Maryland Telecom Taxes
Proposed telecommunications taxes in Prince George's County, Maryland may cause taxpayers to hang up and move out of town.
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Chasing Away Food Carts
Lawmakers in a Buffalo, New York suburb are banning food trucks, leaving entrepreneurs with a sour taste.
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Cutting Welfare Abuse
Kansas is reforming its food stamp program, banning the use of food stamps for alcohol and fortune-tellers.
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Voting Down New Taxes
Michigan voters overwhelmingly rejected a proposal to fund new road infrastructure spending with gasoline and sales taxes, prompting a search for better ways to fund repairs of the state’s roads.
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Texas Eminent Domain Reform
Texas’s eminent domain laws lack sufficient protections against abuse, and lawmakers are debating a bill to help protect homeowners from being ripped off by government entities.
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Is Chicago Heading Toward Bankruptcy?

Moody’s Investors Service, a credit rating agency headquartered in New York City, downgraded Chicago’s government-issued bonds to one of its lowest ratings, citing the city’s massive underfunded pension liabilities as a significant credit risk for investors.

By Jesse Hathaway

Labeling Chicago’s debt as “Ba1,” or “junk,” increases the city’s financial costs, as fewer banks will lend money and fewer investors will purchase bonds. Loans from banks that choose to lend the city money will have higher interest rates compared to cities with better credit ratings.

By Warner Todd Huston

CenturyLink, one of the nation’s largest Internet service providers, is filing a lawsuit challenging the Federal Communications Commission’s (FCC) net neutrality order.

CenturyLink’s lawsuit is the seventh such legal challenge since the commission voted in February to regulate and reclassify the Internet as a utility. Scott Cleland, a telecommunications policy analyst who served as deputy U.S. coordinator for communications and information policy in the George H.W. Bush administration, says FCC’s net neutrality ruling was a stepping stone toward more pervasive telecom regulation. Cleland also serves as a policy advisor for The Heartland Institute, which publishes Budget & Tax News.
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Declining Sin Tax Revenues Cripple Connecticut State Budget

By Amelia Hamilton

As Connecticut lawmakers try to fix a projected annual $1.3 billion deficit, tobacco excise tax revenues fell by 10 percent, from $420.8 million to $377 million.

“We see fewer people consuming cigarettes over time so sin taxes, by their design, are almost intended to bring in less revenue over time if they are successful in reducing consumption,” said Adam Hoffer, assistant professor of economics at the University of Wisconsin-LaCrosse.

Conflicting Goals

Hoffer noted sin taxes “serve two purposes. One, their goal is to decrease consumption, and the second, hidden goal is to bring in more tax revenue.” The two goals are largely exclusive, he notes: If the tax discourages consumption, it cannot bring in more revenue. Hoffer also says the burden of sin taxes falls disproportionately on low-income households.

“These goods are consumed relatively more by lower-income households, so there are not a ton of great substitutes for these goods,” Hoffer said. “Apple slices are not a great substitute for potato chips. It’s difficult to find a great substitute for beer, cigarettes, or a soda.”

Hoffer says lawmakers should be honest about why they want to increase or introduce sin taxes.

“If this goal is to raise revenue ... yes, the taxes will raise revenue,” Hoffer said. “Unfortunately, that revenue comes largely from lower-income households. If the goal of a sin tax is to reduce consumption, we have better means to try to reduce consumption that don’t have these harmful effects on low-income households.”

‘Structural Issues’

Suzanne Bates, a policy advisor for the Yankee Institute for Public Policy, says lawmakers should address the real causes of the state’s budget problems.

“Connecticut’s budget problem is a spending problem, not a taxing problem. They need to stop trying to raise taxes in a million different ways, they need to work on structural issues that are causing our spending to increase at such a rapid rate.”

‘Easy Things to Raise’

Bates says lawmakers need to be more realistic about sin tax revenue.

“We have a pretty bad budget situation right now,” said Bates. “We have billion-dollar deficits for the next two years that lawmakers are trying to fill, so they’re looking at raising all taxes, and everything is on the table right now. So, cigarettes and alcohol are the easy things to raise, but when you look at those taxes, it’s not going to give you the revenue you think it is.”

Amelia Hamilton (mail@amelia-hamilton.com) writes from Traverse City, Michigan.

Department of Labor Proposes Stricter Investment Broker Regulations

By Jesse Hathaway

The U.S. Department of Labor is proposing new regulations on the investment industry, claiming its proposed “fiduciary rule” will protect consumers from unscrupulous investment advisors.

The proposal, which will go into effect 60 days after a final rule has been issued by the Department of Labor’s (DOL) Employee Benefits Security Administration, would place stricter standards on investment brokers.

Investment brokers would be held to a “fiduciary standard,” requiring them to act solely in the client’s interests, instead of the current “suitability standard” that requires only a “reasonable basis to believe that the recommendation is suitable for a particular customer.”

Treasuring Investors Like Children

Competitive Enterprise Institute Senior Fellow John Berlau says the proposed regulation treats investors as though they are not equipped to decide what is best for themselves.

“DOL bureaucrats actually say in writing they believe people are too stupid to invest,” Berlau said. “According to page 4 of the rule, ‘Individual retirement investors have much greater responsibility for directing their own investments, but they seldom have the training or specialized expertise necessary to prudently manage retirement assets on their own.’ Therefore, they need guidance on how to manage their savings to achieve a secure retirement.”

“The DOL itself estimates the rule could cost $6 billion [in compliance costs] over 10 years, but there could be billions more in knock-on effects in loss of capital for entrepreneurs,” Berlau said. “Many angel investors and venture capitalists fund startups through their individual retirement accounts. If the rule closes off this avenue of investing, dynamic new firms will die on the vine, depriving the economy of job growth and innovation.”

John Berlau, Senior Fellow
Competitive Enterprise Institute

‘A Great Disservice’

Thayla Knight, associate director of financial regulation studies at the Cato Institute, says the government should trust people to understand what they want in an investment plan.

“I think we do the American people a great disservice if we keep saying, ‘You’re not smart enough to understand financial planning,’” Knight said. “There is this trend where we keep saying, ‘You’re not smart enough to understand financial planning,’ and it makes people say, ‘Oh, no, I can’t understand this.’”

Jesse Hathaway (jhathaway@heartland.org) is managing editor of Budget & Tax News.
By Matt Hurley

New Mexico Gov. Susana Martinez (R) signed into law one of the nation’s most sweeping reforms of civil asset forfeiture, responding in part to taped footage of a local city attorney advising local police officers how to use the law enforcement tactic to increase revenue.

‘Platinum Standard’ Laws

Institute for Justice Legislative Counsel Lee McGrath says New Mexico’s civil asset forfeiture laws are now among the best in the nation.

“New Mexico has enacted the platinum standard for reform,” McGrath said. “Other states should emulate New Mexico and enact comprehensive reforms.”

McGrath says more than 25 states have begun reforming their civil asset forfeiture laws, but the story behind New Mexico’s reform is unique.

“A number of forces came together in New Mexico,” McGrath said. “The two big ones were the video of a local city attorney teaching members of law enforcement how to profit from forfeiture, and the local advocacy of Brad Cates. “Brad is a former [U.S.] Department of Justice prosecutor responsible for forfeiture litigation,” McGrath said. “He experienced a Damascene conversion and contributed significantly to the lobbying effort in Santa Fe.”

‘A Momentous Change’

Rio Grande Foundation President Paul Gessing says the changes to New Mexico’s property seizure laws are overdue but welcome.

“I wasn’t convinced at the outset that we could get such a robust package of reforms, but I thought that if we just changed the incentives for police departments so that they no longer could use civil asset forfeiture to pad their own budgets, that would be a momentous change,” Gessing said.

Caught on Tape

Gessing says leaked footage of Las Cruces City Attorney Harry S. Connelly, Jr. played a key role in spurring the bill.

“The remarks by now-former Las Cruces City Attorney Harry S. Connelly, Jr., in which he made several outrageous statements relating to civil asset forfeiture, played a big role,” Gessing said. “Connelly said, in part, ‘We could be czars. We could own the city. We could be in the real estate business.’”

Is Chicago Headed Toward Bankruptcy?

Continued from page 1

Municipal bankruptcy is not currently a legal option for struggling Illinois cities, but Bill Bergman, director of research for Truth in Accounting, says that may change in the near future.

“It’s something that could possibly happen, depending on Springfield and how it plays out in the legislature,” Bergman said. “In the next two or three years, we might have the kind of pressures in our cities’ and state finances that lead to a lot of tumult.

“It’s still possible, and it’s sad that it is a possibility,” Bergman said. “Some people think [bankruptcy] the right thing to do, and it’s a very sad situation.”

Outlook: Negative

Moody’s analysts are pessimistic about Chicago’s economic future, expecting the city’s problems to continue to worsen. In May, the Illinois Supreme Court ruled cuts in pension payments to public sector retirees violated the state’s constitution.

“We believe that the city’s options for curbing growth in its own unfunded pension liabilities have narrowed considerably,” Moody’s Investor Service (MIS) Analyst Matthew Buttle wrote in the report. “Whether or not the current statutes that govern Chicago’s pension plans stand, we expect the costs of servicing Chicago’s unfunded liabilities will grow, placing significant strain on the city’s financial operations absent commensurate growth in revenue and/or reductions in other expenditures.”

“Fund the Pensions”

Don Ohannes, a former municipal financial analyst for Allstate Insurance Company and current member of the National Federation of Municipal Analysts, says Chicago elected officials should accept the truth behind the downgrade and make a priority of finding a way to fund the city’s pension plans. Ohannes is also a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“The only advice I would give the mayor is to concentrate on finding a way to fund the pensions,” Ohannes said. “Because of the downgrade, it will cost more to borrow, which will have a negative impact on the budget.”

Chicago Mayor Rahm Emanuel has criticized the MIS report as “irresponsible,” but Ohannes says city officials should work with Moody’s to identify and fix the problems listed in the report.

“Rather than getting into a contentious relationship with Moody’s, I would hire an outside consultant to work with Moody’s to attempt to remedy the problems that have led to the downgrading,” Emmanuel said. “That will not be an easy task. You have to remember that the mayor inherited the problems that led to the downgrading, and that during his first term he did nothing to right the ship.”

Identifying the Problem

Bergman says bankruptcy hurts cities and their taxpayers, but facing facts will help Chicago avoid what he calls an “unfortunate way” to resolve financial crises.

“Everybody takes a hit [under bankruptcy], and it’s an unfortunate way to resolve very difficult problems,” said Bergman. “More importantly, I think we’ve got to try to address the reasons why we got into this situation in the first place. Part of the way out is being honest, as soon as possible, about our own knowledge of the finances and how we present those finances to the public.”

Jesse Hathaway (jthurley@heartland.org) is managing editor of Budget & Tax News.

Model Legislation

Gessing says he hopes the victory for property owners and taxpayers in New Mexico will inspire other states to rein in policing-for-profit.

“New Mexico’s reforms were the very definition of bipartisan, with zero legislators in the Republican-controlled House or the Democrat-held Senate voting against it,” Gessing said. “It was signed into law by a Republican prosecutor.

“It can happen here, it can happen anywhere,” Gessing said.

Matt Hurley (wmdtvmat@yahoo.com) writes from Cincinnati, Ohio.

INTERNET INFO

The Prince George’s County Council is considering increasing the Maryland county’s tax on landline and wireless phone service by 4 percentage points.

The proposed tax hike, included in the county council’s fiscal year 2016 budget, would increase the telecom tax from 8 percent of a user’s bill to 12 percent of the bill, representing a 50 percent increase.

‘Staying Connected with the Economy’
The proposed tax hike would increase the burden on the county’s taxpayers, says Steven Titch, a telecommunications policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“Especially wireless service—more than ever—but also phone service and Internet service are vital these days to anyone looking for a job or holding a job,” Titch said. “It’s a tool for staying connected with the economy. If you want to nurture a local economy, especially at the county level, you want to make it easy for people to get jobs, for businesses to locate there, and for businesses to be able to have employees and an employment base.”

Titch says the tax hike will discourage businesses and families from relocating to the county.

“If somebody knows they’re going to move from one county line over and their wireless bills are going to skyrocket because of it, they may reconsider,” Titch said. “Businesses that pay for wireless service on behalf of their employees are going to think twice about employing people from Prince George’s County.

“The county is not going to get any extra revenues out of this, but the cost will be jobs and [suppression of the] local economy. People will have less money to spend on local businesses, and less reason to live within the county,” Titch said.

Burden of Proof
John Walters, a research associate at the Maryland Public Policy Institute, says taxpayers should be very skeptical when lawmakers create new taxes to fund specific purposes.

“With any proposed tax increase, taxpayers should be asking, ‘What is this money going to be used for?’” Walters said. “We are often told that we need a higher tax for some specific purpose, but before long that original purpose is long forgotten and the extra revenue is diverted to the general fund.”

Walters says the burden of reassuring taxpayers about the use of additional revenues lies with the lawmakers proposing the new tax.

“The burden is supposed to be on the government to justify why increased taxes are necessary, and why they need to spend as much as they do,” Walters said. Proposing taxes without proving there’s a specific need for them is “not the way things are supposed to work, but it’s all too common,” said Walters.

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.
New York State financial regulators are crafting a framework for placing cryptocurrency processing companies under government supervision. Under the new policy, companies transmitting bitcoin payments on behalf of customers would be required to obtain government licenses and operate under traditional government financial regulations.

‘Worst of All Possible Worlds’
Cato Institute Senior Fellow Jim Harper says the plan to place cryptocurrency processors under state financial oversight is ill-advised.

“Even giving the New York Department of Financial Services the benefit of the doubt, they’re not following the law they’re supposed to follow in promulgating the regulations, and that’s the administrative state run amok,” Harper said. “DFS doesn’t understand bitcoin all that well. On top of that, they aren’t willing to share information about what they’re trying to achieve.

“It’s the worst of all possible worlds,” Harper said.

Routing Around Regulations
In the long run, bitcoin companies will gravitate toward global financial centers with more forward-looking policies, Harper says.

“London is seeking to become a bitcoin-friendly area, and they have explicitly contrasted what they’re doing with what New York is doing, [and] it may be that London is the center of financial services for the future,” Harper said.

“It’s an example of regulation without reason,” Harper said. “New York doesn’t know why they’re doing this. They are doing it [solely] to regulate.”

‘Kind of a Red Flag’
Jerry Brito, executive director of the Coin Center, a nonprofit research and advocacy center focusing on public policy issues facing cryptocurrency, says he’s wary of the proposed regulations.

“One of the outcomes is going to be that bitcoin companies decline to serve New York customers. It’s a big world out there. New York is a big financial capital, and it’s an important financial capital, but bitcoin companies see themselves as global, so losing the New York market is not going to be all that important [to them].”

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.
Lancaster, NY Village Council Dishes Out New Food Truck Regs

By Matt Hurley

Even though no food trucks currently serve the city, the Lancaster, New York village board is adopting new regulations on where entrepreneurs may park and sell food to hungry residents.

Should any food truck operators or mobile food salesmen, such as hot dog cart vendors, open up shop in Lancaster, a $250 license will be required to legally operate, the village board will need to approve the new business, and vendors will not be allowed to do business within 100 feet of a restaurant.

Protecting ‘Their Own Bottom Lines’

Institute for Justice attorney Robert Frommer says food truck regulations have more to do with protecting brick-and-mortar restaurants than potential concerns about prospective food trucks.

“The restaurateurs who push for restrictions on food trucks and other mobile food vendors frequently do so not to protect the public’s health and safety but their own bottom lines,” Frommer said. “Time and again, the message from restaurateurs is increased competition from food trucks will cause them to suffer financially.”

“This isn’t borne out by reality,” Frommer said. “What the Institute for Justice and other observers of the mobile-food movement have seen is that the presence of food trucks helps nearby restaurants by encouraging consumers to come out. These calls for protectionism are not just bad policy; they are unconstitutional. Every entrepreneur has the right to pursue their American dream, and the government cannot constitutionally squash those dreams just to improve a competitor’s bottom line.”

Regulations on food trucks can cause collateral damage against other industries, Frommer says.

“Many of the regulations cities impose on food trucks do impact other mobile businesses, including ice cream trucks and mobile fashion trucks,” Frommer said. “But in many cities, old laws governing ice cream trucks have been mechanically applied to modern gourmet food trucks, even though the two are very different types of businesses.”

A Cold Welcome

Daren Bakst, a Heritage Foundation agricultural policy research fellow, says the new regulations are a solution in search of a problem.

“This appears to be nothing more than a protectionist measure,” Bakst said. “Not a single food truck has come to Lancaster, yet the village is already trying to create obstacles for them. Ironically, Lancaster says it welcomes food trucks. ... It has a funny way of showing it.

“Competition should be welcomed,” Bakst said. “If the food trucks provide a service that village residents demand, then the community will be better off.”

Bakst says restaurant owners should work to reduce their own regulatory burdens, instead of trying to drag down industries they perceive as competitive.

“Before determining whether a tax or regulation is appropriate, it is first critical to understand whether it exists just to help brick-and-mortar establishments or if it has a legitimate independent reason,” Bakst said. “Instead of getting upset and seeking to create even more government interference in the food service industry by pushing for taxes and regulations on their competitors, brick-and-mortar establishments should fight to get rid of the often ridiculous requirements that are imposed upon them.”

Matt Hurley (wmdtvmatt@yahoo.com) writes from Cincinnati, Ohio.

INTERNET INFO


Rhode Island Team Asks Lawmakers for Hefty Handout

By Tony Corvo

The Pawtucket Red Sox, a minor-league affiliate of the Boston Red Sox, is seeking up to $120 million in taxpayer subsidies over a 30-year period for the construction and maintenance of a new stadium.

If state lawmakers approve, the payment agreement would be in addition to the city government’s no-cost donation of land for the stadium.

Former Ballplayer Unimpressed

Although the Rhode Island Center for Freedom and Prosperity has not taken an official stand on the Pawtucket stadium proposal, its chief operating officer, Mike Stenhouse, says he thinks taxpayers deserve a better deal.

“Personally, as a former Pawtucket and Boston Red Sox player and television analyst, there is nothing I would like to see more than a beautiful downtown ballpark,” Stenhouse said. “Professionally, as founder of a free-market think tank, I cannot support significant taxpayer funding of the project without receiving anything more than vague hopes for economic development in return.

“A better deal would not socialize the downside,” Stenhouse said. “A better deal would not completely privatize the upside.”

‘Emotionally Attached’

Lake Forest College economics professor Robert Baade says sports subsidies often fail to deliver on their proponents’ promises. Baade is a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“One could make an argument that sports teams and stadium subsidies have nothing to do with economics but are routinely benign [or], in some cases, induce a negative outcome,” Baade said. “Fans are emotionally attached to their teams, and many politicians operate under the fear that if a team abandons their city under their watch, there will be a huge political price to pay.”

Baade says sports subsidies may make lawmakers feel good about themselves, but they do not provide an economic boost to cities.

“We ought to be honest about what teams and stadiums provide in terms of economic impact.”

ROBERT BAADE
LAKE FOREST COLLEGE

“‘Emotionally Attached’

Lake Forest College economics professor Robert Baade says sports subsidies often fail to deliver on their proponents’ promises. Baade is a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

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Baade says sports subsidies may make lawmakers feel good about themselves, but they do not provide an economic boost to cities.

“We ought to be honest about what teams and stadiums provide in terms of economic impact,” Baade said. “This is really a quality-of-life issue. It’s a psychological issue. ... It’s not an issue of economics.”

Tony Corvo (tcorvo54@gmail.com) writes from Beaver Creek, Ohio.
La. Lawmakers Propose Regressive Tobacco Tax to Fill Budget Hole

By Jen Kuznicki

Louisiana lawmakers are proposing hiking excise taxes on cigarettes to help cover a looming $1.6 billion shortfall in the state budget. The proposed tax hike would increase the tax on cigarettes from 36 cents per pack to 68 cents per pack, a 112 percent tax hike.

‘Doubly Regressive’

Institute of Economic Affairs Director of Lifestyle Economics Christopher Snowdon says the tax proposal is an attempt to balance the state budget on the backs of low-income individuals. “All indirect taxes hurt the poor more than the rich,” Snowdon said. “Cigarette taxes are doubly regressive, because smokers are disproportionately drawn from low-income groups.

“Two things in life are certain—death and taxes—but taxes should be efficient, effective, and fair,” Snowdon said. “Sin taxes on products that are disproportionately consumed by the poor meet none of these criteria.”

Snowdon says excise taxes on consumer goods such as tobacco are enacted to fill government coffers, not to help improve public health.

“All of these taxes are portrayed as health measures, but the reality is that they are stealth taxes,” Snowdon said. “The demand for tasty food, like the demand for cigarettes and alcohol, is inelastic, and governments know that consumers will pay up. They are nearly always revenue-raising measures.”

Calls for Budget Flexibility

Pelican Institute for Public Policy President Kevin Kane says Louisiana lawmakers’ current problem is one of their own choosing. “The broader issue that legislators really need to address is that there is very little flexibility in the state budget, so when they find themselves in a position like they do now, with a huge deficit, their ability to cut spending is actually more limited than you would think,” Kane said. “There are all sorts of parts of the budget that are constitutionally or statutorily protected, so it’s much more difficult to cut spending than it ought to be. So they run around looking for these desperate quick fixes, and raising the cigarette tax is a classic fill for a budget hole.

“If they don’t do something to correct the larger problem, these kinds of things will continue,” Kane said.

Kane says Louisiana lawmakers should examine the budget in ways to make more spending discretionary. “One of the things these lawmakers need to do is really look at how the budget is structured, and give themselves a little more flexibility year to year, because it is wrong to be governed by legislatures of the past.”

Eugene City Council, Uber, Clash over New Ridesharing Regulations

By Tony Corvo

Uber, a peer-to-peer transportation company connecting people seeking rides with drivers, is suspending operations in the city of Eugene, Oregon after the town’s city council placed new regulations on the ridesharing company’s operations.

After Uber began operations in Eugene in 2014, elected officials passed new laws requiring Uber drivers to submit to criminal background checks administered by the city’s police department and to obtain insurance policies with at least $1.3 million in liability coverage.

Asking Permission to Exist

Reason Foundation Vice President of Policy Adrian Moore says government should not force businesses like Uber to ask permission to serve customers in new or innovative ways.

“I don’t think businesses should need permission from the government to exist or start operations, so I would deregulate the taxis and other ride-share companies and let the market take over,” Moore said.

Moore says allowing companies to compete for customers without government interference benefits consumers.

“The market can handle virtually all of the problems that might arise in this market,” Moore said. “The beauty of the new technology that enables Uber and similar services is that they overcome the information problems that regulators have used to justify their restrictions. That technology and information lets issues of safety, insurance, liability, and quality of service be worked out in the market and contracts and, if needed, in the courts.”

‘Nothing Protects Consumers Better’

Moore says consumers are better judges of quality than government inspectors and lawmakers.

“One on a simple level, the constant day-to-day customer feedback via the apps is far more scrutiny on vehicles and drivers than an occasional taxi commission bureaucrat inspector,” Moore said. “On a larger level, nothing protects consumers better than competition and the ability to stop using a lousy company.”

Steve Buckstein, senior policy analyst and founder of the Cascade Policy Institute, says government should get out of the way and allow consumers to engage in voluntary trade with Uber drivers.

“The only legitimate reasons for city regulation are to make sure that drivers and vehicles of both taxi companies and ridesharing companies are licensed, insured, and relatively safe,” Buckstein said. “After that, it should be between willing passengers and willing drivers and companies engaging in free trade.”

Tony Corvo (tcorvo54@gmail.com) writes from Beavercreek, Ohio.
DHS Seeks Automated License Plate Tracking Database

By Jen Kuznicki

About one year after abandoning a plan to create an automated national database tracking automobile owners’ license plate data and location, the U.S. Department of Homeland Security is renewing its effort to create the program, soliciting bids from private surveillance companies to facilitate the creation of the registry.

This national license plate database technology, once activated, would log the time and place license plates were spotted by cameras, allowing the government to track drivers’ locations and habits.

Huge Private Databases
Jennifer Lynch, a senior attorney for the Electronic Frontier Foundation, says the Department of Homeland Security (DHS) is trying to gain access to private companies’ existing databases.

“Private companies have been collecting license plate data for several years now,” Lynch said. “There are two companies: Vigilant Solutions, a subsidiary of DRN, and another called MVTrac. Vigilant publicly admits that they have a database of about 1.2 billion license plate scans, and of course it’s not just the number, it’s also the time, date, and location in which it is collected, as well as a photograph of the car and possibly occupants of the vehicle.”

Lynch says the government uses private companies to get around legal protections of people’s privacy.

“Vigilant Solutions also develops tools for law enforcement agencies around the country and offered to hold on to the data so the agency doesn’t have to create its own database, have its own servers, and be responsible for protecting the security of the data,” Lynch said. “In exchange for that, Vigilant is combining all of its law enforcement data with all of its private data, and giving law enforcement officers in each individual municipality access to all of that data.

“I think it’s very concerning that we don’t know too much about how DHS would have access to this information since the database allows you to search for the location of any license plate you are trying to target, maybe from a particular political group, or maybe you are trying to track a reporter, and it will tell you everywhere that vehicle has been photographed,” said Lynch.

‘Scooping Up Info’
Privacy consultant and former Electronic Privacy Information Center senior counsel Melissa Ngo says such agreements between the government and surveillance companies are “alarming.”

“It’s alarming that one company said they gathered about three million records a day, scooping up info to sell to other companies and possibly the government,” Ngo said. “This is personal information about where you’ve been and where you’re likely go to, because most of us have set patterns for work, school, and home life.”

Jen Kuznicki (jenkuznicki@reagan.com) writes from Hawks, Michigan.

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Philadelphia City Council Considers Taxing Airbnb

By Elizabeth BeShears

Spurred by Pope Francis’s upcoming visit to the city, the Philadelphia City Council is considering expanding the city’s hotel tax to include “peer-to-peer economy” sharing services such as Airbnb, even though the city currently prohibits short-term rentals in residential districts.

A Taxing Question

Allegheny Institute Senior Policy Analyst Eric Montarti says the city lacks the legal authority to expand the hotel tax to include Airbnb.

“State law enables cities to tax things, whether it’s property, earned income, alcoholic beverages, or lodging,” said Eric Montarti. “That all comes from state law. There’s nothing that says a local government in Pennsylvania can say, ‘We feel like taxing “blank,” let’s start doing it.’ It all comes from general state laws or state codes that apply to specific municipalities.”

By reducing the temptation to spend entitlement money on nonessential goods such as alcohol or lottery tickets, O’Donnell says the new law will encourage people to use cash assistance money for its intended purposes.

“We want to make sure that there is no hindrance or barricade between individuals that are on payments getting into the workforce,” O’Donnell said. “Lack of education is the number-one cause of poverty. The money is to be used for necessities for life—shelter, food, vehicles, gasoline, other necessities that are required to help people look for a job or get to the job training skills and programs that we’re trying to encourage.”

‘The Surest Way Out’

Cato Institute Senior Fellow Michael Tanner says welfare programs in general are too large and too numerous.

“We know that work is the surest way out of poverty,” Tanner said. “We don’t want welfare to become a way of life. We have over 120 welfare programs right now, which makes account-ability virtually impossible, so there should be greater consolidation of these programs.”

Tanner says reducing the benefits of welfare programs is more effective than simply restricting participation in the programs.

“Overall, we need to reduce the level of welfare benefits that individuals receive,” Tanner said. “In fact, welfare benefits are so high right now that they are often a rational alternative to work. That’s keeping people trapped in dependency for the long term.”

Tanner says entitlement programs such as food stamps were not designed to help people become self-sufficient—those who have rooms they’re willing to rent and those who would like to rent a room,” Baetjer said. “By giving competition to hotels and motels, it forces them to be more efficient. It’s a wonderful use of resources that would otherwise not be used.”

Instead of taxing Airbnb like a hotel, Baetjer says Philadelphia should stop taxing hotels.

“I do think the people in the hotel industry have a reasonable argument when they say, ‘It’s not fair to us to have to pay a tax when the people who work with Airbnb are not taxed,’” Baetjer said. “They’re playing by different rules, and that doesn’t seem fair. The right response to that is to stop taxing hotels.”

Elizabeth BeShears (ets@yellowhammernews.com) writes from Birmingham, Alabama.

Kansas Bans Using Food Stamp Money for Fortunetellers, Other Entertainment

By Alexa Moutevelis Coombs

Kansas Gov. Sam Brownback (R) signed a law reforming the state’s Temporary Assistance for Needy Families program, restricting the use of cash assistance funds on goods and services such as adult entertainment, fortunetellers, lottery tickets, massage parlors, nail salons, and tattoos.

The new law, sponsored by state Sen. Michael O’Donnell (R-Wichita), takes effect on July 1 and makes into law existing administrative policies set by Brownback’s administration.

From Welfare to Work

O’Donnell says the enactment of his bill will help people become less dependent on government assistance and better provide for themselves and their families.

“What we’re dedicated to doing is getting people off government assistance and into the workforce,” O’Donnell said. “At the end of the day, the best thing we can do for any individual that is in a situation where they need to turn to payments is to make sure they’re not in that position again.”

By reducing the temptation to spend entitlement money on nonessential goods such as alcohol or lottery tickets, O’Donnell says the new law will encourage people to use cash assistance money for its intended purposes.

“We want to make sure that there is no hindrance or barricade between individuals that are on payments getting into the workforce,” O’Donnell said. “Lack of education is the number-one cause of poverty. The money is to be used for necessities for life—shelter, food, vehicles, gasoline, other necessities that are required to help people look for a job or get to the job training skills and programs that we’re trying to encourage.”

‘The Surest Way Out’

Cato Institute Senior Fellow Michael Tanner says welfare programs in general are too large and too numerous.

“We know that work is the surest way out of poverty,” Tanner said. “We don’t want welfare to become a way of life. We have over 120 welfare programs right now, which makes account-ability virtually impossible, so there should be greater consolidation of these programs.”

Tanner says reducing the benefits of welfare programs is more effective than simply restricting participation in the programs.

“Overall, we need to reduce the level of welfare benefits that individuals receive,” Tanner said. “In fact, welfare benefits are so high right now that they are often a rational alternative to work. That’s keeping people trapped in dependency for the long term.”

Tanner says entitlement programs such as food stamps were not designed to help people become self-sufficient—those who have rooms they’re willing to rent and those who would like to rent a room,” Baetjer said. “By giving competition to hotels and motels, it forces them to be more efficient. It’s a wonderful use of resources that would otherwise not be used.”

Instead of taxing Airbnb like a hotel, Baetjer says Philadelphia should stop taxing hotels.

“I do think the people in the hotel industry have a reasonable argument when they say, ‘It’s not fair to us to have to pay a tax when the people who work with Airbnb are not taxed,’” Baetjer said. “They’re playing by different rules, and that doesn’t seem fair. The right response to that is to stop taxing hotels.”

Elizabeth BeShears (ets@yellowhammernews.com) writes from Birmingham, Alabama.

INTERNET INFO


“We want to make sure that there is no hindrance or barricade between individuals that are on payments getting into the workforce.”

Michael O’Donnell (right), State Senator Wichita, Kansas

Sam Brownback Governor - Kansas

“We know that work is the surest way out of poverty,” Tanner said. “We don’t want welfare to become a way of life. We have over 120 welfare programs right now, which makes account-ability virtually impossible, so there should be greater consolidation of these programs.”

“Big-government policies are not designed to get people off of welfare or out of poverty,” Tanner said. “What they’re designed to do is to make poverty less uncomfortable, and they’ve largely succeeded at that. Malnutrition and ‘the other America’ of the 1960s—we’ve done a good job of doing away with that. But that’s not the same thing as getting out of poverty. We really need to be focused more on how to lift people up, not just how to keep them comfortable in their poverty.”

Alexa Moutevelis Coombs (alexa@alexashrugged.com) writes from Washington, DC.
**NC Lawmakers Moo-ve Toward Legalizing Raw Milk Sales**

**By Jeff Reynolds**

North Carolina lawmakers are considering a bill to circumvent the state's ban on the sale of raw milk.

The bill would reverse a 2004 law preventing individuals from purchasing "cow shares," ownership shares in a cow or herd of cows, thereby allowing people to purchase raw milk produced by the cows they own.

Legal in 30 States

State Rep. Dennis Riddell (R-Alamance) says his bill, which has been approved by the North Carolina House of Representatives Health Committee, increases North Carolinians' food freedom.

"Since 30 other states have legalized the sale of natural milk in some capacity—retail sales, farm sales, cow-shares, et cetera—we know it can be accomplished in a safe manner," Riddell said. "Those 30 states offer a variety of means to choose from, that have been around for quite a while, to permit natural milk sales to those who desire to purchase it legally. I believe we are quite capable of doing the same thing here in North Carolina."

Riddell says opposition to food freedom originates from special-interest groups in the agriculture industry.

"One, they claim it may lead to increased illnesses and will be a danger to public health," Riddell said. "Two, they claim it may threaten the dairy industry with potentially bad publicity if natural milk is identified as the source of a foodborne illness outbreak."

**Cow-sumer Choice**

Riddell says these arguments against consumer choice are baseless.

"None of these claims have been realized in any serious manner in states that currently permit natural milk sales," Riddell said.

Instead of less choice, Riddell says people should have more power over what foods they can buy.

"We allow so many other foods to be purchased raw and then prepared and consumed by our citizens without draconian controls," Riddell said. "Why is natural milk the only food product illegal to sell here in North Carolina?"

**No Threat to Survival**

"Somehow the human race has managed to survive all these years drinking natural milk," Riddell said.

Baylen Linnekin, executive director of Keep Food Legal Foundation and an adjunct professor at George Mason University law school, says raw milk legalization is a win for consumers.

"I don’t know what North Carolina has to gain from keeping in place its ban on sales of raw milk for human consumption," Linnekin said. "North Carolina has been busy trying to grow its dairy industry. Allowing raw milk sales is one way to do just that."

**INTERNET INFO**

“It’s really about zero pricing for Silicon Valley,” Cleland said. “The FCC did Title II so it could have the legal authority to set a permanent price of zero for all Internet downstream traffic. You don’t need Title II to do almost anything else the net neutrality activists want. The only reason you need Title II is to price-regulate.”

Cleland says net neutrality was not FCC’s final goal but only a step toward fulfilling a larger ambition.

“What we’re talking about right now is a bait-and-switch,” Cleland said. “The FCC reclassifying the Internet as a public utility has nothing to do with net neutrality and everything to do with a power grab to enable them to control prices from Washington, DC … and what they want is a free price for downstream traffic, forever.”

‘Augment the Profits’
Seton Motley, president of Less Government, says FCC’s net neutrality order does little to benefit consumers.

“Net neutrality is massive regulatory protectionism for government-crony businesses,” Motley said. “It outlaws charging bandwidth-hog companies for being bandwidth-hog companies, which means our Internet access prices skyrocket to augment the profits of companies like Google and Netflix.”

Motley says net neutrality hurts consumers by retarding innovation and increasing people’s tax burdens.

“Net neutrality, as just imposed by Obama’s FCC, goes back in time a century to regulate the Internet under 1930s New Deal landline telephone laws, which are incredibly debilitating to innovation and subject the Web to an array of new taxes, including the massive, perpetually growing Universal Service Fund tax,” Motley said.

Decreasing ‘the Possibility of Competition’
Heritage Foundation Senior Research Fellow James Gattuso says net neutrality decreases competition and disserves consumers.

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Warner Todd Huston (igcolonel@hotmail.com) writes from Streamwood, Illinois.
Panama City Rakes in Bed Tax Cash

By Elizabeth BeShears

As the spring break season in Panama City, Florida ends and the summer vacation season begins, a new tourism development tax approved by voters in November 2014 is using vacationers as a fresh revenue stream.

Panama City collected $151,000 in new revenue by taxing hotel occupancy over the first four months of the year. City lawmakers are expecting the tax to generate a total of $1.2 million by the end of the year.

Sending Tourists Elsewhere

James Madison Institute Vice President of Policy Sal Nuzzo says the city’s “bed tax” will cause tourism money, and the tourists themselves, to go elsewhere.

“Interestingly enough, Panama City is trying to fight back against the spring break influx, and it’s kind of pitted different factions of the city against each other, depending on if you’re in favor of whatever the revenue is from all the kids coming in, or if you think it’s not worth the cost,” Nuzzo said.

As taxes make Panama City hotels more expensive, other destinations become more attractive for visitors, Nuzzo says.

“The further west on the coast you go, the clearer the water gets, and the more advantageous and appealing the areas begin to become, so you’ve got all of that in Walton, Santa Rosa, and Escambia Counties,” Nuzzo said. “This is going to continue to create more overflow into these areas, at the expense of Panama City tourism.”

Hurts Downstream Businesses

Paul Blair, state government affairs manager for Americans for Tax Reform, says bed taxes are counterproductive.

“Higher hotel taxes reduce hotel business, which hurts downstream businesses, such as restaurants and convenience stores, whose success depends on hotel traffic,” Blair said. “Given the massive benefit tourism provides to places in Florida like Panama City, it’s astounding the city would want to discourage people from visiting with tax hikes like this.”

Blair says tourist destinations like Panama City should encourage tourists to visit by treating everybody equitably.

“If Panama City really wanted to attract new businesses and tourists, it would welcome them with non-distorted tax codes and it would have lower, broad-based tax rates that apply equally to everyone,” said Blair. “No goofy taxpayer-funded ad campaigns or other efforts will be as effective.”

Simply Filling City Coffers

Blair says Panama City’s bed tax is just another example of a government cash-grab.

“Lawmakers love when they can extract money from consumers, whether they’re tourists or local residents, [with] no strings attached,” Blair said. “They can spend it on whatever they want.

“The mayor hasn’t even tried to hide the fact this money is simply filling city coffers, to use in any way they want and to help them spend more and more money at the expense of a taxpayer-friendly local economy.”

Elizabeth BeShears (etb@yellowhammernews.com) writes from Birmingham, Alabama.
Michigan voters overwhelmingly voted against increasing the state’s gasoline tax and sales tax to fund transportation infrastructure spending.

The ballot amendment would have increased gas taxes in the state by either 42 cents per gallon or 14.9 percent of the base price of gasoline, depending on which was greater. It also would have increased taxes on consumer purchases by 1 percentage point.

Over 80 percent of Michigan voters rejected the proposed constitutional amendment, which also would have created 10 new state laws.

‘A Simple Tax-and-Spend Plan’

James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, says the proposal was an example of “tax-and-spend” politics.

“This proposal was legally complex, but was, at its base, a simple tax-and-spend plan,” Hohman said. “They wanted to increase fuel taxes, sales taxes, and vehicle registration taxes, and then spend it mostly on the roads, but a lot of other items as well.”

Proposal 1, Hohman says, asked for too many sacrifices from taxpayers. “Our roads are not what they probably should be,” Hohman said. “Technically, they are better than what they’ve been the past decade, but they are projected to start decaying at a pretty fast clip. So, the question for Lansing is ‘do we want to cut our budget, or do we want to have taxpayers cut their budget?’ and this Proposal 1 was exclusively the latter and none of the former.”

‘So Convoluted’

Reason Foundation Transportation Policy Analyst Baruch Feigenbaum says voters recognized Proposal 1 was not a wise investment of taxpayer money. “I think the issue is that there were too many things going on,” Feigenbaum said. “They were going to increase this tax here, they were going to do this thing over here, and it became so convoluted that nobody really had an incentive to vote for it, both because almost everyone was going to be affected and it didn’t do much of significance for most folks. So, they were paying for it, but not receiving much in return.

“When you get these complicated bills that force people to pay more but don’t have a lot of supporters, a lot of beneficiaries in the general public, they tend to lose pretty overwhelmingly,” Feigenbaum said. “So the margin was a little bit larger than I would have thought, but I wasn’t shocked that it lost big.”

‘Work With the Private Sector’

Michigan lawmakers should use private-public partnerships to help reduce burdens on taxpayers, Feigenbaum says. “If you’re going to be asking folks to pay more out of their pockets, you’ve got to be giving something that benefits them, and the majority of folks just did not see any benefit to paying more,” Feigenbaum said. “Also important is that, if you’re a municipal government, you should try to find ways to work with the private sector to cover some of the costs of these projects so that, when you go to the taxpayers, you can ask them for less money.”

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.
FDA Going ‘Full Steam Ahead’ on E-Cig Regulations

By Warner Todd Huston

U.S. Food and Drug Administration (FDA) Acting Commissioner Dr. Stephen Ostroff announced the agency’s intention to proceed “full steam ahead” on regulations intended to reduce e-cigarette use.

Ostroff says FDA intends to enact a “deeming rule” expanding the agency’s regulation of tobacco products to include e-cigarettes, which do not contain tobacco.

California Polytechnic State University professor of economics Michael L. Marlow says this is a bad idea because e-cigarettes are a useful tool for reducing health damage and helping smokers kick the habit.

‘Doesn’t Make Much Sense’

“If e-cigarettes help smokers reduce consumption of more harmful tobacco or maybe even allow them to quit cigarettes, even if e-cigarettes themselves are somewhat harmful, it still would be an overall reduction of harm,” Marlow said. “If you just ignore that theory, and the FDA certainly has, an economist would say it [still] doesn’t make much sense.”

Marlow says e-cigarettes are a positively disruptive invention some special-interest groups want to suppress.

“In fact, e-cigarettes have become the greatest source of ‘creative destruction’ that we’ve seen against the tobacco industry,” Marlow said. “But unfortunately, maybe it’s also a source of creative destruction for those who make a living out of tobacco control.”

Growing Evidence

Marlow says studies show e-cigarettes help people quit smoking, a stated goal of policymakers and public health organizations.

“Evidence is growing that these e-cigarettes are extremely useful,” Marlow said. “The Tobacco Control Journal recently published a paper that said that the various nicotine replacement therapies that had been approved by the FDA work no better than going cold turkey.”

Keeping Alternatives off Market

Dr. Gilbert Ross, the medical and executive director of the American Council on Science and Health, says the government crackdown on e-cigarettes is hampering efforts to reduce smoking.

“The real story is the bias against harm reduction products at the FDA and other public health agencies,” Ross said.

Ross says some opposition to harm-reduction products is financially motivated.

“Some of the groups advocating for this anti-science, anti-public-health charade ... are influenced by undisclosed but generous financial support from the pharmaceutical industry, which is devoted to keeping effective competition to its poorly performing nicotine replacement therapy patches, gums, and drugs off the market,” said Ross.

‘A Sad State of Affairs’

Ross says e-cigarettes decrease the difficulty of quitting and provide less harmful alternatives to tobacco use.

“This is a sad state of affairs, especially for America’s 42 million adult smokers and the frightful toll of 480,000 dead each year thanks to the difficulty of quitting,” Ross said. “Clearly, e-cigs or vapor products would provide a much less harmful alternative to smoking and will be able to help many smokers quit who otherwise would not be able to.”

Ross says government health officials should encourage the use of these less-harmful alternatives, instead of reducing their availability.

“I don’t know why the FDA and the [Centers for Disease Control and Prevention] want to regulate e-cigarettes as if they were tobacco and regulate them right off the market, but that seems to be their plan,” Ross said. “It’s like going through the looking glass. Here we have a potential remedy to one of the biggest public health threats in the Western world, and they want to regulate it so no one can use it.”

Warner Todd Huston (igcolonel@hotmail.com) writes from Streamwood, Illinois.

IN OTHER WORDS . . .

“If passed as written, this industry will die,’ said Curtis Valdez, owner of Creative Vapor in Kingman, in reference to proposed FDA regulations.

“Valdez has operated his business for just under a year now, opening a shop in Tucson in early 2014 and recently opening a shop in Kingman. The business sells vapor products and makes and bottles its own juice.

“The FDA wants to lump us right there with cigarettes. The industry has only started to boom now,” Valdez said.

“We would have to close,” said Valdez.

States’ Growing Autonomy Frees Up Federal Highway Funding

By Kenneth Orski

With no political consensus on how to fund a $90 billion shortfall in the U.S. Highway Trust Fund, attention has focused on shifting a larger share of transportation funding to the state and local levels.

That approach has been gaining attention not just among fiscal conservatives and congressional Republicans but also with groups such as Transportation for America, the Brookings Institution, and the American Road and Transportation Builders Association (ARTBA).

Seeking Financial Stability

Governors and state legislators of both parties deem the prospect of future federal funding highly uncertain, and they are therefore trying to place their transportation programs on a more stable and predictable footing less dependent on the vagaries of federal budgeting.

Using local funds enables states to avoid cumbersome federal requirements that increase project costs and delay implementation. States have a genuine incentive to embrace a more proactive role in funding transportation.

Twenty-three states have taken steps to raise transportation revenue in 2015. Twelve have increased their gas tax since 2014, and seven have increased their taxes in 2015, according to ARTBA’s Transportation Investment Advocacy Center, which tracks state transportation funding initiatives.

Other measures include increasing reliance on highway tolls. Nearly 350 miles of new toll roads have been added nationally since 2011, according to the International Bridge, Tunnel and Turnpike Association. States are financing large-scale construction projects with long-term credit and entering into public-private partnerships that utilize private equity capital, availability payments, and highway tolling concessions.

Assuming More Responsibility

With state transportation revenue on the rise, many Republicans say states are in a position to fund a greater share of their local infrastructure projects. This would allow federal revenue to be refocused on national programs and issues, such as maintaining and upgrading the Interstate Highway System, fixing aging bridges, modernizing critical transit infrastructure, and supporting highway safety programs.

Such a rebalancing does not necessarily preclude additional revenue, but federal subsidies should be treated as a separate matter, and the rationale for federal subsidies should be reexamined in light of the states’ increased ability to fund local transportation and congressional budget policies.

Those policies have just undergone a reformulation. In March, the House and Senate agreed to a budget framework gradually constraining discretionary spending on transportation and aligning it with incoming revenues from motor vehicle fuel taxes. A concurrent budget resolution, the first joint budget resolution to be approved by Congress since 2009, was passed by the House on April 30 and the Senate on May 5. Although the budget resolution is not legally binding, it signals Congress’s commitment to restrain spending and balance the budget without increasing taxes. It also sets overall spending levels for separate appropriation bills Congress will vote on later in 2015.

Offsetting and Concentrating

Although the new budget agreement calls for a 20 percent cut in outlays, it gives authorizing committees flexibility to increase budget authority in future legislation as long as any future general fund transfers are fully offset. Finding credible offsets will be a serious challenge.

Gov. Pat McCrory (R-NC) said at a March 17 House Transportation and Infrastructure Committee hearing the urgent priority is to provide states with funding certainty and continuity to pursue large, capital-intensive infrastructure projects requiring funding over multiple years. This can be effectively accomplished by a multiyear core program funded with Highway Trust Fund revenue.

Concentrating Highway Trust Fund revenue on programs of clear national interest while allowing states to assume more responsibility for local transportation could create a long-lasting solution to the transportation funding crisis, and it’s an approach that resonates among Republicans on Capitol Hill.

Kenneth Orski (korski@verizon.net) is a public policy consultant and former principal of the Urban Mobility Corporation. An earlier version of this article appeared on the Innovation NewsBriefs website. Used with permission.

IN OTHER WORDS . . .

“The best solution for the [Highway Trust Fund] is simple: cut annual spending by $13 billion to match revenues. State and local governments are fully capable of funding more of their own highway and transit expenses. Congress can help the states by reducing federal regulations that boost transportation construction costs, such as Davis-Bacon and environmental rules.

“Cutting federal aid for highways and urban transit would improve the efficiency of infrastructure investment. Ending transit aid would be particularly beneficial. Local officials often focus on maximizing the flow of money from Washington,[DC], rather than ensuring that projects generate overall net value. By injecting federal dollars and regulations into local transit planning, Congress distorts local decision making and increases the complexity, bureaucracy, and costs of projects.”

Eminent Domain Reform Is Needed to Protect Texans’ Property Rights

By Kathleen Hunker

Eminent Domain Run Amok

Supreme Court Justice John Paul Stevens said an expanded tax base supersedes the right to own property, a blunt dismissal of property rights that convinced Texas lawmakers the Supreme Court had deviated significantly from the Constitution.

The reaction was as swift as it was overdue. The same flawed philosophy paving the way for Kelo had also pulled apart the legal protections standing between Texans and the unbridled power of the state. After six years of passing small but significant changes, the Texas Legislature pushed through a large reform bill that attempted to defend what lawmakers believed was already sacrosanct under the state’s constitution.

That push was not without its weaknesses. Lawmakers spent so much energy weaving in additional procedural safeguards that they overlooked the most crucial thread: enforcement.

According to the Texas comptroller, more than 9,000 entities currently claim the power of eminent domain and the ability to execute condemnations. The legislature has neither the expertise nor the time to parse through which eminent domain offers are fair assessments of the property’s value and which are exploitations of state power, so the property rights of many Texans are routinely violated despite the state’s legal protections.

Redress for Unfair Assessments

Enforcement would ordinarily fall to Texas’s courts. Legal action often proves so expensive, though, that many owners resign themselves to accepting less compensation than they believe they deserve rather than trying to challenge the condemner’s assessment.

Valuation disputes run, on average, between three to five years, and they can cost hundreds of thousands of dollars. Condemners have both the experience and the financing to navigate that process, but the average property owner does not. Currently, the state’s law denies Texans any credible chance of having those expenses reimbursed. Mandatory attorney fees are triggered only when the condemner fails to tender a “bona fide offer,” a high mark the Texas State Senate’s researchers concede “rarely provides relief to property owners even when it is determined that the condemner has made an unfair offer.”

The property owner pays the legal fees out of pocket or on a contingency fee basis, which is available only if the expected eventual award is grand enough to attract a lawyer to take the case. In either case, the final award does not include compensation for the plaintiff’s court costs, meaning not only do Texans exit the courtroom responsible for covering at least some portion of the legal fees, they have to spend their own money to assert their property rights.

Uneven Playing Field

The current nature of eminent domain laws tilts the scales against property owners. Texas’s lack of eminent domain law enforcement measures ensures condemners will press and prod until their intrusions extend far beyond what public necessity demands.

The Texas Legislature is currently considering Senate Bill 474, a new fee-shifting arrangement in compensation hearings. Specifically, a condemning entity would become liable for the owner’s reasonable attorney fees whenever a case results in a determination that the owner’s land was undervalued by at least 20 percent.

Respect for private property has resurfaced over the past decade, but the strength of these rights depends on the victims of eminent domain abuse being able to obtain sufficient redress through the courts. As presently structured, the law only pays lip service to property owners.

Kathleen Hunker (khunker@texaspolicy.org) is a policy analyst with the Center for Economic Freedom at the Texas Public Policy Foundation.
A Handy Guide for Effective Marketing in Any Given Situation

**Marketing Big ... by Thinking Small:**
*How Anything You Sell Can Be Helped by the Greatest Marketing Achievement of the 20th Century*
By John L. Gann Jr., CarpeHoram, 2015, 64 pages
$59.75 at http://salesjobsandtaxes.com/thinksmall1.html

By Veronica Adkins

In any business, marketing is a factor that determines success or failure.

In *Marketing Big ... by Thinking Small*, author John L. Gann, Jr. explains how to market without spending big bucks using several strategies.

Many advice books urge businesses to spend a significant amount of their budget on marketing efforts, but when marketing departments carry out their plans, the results are often disappointing. Products often do not sell as much as expected. Gann says there are substantially better ways to improve sales.

**Marketing as Sales**
Gann says selling ideas and selling items involve the same strategies and that marketing can range from selling a product to filling a room to capacity at an event.

Gann describes how “selling the unsellable” has been done in the past successfully and can still be done if handled strategically. For example, selling the Volkswagen (VW) Beetle to American consumers was difficult because of its unusual size and design. Despite its challenges, however, the Beetle became one of the most popular cars in modern history. “Despite ten sell-the-unsellable challenges and almost no friends, VW succeeded in ways that could never have been predicted,” Gann wrote. “We’ll never make it big’ was the promise of an outdoor advertising poster referring to size of the … Beetle. But while they did keep the car small, they did make it big. Very big.”

Gann says the point of the Beetle example is size and lots of money do not guarantee success in today’s world. By responding wisely to numerous challenges, Volkswagen succeeded in creating an effective marketing strategy.

Gann quotes marketing authorities Al and Laura Ries, who said, “Marketing is 90 percent strategy and 10 percent execution.”

**IN OTHER WORDS . . .**

“Detroit went bankrupt because it didn’t sell to businesses and families and won’t really revive until it starts selling again. But how can a seemingly unsellable city do that?”

“The original Volkswagen Beetle—Hitler’s car—was also thought to be unsellable. But VW made it the best-selling car of all time by Thinking Small.

“This 43,000-word manual shows how this Thinking Small marketing worked. How VW’s success can help cities like Detroit. And how it can boost any hard-to-sell product, cause, or service and make any marketing more productive and less expensive.”

In the nineteenth century, national and state regulations restricted intra- and interstate banking, but during the twentieth century, many states dismantled these regulations and allowed some forms of interstate banking, such as permitting out-of-state banks to buy banks in the state.


‘Free Flow of Capital’
Free-market principles suggest the free flow of capital leads to a greater accessibility of capital, allowing firms to invest efficiently.

Firms can use more or cheaper capital to invest in productive projects they would otherwise not have access to, enhancing their productivity.

This principle has important policy implications, particularly when local, state, and national government budgets are stressed by economic conditions. For policymakers, the pertinent question is how to spur growth of local entrepreneurial firms?

Using data from the U.S. Census Bureau on a large sample of private manufacturing firms, we find productivity of firms located in a state increased when the state allowed out-of-state banks to enter its borders.

Less Regulations, More Productivity
Firms located in states with fewer regulations and that impose fewer restrictions on the entry of out-of-state banks experienced a greater increase in their productivity following banking deregulation in that state.

Smaller and more financially constrained businesses were the primary force behind the empirical results. Specifically, smaller firms’ productivity increased more than larger firms’ after banking deregulation. This observation was consistent regardless of how firm size was measured.

Broadly speaking, allowing capital to flow more freely between geographic locations helps smaller and financially constrained firms invest in productive projects, enhancing their performance.

Firms are more effective if artificial barriers to the flow of capital are removed, at least within the geographic context of the United States the study sampled.

Karthik Krishnan (k.krishnan@neu.edu) is assistant professor of finance at Northeastern University and a policy advisor for The Heartland Institute.
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