called General Electric. Its case is more disturbing. GE’s effective tax rate of -45.3 percent over the three-year period amounts to almost $5 billion in taxpayer dollars flowing into the company’s coffers. Five billion dollars isn’t what it used to be, but—to paraphrase the late Sen. Everett Dirksen’s famous quote—a billion here and a billion there, and it eventually adds up.

Here’s the most interesting thing: CTJ carefully explains where tax breaks and subsidies come from. Among the mechanisms noted are “industry-specific tax breaks.” Here’s the summary from page 13 of the report:

“Industry-specific tax breaks. The federal tax code also provides tax subsidies to companies that engage in certain activities. For example: research (very broadly defined); drilling for oil and gas; providing alternatives to oil and gas; making video games; ethanol production; moving operations offshore; not moving operations offshore; maintaining railroad tracks; building NASCAR race tracks; making movies; and a wide variety of activities that special interest groups have persuaded Congress need to be subsidized through the tax code.”

Did you catch it? The report mentions industries “providing alternatives to oil and gas.” Might that refer to the hundreds of billions of dollars in handouts the wind and solar power industries need to stay alive? Could we be talking about the average wind farm counting on tax breaks and subsidies for about 30 percent of its revenue, far more than any other form of energy?

Biggest Tax Dodgers

While I don’t agree with everything in CTJ’s report (because it focuses on only one portion of complex economic issues), it is useful in calling out some of the companies that benefit from crony capitalism.

So why not call out the worst of the crony-capitalist deals by name? The so-called “green power industry”—predominantly in the form of wind and solar companies—is the worst of today’s tax dodgers. Why not just say that? Unless there’s some ideological reason that prevents CTJ from making that clear, of course.

Richard J. Trzupek (rtrzupek@mp-mail.com) is a Heartland Institute policy advisor for environment issues and principal consultant at Mostardi Platt Environmental in Oak Brook, Illinois.

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INTERNET INFO

Cash-Poor Connecticut Gave $26 Million to Candidates in 2010

By Sean Parnell

The state of Connecticut poured $26.1 million of taxpayer dollars into the campaigns of candidates for governor, state legislator, and other statewide offices in 2010, according to the Yankee Institute for Public Policy.

The total, given through the state’s Citizens Election Program (CEP), accounted for nearly half of all money spent by candidates in Connecticut running for state office.

The study, “Government’s Thumb on the Election Scale,” by Yankee Institute Policy Director Heath Fahle, also found incumbents were the principal recipients and beneficiaries of taxpayer funds through the CEP. The $26.1 million given to political candidates came while Connecticut wrestled with a $3.6 billion budget shortfall.

“The Citizens Election Program has many flaws, but perhaps the biggest is that it harms the group of candidates that it was supposed to help the most—challengers—while benefitting incumbents,” Fahle said.

‘Transparency Partisan’
The Democratic majority in Connecticut’s legislature was accused of abusing the CEP in 2010.

In response to a federal court’s decision striking down the program’s “matching funds” provision that would give extra funds to participating candidates who were outspent by opponents or independent groups, lawmakers voted to give the participating candidate for governor an additional $3 million. The decision benefited only Dannel P. Malloy, the Democratic candidate for governor, who faced a self-funded Republican who was not participating in the CEP.

Malloy won the race and is currently Connecticut’s governor.

“The 2010 experience highlighted the transparently partisan nature of public financing,” said Fahle. “After the courts struck down matching grants, and subsequent to learning that the publicly funded Democrat would be running against a privately financed Republican, the Democratic-dominated General Assembly approved a bill awarding an additional $3 million to now-Governor Malloy.”

One of Three
Connecticut is one of only three states offering full funding for state legislative and statewide candidates. The two other states offering similar programs are Arizona and Maine, both of which began theirs during the 2000 election cycle.

Each state’s program is different, but generally candidates are limited to small-dollar contributions—no more than $100 in Connecticut. State senate candidates in Connecticut have to bring in $15,000 from at least 300 residents of their district, while candidates for governor are required to collect $250,000, at least $225,000 of which must come from state residents.

Upon raising the necessary funds, the state provides candidates with a lump sum to use for their campaigns, and candidates are not allowed to raise or spend more money. In 2010, state senate candidates typically received $88,400 and state house candidates received about $26,000.

Malloy, the successful Democratic candidate for governor, received $8.5 million in taxpayer dollars.

Benefits to Incumbents
Critics of giving taxpayer dollars to political candidates argue such programs usually fail to achieve their goals and are often used to advance partisan interests. A 2009 study by Fahle, “Slanting the Playing Field: Connecticut’s Flawed Publicly-Funded Campaign System,” found the program benefited incumbents more than challengers.

Fahle also concluded the program had failed to achieve four of seven stated goals. Two of the remaining three goals were outside the scope of Fahle’s study, and it could not be determined if the final goal had been achieved.

A 2008 report to the New Jersey state legislature by the Center for Competitive Politics examined that state’s 2007 pilot project covering three state senate and six state assembly races and concluded programs that give taxpayer dollars to political candidates are not successful at combating corruption, increasing competition, or otherwise improving the political process.

Advocates of giving taxpayer dollars to political candidates still defend the programs, and even urge the idea be adopted for Congressional races.

Public Campaign, an organization supporting tax-funded political campaigns, claims the mandate would give elected officials “more time to spend with constituents, talking about issues that matter to them.” They also tout the belief politicians elected with taxpayer dollars “can consider legislation on the merits, without worrying about whether they are pleasing well heeled donors and lobbyists.”

Future in Doubt
The 2010 election cycle was only Connecticut’s second with taxpayer dollars given directly to political candidates, and it is unclear whether these programs will continue in the face of mounting budget strains and little evidence of success. Arizona voters will go to the polls next year to vote on whether to repeal that state’s program. Voters in Portland, Oregon last year voted to end their system of government-subsidized political campaigns.

“Taxpayer-subsidized campaigns put the government’s thumb on the election scales and force the public to financially support candidates they otherwise would not,” Fahle concludes in his report. “CEP should be ended to allow campaign activity to be financed with private, voluntary contributions.”

Sean Parnell (parnell001@hotmail.com) is a Heartland Institute policy advisor who writes from Alexandria, Virginia.
Kansas Tightens Welfare Standards to Boost Jobs

By Gene Meyer

Kansas’s largest welfare agency quietly changed some key rules in November for applying for food stamps and other assistance. State officials say the changes will save taxpayers at least $10 million annually.

The actual savings will be larger, but the expected savings from reducing fraud and waste and from moving as many welfare families as possible into full-time employment and self-sufficiency can’t be calculated now, said Department of Social and Rehabilitation Secretary Rob Siedlecki.

The changes, part of a wider total overhaul of Kansas government proposed by Gov. Sam Brownback (R) to improve the state’s economy, are designed to help create as many new jobs as possible in Kansas, Siedlecki said.

Job Training Priority

Much of the expected savings will be plowed back into job training and job location programs, Siedlecki said.

“Helping people find jobs is our first priority,” he noted.

Nearly 14,300 Kansas families are receiving food stamps and other welfare benefits, Siedlecki said.

Social and Rehabilitation Services (SRS), the state’s primary provider of welfare and other social services programs since 1973, implemented some new welfare rules November 1.

The changes will cut $10 million or more annually from the state’s primary food and child care assistance programs, according to Siedlecki.

One of the biggest changes involves Kansas’s administration of a joint state-federal program called Temporary Assistance for Needy Families, or TANF. The new Kansas rules include the incomes of unmarried live-in partners before determining whether applicants qualify.

Siedlecki told members of the Kansas legislature’s Joint Health Policy Oversight Committee that SRS also planned to work with the state Departments of Labor and Commerce to match welfare clients’ job skills with employers’ needs and provide training when needed.

Some Skepticism

Some legislators, including state Sen. Laura Kelly (D-Topeka), wondered how realistic it was to rely on job creation to reduce the state’s welfare rolls.

“How do you expect to get these people back to work when a record number of unemployed, able-bodied, career-oriented people are out there too?” Kelly asked Siedlecki at the committee hearing.

Kansas’s unemployment rate was 6.7 percent in October, according to the Kansas Department of Labor’s latest report. Unemployment nationally remained at 9 percent, the U.S. Bureau of Labor Statistics reported.

Siedlecki said he believed still-undisclosed tax reform plans that Brownback will propose to the legislature to make the state more economically competitive will provide opportunities for that growth.

He also said Kansas would continue to help welfare clients during the changeover. “As long as someone is trying to get a job and working with us, no one will be denied food stamps,” he said.

Learning Curve

For the moment, however, some Kansas social services workers say the new rules are causing confusion and concern.

“We know new guidelines are out there, but we haven’t had time to look at them closely,” said JoAnne Haworth, social services manager at the Gardner Multi Service Center, a Johnson County Human Services office in Gardner. “It’s too soon to say what the effects will be here.”

Churches, charities, and other community organizations that also provide emergency financial or other help to Kansans want to know about the changes too, said Karen Wulfkuhle, executive director of United Community Services, a Lenexa nonprofit formed to help coordinate public and private programs.

“Our community partners are very unsure what the new rules are,” Wulfkuhle said. “I’m not sure if some of them realize there has been a change.”

Gene Meyer (gene.meyer@kansasreporter.org) is state capital reporter for KansasReporter.org, where this article first appeared. Used with permission.

The Next Steps for Congress

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College Loan Initiative a Bailout for the Privileged

By Thomas Cheplick

President Barack Obama’s decision to effectively bail out U.S. college students by making it easier for them to avoid fully repaying their federal student loans has sparked rising anger in some quarters.

George Leef, director of research at the Pope Center for Higher Education Policy, says Obama’s student loan bailout plan is unfair because it forces all Americans to rescue a privileged coterie. Potential bailout beneficiaries constitute less than 30 percent of the U.S. population, he notes, and their college certificates (including degrees) grant them entry to jobs those lacking college credentials cannot get even if they’re capable of doing the work.

For instance, U.S. Army nurses returning from duty in Iraq are prohibited from training to become doctors or even physical therapists if they lack a college certificate. And the qualifying certificate need not be in the person’s chosen field. A degree in world communications, for instance, could qualify the nurse to train to become a doctor.

Inefficient, Expensive

Leef says the American college model has become so inefficient and expensive it makes no sense to bail it out. South Korea’s president has announced initiatives to move his country away from the U.S. college model, which he blames for “demographic decline” and burdening South Korea with enormous, unjustifiable expenses. He has promised to hire high school graduates in his presidential administration.

Other nations rapidly moving away from the American model include Great Britain, whose business secretary is increasing spending on apprenticeship programs in accounting, law, and engineering.

“What President Obama is doing is a terrible idea,” Leef said. “We are thinking about a bailout for a model that is already massively underperforming.”

“New York University’s Richard Arum and the University of Virginia’s Josipa Roksa have studied the U.S. college situation in their book Academically Adrift,” Leef continued, “and found that more than a third of college seniors graduating have zero improvement in critical thinking skills, writing, [and] analytical reasoning.”

Even more alarming, said Leef, is that the colleges focused on science “are failing dismally. Professor of Education Mitchell Chang at UCLA, notes that we lose ‘an alarming proportion’ of America’s science-oriented teens once they are in an American college. Notre Dame’s engineering dean, Peter Kilpatrick, has noted that sophomore and junior years in U.S. college are a ‘weak link’ in engineering. So what are we doing bailing out this model? Why throw more good money after bad?”

More Inequality

Rich Danker, director of economics at the American Principles Project in Washington, DC, said people “are right to be frustrated, but President Obama should be aware that granting this subset of Americans an easier federal student loan burden might well exacerbate the enormous wealth inequality persisting in America today.”

“It is interesting that the statistic that says ‘25 percent of Americans get 87 percent of the nation’s wealth’ roughly corresponds with the number of Americans who possess an American college certificate. Bailing this group out is not going to help efforts to reduce wealth inequality in the United States today, and in fact it may damage our economy by further entrenching this system and making it harder for non-college certificate holders to compete against college certificate holders,” Danker said.

No Loans for Apprentices

Alexander Tabarrok, research director for the Independent Institute and author of the new book Launching the Innovation Renaissance, also notes the unfairness of the federal college program and Obama’s move.

“We are giving money to people who take on college loans, but what about the Americans who take on an apprenticeship to become an electrician? There aren’t college loans available for them. [This situation] continues to be a problem in the United States, this biasing to college and away from vocational programs. Germany and Switzerland do not do this, and have vocational training and programs.”

Leef said if Obama wanted to be constructive he should have proposed an effort to get more Americans trained and educated for jobs the nation needs.

“If President Obama actually wanted to propose something that could help the horrible unemployment situation in this country—and all those homeless teenagers we [allegedly] see on the street—[he would work to] get them into public libraries studying to take the LSAT exam or whatnot. Then he would have pushed to end this uniquely American college model and its regulatory and political stranglehold over numerous American professions, technical training schools, and the U.S. government,” Leef said.

Supreme Court Clarification

Leef says a 1970 Supreme Court decision, Griggs v. Duke Power, has been wrongly viewed by many as virtually forcing businesses to hire only college graduates for certain jobs. The idea behind the ruling was, paradoxically, to ensure ability, not certificates, determined hiring practices, but certificates came to be viewed as evidence of ability.

As a result, “There is truly, absolutely no rational reason anymore for the U.S. government to be funding, let alone bail out, this college model,” Leef said. “In the end, the real question is whether this American college model continues into the next century. I doubt it will everywhere, but perhaps it will here. Bailing it out does us no good.”

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