The Bottom Line

Folsom City Blues
Elected officials in Folsom, California are proposing a massive expansion of anti-smoking laws. Page 3

Indiana E-Cig Tax
Indiana lawmakers are proposing a steep tax hike on e-cigarettes, on the premise these harm-reduction products should be treated (and taxed) just like tobacco. Page 7

All Washed Up
New green regulations issued by the federal government are predicted to cost homeowners and manufacturers a lot of green. Page 12

Let's Make a Deal
Gov. Nikki Haley (R-SC) wants to make a deal with legislators: If they cut income taxes, Haley will approve increasing the state's gasoline tax. Page 14

Police as Tax Collectors
After one small town became infamous as an egregious speed trap, Missouri lawmakers cracked down on cities using their police forces as de facto tax collectors. However, many other small towns surrounding St. Louis are still policing the streets for profit. Page 16

NYC Clashes with Uber over Driver Data
By Kelsey Hackem
The New York City Taxi & Limousine Tribunal (NYTLT) suspended most of Uber's bases in the city in early January as a result of the ridesharing company's refusal to comply with city regulators' demands for private customer data.

Uber lawyers appealed the decision, and NYTLT suspended the ban until the case is heard.

NYTLT demanded Uber release its "electronic trip record information for all trips dispatched through [Uber's] bases, which occurred between April 1, 2014 and September 20, 2014."

Uber representatives say complying with the demands would reveal company trade secrets, including information that could harm its competitive

By Dotty Young
A proposal President Barack Obama announced in his 2015 State of the Union address in late January would increase taxes by $1.6 trillion in the 2016 budget.

In the introduction to his budget proposal, the president writes, "these proposals will put more money in middle-class pockets, raise wages, and bring more high paying jobs to America. To pay for them, the Budget will cut inefficient spending and close tax loopholes to make sure that everyone pays their fair share."

Obama's budget proposal outlines addi-
The Tenth International Conference on Climate Change (ICCC-10) will take place on June 11-12, 2015, in Washington, DC. You won’t want to miss this event!

Republican mid-term election gains create new opportunities to stop and begin to repeal the anti-energy and anti-jobs policies adopted during the height of the global warming scare.

New scientific discoveries suggest the climate’s “sensitivity” to carbon dioxide is lower than previously thought, and economists warn that reducing emissions enough to have a discernible impact on climate would cause more “energy poverty,” exposing millions of people to hardship or even death.

The most recent conference in this series, ICCC-9, took place in Las Vegas in July 2014 and was widely acclaimed as the best in the series yet. Some 650 people turned out to hear 64 speakers cover every aspect of climate change. Thirty-two organizations cosponsored the event and ten prominent scientists and activists received awards. Video of every presentation along with speakers’ Powerpoints delivered at that event can be found at climateconferences.heartland.org.

For more information and to register, go to climateconference.heartland.org.

To learn more about climate change awards, visit climatechangeawards.org.

The Heartland Institute is a 31-year-old national nonprofit organization based in Chicago. Its mission is to discover, develop, and promote free-market solutions to social and economic problems. For more information, visit our Web site at heartland.org or call 312/377-4000.
Folsom City Council Proposes Ban on Smoking in Apartment Homes

By Jesse Hathaway

City council members in Folsom, California, a suburb of Sacramento, are considering expanding the city’s smoking ban to include apartment residences and restaurant patios. The city’s smoking ban currently prohibits cigarette use in all public areas, the interiors of businesses and restaurants, and many other areas of the city. Smoking is allowed in private residences and on public sidewalks.

Infringing on Personal Choice

“Government is on the brink of intruding a bit too far into personal choices in areas that are otherwise legal activities,” said Kerri Howell, a councilwoman and former mayor of the town. “There are bars and restaurants here in Folsom that have outdoor patios, where they provide ashtrays for their customers who smoke cigarettes and cigars,” Howell said. “I must presume they have done that to accommodate what their clients have requested. The bars and restaurants that allow smoking have allowed it for a reason.”

Howell says the proposed extension of the existing ban could hurt local businesses.

“There were individuals interviewed by the local NBC affiliate … at a local pub, smoking cigars outside, on the patio,” Howell said. “They indicated that they would no longer frequent that business if smoking is banned. “I suspect that same situation would apply for those who choose to visit bars and restaurants in Folsom but do not live here,” said Howell. “It is likely that those individuals would choose to patronize businesses with less-stringent smoking regulations.”

“The amount of government overreach has reached a point of absurdity. The policies being considered by the Folsom City Council, against the legal act of smoking in outdoor areas of businesses and homes, have little to do with public health.”

JOHN NOTHDURFT
DIRECTOR OF GOVERNMENT RELATIONS
THE HEARTLAND INSTITUTE

Putting a Face on America’s Tax Returns
A CHART BOOK
Second Edition

Your guide to understanding America’s tax code and what it means for you.

Order your copy today!
store.taxfoundation.org

Fundamental tax reform can achieve our goals. It can restore the nation’s competitiveness and put us on a path to growth for the future. That is a win for every American.

Scott A. Hodge
President, Tax Foundation
Obama Proposes Massive Tax, Spending Increases

Continued from page 1

tional taxes on U.S. companies’ foreign earnings, which he proposes using to fund increased federal highway infrastructure spending. He also proposes increasing taxes on families’ estates and inheritances.

Ignoring the Real Problems
Heritage Foundation budget expert Romina Boccia says the president’s package of spending and tax increases fails to address the nation’s budget problems.

“The biggest problem with the president’s budget is that the president doesn’t do anything meaningful to address the real drivers of spending and debt going forward: entitlement problems. To some degree, that’s not surprising, because the president’s health care law, Obamacare, is driving 44 percent of the increase in entitlement spending.

“To expect this president to actually control that type of spending may have been optimistic,” she added. “What the president is doing is basically kicking the can down the road on the important issues, including the increase in costs for Medicaid expansion, Medicare, and Obamacare.”

‘A Number of New Taxes’
Economist Kyle Pomerleau of the nonpartisan Tax Foundation says the president’s proposed spending and tax changes will not achieve his stated goals.

“The president has proposed a number of new taxes and tax increases in his 2016 budget,” he said. “The tax increases total $2.4 trillion over 10 years, and these are offset by $713 billion in cuts, leaving a net increase of $1.6 trillion.”

KYLE POMERLEAU, ECONOMIST
TAX FOUNDATION

“The president has proposed a number of new taxes and tax increases in his 2016 budget. The tax increases total $2.4 trillion over 10 years, and these are offset by $713 billion in cuts, leaving a net increase of $1.6 trillion.”

Hitting Middle-Income Families
Obama’s tax hikes will hit middle-income taxpayers especially hard, Pomerleau says.

“The White House believes that this will hit wealthy individuals. However, this actually is a substantial middle-class tax increase,” Pomerleau said. “Middle-income individuals may have substantial retirement savings in stocks and bonds that have been accumulating capital gains, slowly over several decades.

“Taking all of that capital income, earned slowly over, say, 50 years, and measuring it all in one year makes a middle-class individual look wealthy when they die, but in reality they may have been in the middle class their entire life,” he said.

Instead of Obama’s plan to give some Americans bigger tax credits and increasing taxes on others, Pomerleau says there’s a better way to help most Americans.

“If helping the middle- and low-income individuals is what you want to do, you should keep taxes on capital at a minimum in order to maximize [economic] growth,” he said. “You should raise revenue through relatively flat income taxes or consumption taxes.”

Treasure Your Liberties

We’re FREE, the Foundation for Research on Economics and the Environment.

Based in Greater Yellowstone, FREE’s mission is to attract conservationists, conservatives, and classical liberals who treasure responsible liberty, sustainable ecology, and modest prosperity.

FREE’s New Resource Economics offers guidelines for achieving these values.

Visit www.free-eco.org and tell us of your interests in this work. Email jbaden@free-eco.org for more information.

INTERNET INFO

“Does the Estate Tax Raise Revenue?”

Virginia House Passes Asset Forfeiture Reform Bill

By Jesse Hathaway

In early February, the Virginia House of Delegates overwhelmingly approved a bill to reform the state’s civil asset forfeiture laws.

House Bill 1287, introduced by State Delegate Mark Cole (R-Fredericksburg), was approved by 92 of 99 delegates.

If passed by the Senate and signed into law, the bill would require a criminal conviction before law enforcement authorities may seize individuals’ private property.

If no conviction is obtained, the bill states, “[A]ll property seized shall be released from seizure.”

Robert Frommer, an attorney with the Institute for Justice, says the House’s approval of Cole’s bill is an encouraging sign.

“The passage, by the House, of this forfeiture bill is an encouraging first step towards reforming civil forfeiture in Virginia,” said Frommer. “By requiring a criminal conviction before property may be forfeited, this bill helps improve protections for property owners, and hopefully will eliminate—or at least, reduce—the number of forfeiture horror stories we hear occurring throughout the Old Dominion.”

Jesse Hathaway (jhathaway@ heartland.org) is managing editor of Budget & Tax News.
Nevada Lawmaker Fights for Public Pension Reform

By Alexander Anton

As the gap between public pension liabilities and actual fund assets widens, a Nevada lawmaker is redoubling his efforts to defuse the state’s ticking fiscal time bomb.

State Rep. Randy Kirner (R-Reno) has tried to reform the Nevada Public Employees’ Retirement System (NVPERS) for several years by moving some of the $12 billion entitlement program from a defined-benefit system to a defined-contribution system, similar to those enjoyed by private-sector employees. Nevada Democrats blocked Kirner’s past pension reform efforts.

After the November 2014 elections, the Republican Party now holds the majority of seats in each house of the state general assembly, giving Kirner’s reform bill a fighting chance.

Accounting Gimmicks

NVPERS claims it is able to pay 70 percent of promised liabilities to state employees, but its estimate assumes NVPERS investment funds will grow by 8 percent per year. NVPERS says its unfunded liabilities exceed $12 billion, which amounts to $4,345 in debt for every taxpayer in the state.

In November 2014, State Budget Solutions (SBS), a nonpartisan public policy organization focusing on local and state budget issues, examined public pension programs in all 50 states. NVPERS is understimating the severity of its situation.

According to SBS’s calculations, for every $3 in pension promises made by NVPERS, the public pension program can pay only $1 in benefits to state retirees, when using financially realistic assumptions. This means every state taxpayer has been left with the responsibility for about $21,472 per person in liabilities, which will likely be paid in the form of additional taxes.

‘Hybrid Plan’

Kirner proposes a hybrid plan to keep the unfunded liabilities from increasing further.

“The aim of the bill is to put the brakes on a growing unfunded liability, currently at over $12 billion, with 100,000 active contributors and 50,000 beneficiaries.”

RANDY KIRNER
STATE REPRESENTATIVE
RENO, NEVADA

How SNAP Ensnares Families in Dependency

By Jeff Reynolds

The U.S. Department of Agriculture (USDA) reported in January 46.6 million Americans were receiving food stamp assistance at the beginning of the 2015 fiscal year.

USDA figures show SNAP enrollment was 214,434 people (117,297 households) greater in October 2014, the first month of the 2015 fiscal year, than in September 2014, the final month of the 2014 fiscal year.

Roughly 14.6 percent of the total U.S. population is now receiving assistance under the Supplemental Nutrition Assistance Program (SNAP), and nearly one of every five U.S. households now receives SNAP food stamps.

‘Pathway to Self-Sufficiency’

Rachel Sheffield, a policy analyst for The Heritage Foundation, says SNAP’s growth is largely due to policies encouraging dependence on government assistance.

“Enrollment in the food stamp program has been on the rise since the inception of the program, but it’s risen more sharply in the past decade,” said Sheffield. “This is partly due to the poor economy, but we saw a sharp increase even before the Great Recession. The policies in place make it easy to get on the program and stay on it.”

Requiring more from SNAP recipients would encourage people to begin working again, Sheffield said.

“A stronger work requirement would serve two purposes,” Sheffield said. “It would serve as a gatekeeper to ensure that only those who are truly in need would take advantage of the program. It would also provide a pathway to self-sufficiency. This advances a concept The Heritage Foundation calls ‘reciprocal obligation’—taxpayers receiving assistance do what they can to eventually leave the program as they prepare for work or to look for work.”

Handouts, Not Help-Outs

Sheffield says the so-called “War on Poverty” has failed despite entitlement spending increasing by 16-fold since the program began in the 1960s.

“...there are currently more than 80 means-tested welfare programs, of which SNAP is just one,” Sheffield said. “Self-sufficiency is down, and we haven’t done anything to help the poor. We haven’t done anything to help people lift themselves out of poverty.”

Sheffield says instead of reducing poverty by getting people back to work, government entitlement programs like SNAP merely redistribute goods and services.

“There’s certainly been an increase in the standard of living for those on the program, but because the policies haven’t been based on promoting self-sufficiency, it’s been based only on distributing material goods and services,” said Sheffield.

Sheffield says government entitlement programs measure success by how many people are added to programs instead of how many people successfully exit. As a result, programs like SNAP fail to encourage recipients to develop self-sufficiency.

“That’s truly the measure of success for them: how many folks they enroll in the program, as opposed to how many folks successfully leave the program,” Sheffield said. “I suppose, then, by their standards, they’re doing well.”

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.

INTERNET INFO

“How SNAP Ensnares Families in Dependency”


“Enrollment in the food stamp program has been on the rise since the inception of the program, but it’s risen more sharply in the past decade.”

RACHEL SHEFFIELD, POLICY ANALYST
THE HERITAGE FOUNDATION
NYC Regulators Clash with Uber over Driver Data

Continued from page 1

position and violate drivers’ reasonable expectations of privacy.

Old Regulatory Model
Reason Foundation Vice President of Policy Adrian Moore says the partial ban, affecting five of the company’s six bases, is an example of regulators applying old models of consumer interactions with service providers to new business models.

“If we want the market to evolve, provide new services and more competition, the city has to let go of the old, outdated non-technological view of the market, and its regulations, and embrace an open and competitive market,” Moore said. “Like a lot of local governments, rather than admitting that the use of smart apps to solve information problems makes markets work better and overcomes the need for many existing regulations, the city wants to retain control of the market and limit entry to ensure more money for the cronies who have permission to operate.

“Uber made the right decision,” said Moore. “We have been plagued with credit, phone, and Internet companies giving up data to the government in response, not to specific subpoenas, but to broad, sweeping data-gathering that clearly violates our privacy rights, which is exactly what the city is trying to do in this case.”

ADRIAN MOORE, VICE PRESIDENT OF POLICY, REASON FOUNDATION

“Uber made the right decision. We have been plagued with credit, phone, and Internet companies giving up data to the government in response, not to specific subpoenas, but to broad, sweeping data-gathering that clearly violates our privacy rights, which is exactly what the city is trying to do in this case.”

ADRIAN MOORE, VICE PRESIDENT OF POLICY, REASON FOUNDATION

“Uber made the right decision. We have been plagued with credit, phone, and Internet companies giving up data to the government in response, not to specific subpoenas, but to broad, sweeping data-gathering that clearly violates our privacy rights, which is exactly what the city is trying to do in this case.”

ADRIAN MOORE, VICE PRESIDENT OF POLICY, REASON FOUNDATION

“Uber made the right decision. We have been plagued with credit, phone, and Internet companies giving up data to the government in response, not to specific subpoenas, but to broad, sweeping data-gathering that clearly violates our privacy rights, which is exactly what the city is trying to do in this case.”

ADRIAN MOORE, VICE PRESIDENT OF POLICY, REASON FOUNDATION

“In our view, the use of smart apps to solve information problems makes markets work better and overcomes the need for many existing regulations,” Moore said. “The app and Uber’s own systems provide customers with the information they need for the market to work,” said Moore.

‘A Stealth Ban’
Jeffrey Tucker, a policy advisor for The Heartland Institute, which publishes Budget & Tax News, said, “The forced suspension of operations is a stealth ban on alternatives to the city’s taxi monopoly.

“Like a lot of local governments, rather than admitting that the use of smart apps to solve information problems makes markets work better and overcomes the need for many existing regulations, the city wants to retain control of the market and limit entry to ensure more money for the cronies who have permission to operate.


Internet Info

Kelsey Hackem (khackem@gmail.com) writes from Columbus, Ohio.

Make Your Social Studies, Political Science, or Government Class More Dynamic and Fun!

Make your next class come alive with the World’s Smallest Political Quiz — a fast, fun way to measure political beliefs. The Quiz asks 10 questions about political issues. Based on the answers, the students learn where they fit on the political map — and they learn about other viewpoints as well. The Quiz has been used in hundreds of high school and college classrooms across America — including Harvard University’s Kennedy School of Government.

Created by the non-profit, non-partisan Advocates for Self-Government, the Quiz is a breakthrough educational tool — which is one of the reasons the Washington Post says: “The Quiz has gained respect as a valid measure of a person’s political leanings.”

Your students will love taking a Quiz they don’t have to study for — one with no wrong answers! And you’ll enjoy the discussion and learning that follows.

Get the Quiz for FREE

Best of all, it’s FREE! We’ll send you as many copies of the handy, card-sized Quiz as you need — no charge.

Call toll free: 1-800-932-1776. Or email: Quiz@theAdvocates.org. (Include name, mailing address, school name, name of class(es), and the number of Quizzes you need.)
Justice Dept. Abandons Civil Asset Forfeiture ‘Adoption’ Program

By Jeff Reynolds

A federal program allowing local law enforcement to receive shares of assets seized from citizens without criminal charges or search warrants has ended, U.S. Attorney General Eric Holder announced in late January.

Since 2008, the U.S. Justice Department’s “Equitable Sharing” civil asset forfeiture program seized more than $3 billion in citizens’ cash and property as part of criminal investigations. The majority of seized assets were redistributed to participating local and state law enforcement agencies.

The end of the equitable sharing program is a step in the right direction, but significant reforms are still required to ensure citizens’ fair treatment by law enforcement officials, says Robert Frommer, an attorney with the Institute for Justice.

‘Adoption’ Agencies

“The announcement by Attorney General Holder is an encouraging step forward with regard to reforming civil forfeiture,” Frommer said. “What the AG said was that the Department of Justice and the Treasury Department are going to stop what’s known as ‘adoption,’ where they take state and local forfeiture cases and prosecute them under a federal law.

“There were two problems with the federal adoption program,” Frommer said. “One is that it eliminated many of the procedural protections that forfeiture victims received under state law. Two, it made an end run around many states who decided that the profit from forfeiture should not go to the police but to the general fund. Federal adoptions violated that decision by state officials if they deem it to be for public safety purposes,” Frommer said. “That’s rather nebulous.”

Additional Reforms Suggested

Frommer suggests two plans for what he says is needed reform.

“One idea for reform is replacing civil forfeiture with criminal forfeiture,” Frommer said. “Criminal forfeiture says that if you’ve been convicted in a court of law, found guilty beyond a reasonable doubt, [the government] can take the property that’s associated with the criminal violation. That’s perfectly fine. The problem with civil forfeiture is that it is a much lower standard, ‘preponderance of the evidence,’ which really means ‘more likely than not.’

“The other idea is to eliminate the profit incentive,” Frommer said. “Giving police and prosecutors a direct financial incentive in the property that they seize and forfeit really allows for nothing more than policing for profit. By removing the profit incentive, we can ensure that law enforcement works toward the impartial pursuit of justice, rather than the pursuit of profits.”

Big, ‘Nebulous’ Loopholes

“Attorney General Holder’s order exempted ‘joint task forces,’ combinations of local and federal officials,” Frommer said. “Those task forces are the groups that have been involved in highway interdictions that have been at the forefront of the news recently.”

Another loophole allows adoption to continue when it would promote public safety.

“The policy that they laid out has a public safety exemption, so that the federal government can still take on forfeiture cases referred to them by state and local officials if they deem it to be for public safety purposes,” Frommer said. “That’s rather nebulous.”

By Matt Hurley

In January, a bipartisan group of Indiana lawmakers proposed a tax increase on e-cigarette sales in the state and an increase of regulations on e-cigarette use.

State Reps. Edward Clere (R-New Albany) and Charlie Brown (D-Gary) are sponsoring the bill, with the backing of state Attorney General Greg Zoeller.

The proposed bill, if approved and signed into law, would ban the use of e-cigarettes in all areas where the current tobacco ban is enforced. It would also add a 24 percent tax on the wholesale price of e-cigarettes and e-cigarette supplies, an excise tax Zoeller told reporters he hoped would stop e-cigarette use “in its tracks.”

Questioning the Benefits

Despite efforts made by Indiana lawmakers, the public health benefits of sin taxes are questionable.

“There is no rational public health justification for placing a sin tax on the sale of vapor products and electronic cigarettes,” said Greg Conley, a research fellow at The Heartland Institute, which publishes Budget & Tax News. “For years, anti-smoking activists have pushed for higher taxes on cigarettes by using the justification that they help smokers quit. So why are these same activists trying to hike the price of a product of the free market that is proving to be extremely helpful for smokers looking to improve their lives?”

‘The $64,000 Question’

According to a 2010 paper published by the National Bureau of Economic Research, Philip DeCicca of McMaster University in Canada discovered many U.S. states’ sin taxes are too high, driving consumers to purchase tobacco from states with lower excise taxes instead of reducing tobacco use.

Whether excise taxes are an effective tool to influence consumer behavior “is the $64,000 question,” DeCicca said.

“It is pretty clear that cigarette taxes are higher than the optimal level, with most of the large increases coming in the last 10 years or so,” DeCicca said. “I tend to think that cigarette taxes are minimally effective, and public disapproval has driven the overall decline in smoking we have seen over time.”

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

INTERNET INFO

States’ Cigarette Taxes Drive Underground Markets

By Alexa Moutevelis Coombs

States’ excise taxes on tobacco, intended to curb tobacco use, are instead causing unintended consequences such as black-market sales and other extralegal economic activity, according to a new study of consumer behavior.

The report by the Mackinac Center for Public Policy in collaboration with the Tax Foundation measured state cigarette smuggling across the nation as a percentage of total state cigarette consumption, both legal and illegal, in 2013.

In New York State and other states, high excise taxes are not reducing tobacco consumption, both legal and illegal, in 2013.

In 2013, nearly 58 percent of all cigarettes consumed in New York State were extralegal in nature. In Arizona, the state with the second-highest total of cigarettes purchased out of state, contraband cigarettes made up about 49 percent of the overall market.

“A casual smuggler—who crosses some legal jurisdiction to acquire smokes for less money and for personal use—just wants to save a buck. Politicians don’t realize people are not sheep lining up to be sheared. Theory and anecdotal and empirical evidence tell us individuals are willing to cross a border to save a buck. A commercial smuggler does so as well, but is essentially operating an organized criminal operation.”

Micheal LaFaive, Director, Morey Fiscal Policy Initiative
Mackinac Center for Public Policy

Just Want to Save a Buck

“In New York State[,] the ... excise tax is the highest in the nation, and its state-local burden is the second-highest,” said Michael LaFaive, director of the Morey Fiscal Policy Initiative for the Mackinac Center for Public Policy. “I have no doubt that New York City’s local excise tax contributed to the overall smuggling rate, but we did not measure the city’s specific contribution.”

LaFaive says the Mackinac study’s findings are not unique but add more data to the literature on excise taxes and consumer behavior.

“Our is not the only study that identifies New York State as having a smuggling rate that touches 50 percent,” said LaFaive. “There are also highly localized ‘discarded pack’ studies that zero in on New York neighborhoods, and they too measure high rates of smuggling.”

The study distinguishes between casual smugglers, individuals who may drive to or order cigarettes from a neighboring state to save money, and commercial smugglers who operate for profit.

“A casual smuggler—who crosses some legal jurisdiction to acquire smokes for less money and for personal use—just wants to save a buck,” said LaFaive. “Politicians don’t realize people are not sheep lining up to be sheared. Theory and anecdotal and empirical evidence tell us individuals are willing to cross a border to save a buck. A commercial smuggler does so as well, but is essentially operating an organized criminal operation.”

Government Money-Raiser
LaFaive says regardless of the motivation behind smugglers’ actions, higher taxes are not the answer.

“Higher taxes are effective, if your only goal is to raise money for the government and persuade a small segment of the population to quit,” said LaFaive. “Higher cigarette excise taxes almost always raise more money. They also persuade some people to quit.

“The question is, at what cost to people and society are we raising these revenues?” asked LaFaive. “There are countless unintended consequences that do not end up in the accounting matrix.”

Addicted to Taxes
LaFaive says in addition to spending more money and time cracking down on excise tax evasion, states can help keep excise tax revenues at home by reducing those taxes on legal behavior.

“Tax increases are the primary reason for the smuggling in the first place, so tax cuts should be the first policy solution,” said LaFaive. “It is much more efficient than imposing more strictures on selling a legal product. The problem, of course, is that the political class is as addicted to the tobacco tax revenue as people are to nicotine. Its solution is often more law enforcement and higher penalties against smugglers.”

Alexa Moutevelis Coombs (alexa@alexashrugged.com) writes from Washington, DC.
By Matt Hurley

A South Carolina quasi-judicial regulatory board has reversed its earlier statewide ban on Uber, one of several popular ridesharing companies operating in the state.

On January 15, South Carolina’s Public Service Commission (SCPSC) ordered the ridesharing company to cease all business activity in the state. On January 29, the board reversed its ban and granted Uber a temporary license to operate. The temporary license expires June 30.

The initial cease-and-desist order was issued in response to a request from Checker Yellow Cab (CYC), a Columbia, South Carolina-based traditional taxicab company, to postpone the January 26 hearing. The commission would have ruled on the ridesharing company’s certification status in the state.

By agreeing to CYC’s demand, SCPSC may have failed to meet its stated goals of ensuring “appropriate levels of customer satisfaction” and “encouraging innovation” in the state.

Competitor’s Influence

“Once the hearing was delayed without a new date being set, the commission likely felt it couldn’t allow Uber to continue to operate for an open-ended amount of time without a certificate,” said Shane McNamee, a policy analyst for the South Carolina Policy Council. “In short, Checker Yellow Cab Inc., an opponent of Uber gaining legal status, delayed the commission hearing and forced the commission’s hand.

“Although the stated goals of the PSC may be promoting innovation and ensuring quality of service for the benefit of consumers, its actions strongly suggest different goals,” McNamee said. “The PSC has long helped to limit competition and set prices for both traditional utilities and motor vehicle carriers, to the detriment of consumers and the benefit of the regulated businesses.”

Regulations ‘Completely Unwarranted’

Jeffery Tucker, a distinguished fellow for the Foundation for Economic Education, describes SCPSC’s ban as extreme and unnecessary. Tucker is also a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“The high regulation of distribution transportation services like Uber is completely unwarranted and only ends in inconvenience and high prices for consumers,” Tucker said. “It also increases the number of drunk drivers on the road. The taxi monopolies are holding us back.”

According to statistics from the National Highway Traffic Safety Administration, there were 335 alcohol-related fatalities on South Carolina’s roads and highways in 2013. Forty-four percent of all fatalities in South Carolina involved drunk driving, the highest proportion for any state in the nation.

McNamee says instead of banning popular ridesharing services like Uber, SCPSC could better achieve its goals by allowing innovation in the state’s transportation market.

“If the PSC really wants to ‘promote innovation’ and improve quality of service, it would do better to focus purely on safety issues,” said McNamee. “Instead, it bases its licensing decisions on what it believes are appropriate price levels and on how much competition PSC officials believe is appropriate for the market, ... as if anyone could know that.”

Matt Hurley (wmndtvMatt@yahoo.com) writes from Cincinnati, Ohio.
By Jesse Hathaway

Record-low gasoline prices in recent months have spurred some members of Congress to begin offering proposals that would increase the federal tax on gasoline.

U.S. Senators John Thune (R-SD) and Jim Inhofe (R-OK) have publicly supported hiking the gas tax, as have other influential lawmakers.

In late January, The Heartland Institute, which publishes *Budget & Tax News*, joined more than 50 free-market organizations in calling on members of Congress to resist the urge to increase the federal gas tax.

“Americans for Prosperity is thrilled to be joined by over 50 organizations, including The Heartland Institute, in calling on Congress to keep gas tax hikes off the table,” said Christine Harbin Hanson, Americans for Prosperity’s (AFP) federal issues campaign manager. “This letter is really important because—while there’s a lot of support for raising the gas tax on Capitol Hill—there’s a lot of opposition to it, off of Capitol Hill.

“At the grassroots level, people are feeling that they’re finally getting a break, in the form of low gas prices,” said Hanson. “Regular American families are finding that this means that they’re spending less at the gas pump, and there’s more that they can save or spend, or take their family out.”


“Lawmakers are seeing low gas prices as an opportunity to help their bottom lines as well,” Hanson said. “That’s why we’re hearing many members of Congress proposing to raise the gas tax as a way to fix some of their fiscal problems. “Members of Congress should be content to let people enjoy these low gas prices while they last, and not raise the gas tax,” said Hanson.

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

Congress Urged by Coalition, Grassroots to Reject Gas Tax Hike

New Orleans Passes Sweeping Smoking Ban

By Dotty Young

In late January, the New Orleans City Council approved a sweeping ban on smoking, outlawing all cigarette and e-cigarette use in all privately owned bars and clubs, public recreational areas, sports arenas, and movie theaters.

The New Orleans ban applies to any business establishment within the city and to outdoor areas like those found in some apartment building complexes. It also applies to “outdoor service lines” like those found at many banks.

“There is indisputable evidence that implementing 100-percent-smoke-free environments is the only effective way to protect the population from the harmful effects of exposure to secondhand smoke,” the city councilmembers wrote in the new ordinance.

The ordinance’s language specifically cracks down on e-cigarette use in New Orleans, citing the risk of an “aerosol or vapor of undetermined and potentially harmful substances, which may appear similar to the smoke emitted by traditional tobacco products.”

Thinking Outside of the Box

According to Bridgewater State University professor of philosophy Aeon Skoble, the ethical arguments for government bans are composed mostly of hot air. Instead of prioritizing one group’s rights over another group’s rights, Skoble says governments should consider the issue from a new angle.

“Thinking about an entirely different right—property rights—would go a long way toward solving the problem,” said Skoble. “If it’s my property, I have the right to set the use rules. I can allow or ban smoking as I prefer, and neither the smoker nor the non-smoker really has a legitimate complaint.

“If, for example, it’s my house and I don’t allow smoking, a smoker can’t really object ‘but I have a right to smoke,’” Skoble said. “His personal autonomy, his legitimate right to use his own body as he sees fit, is bounded by the fact that he’s in my house. His right to smoke is operational on his own property or on anyone else’s who allows it. By the same token, if I changed my house rules to allow smoking, the non-smoker cannot really complain … if you want smoke-free air, don’t come visit me.”

‘No One-Size-Fits-All Solution’

Skoble says smoking bans enacted on public property, such as government buildings, are different from bans on smoking in bars or restaurants.

“We call restaurant patios ‘public places,’ but they are in fact privately owned,” Skoble said. “The restaurant owner ought to be accorded maximum latitude in setting use rules, banning or allowing smoking as he or she sees fit. Depending on their clientele, they might want to do it one way or the other, and there’s no one-size-fits-all solution.”

Skoble questioned the goals of sweeping smoking bans, such as New Orleans’ new law.

“Are we banning smoking because smoking is bad for you and the government should ban things that are bad for you, or because others are harmed by smoking?” asked Skoble. “This matters, because the former is unjustified paternalism. “Based on that rationale, we’d have to ban alcohol, extreme sports, and fried foods,” Skoble said.

Dotty Young (dottyjyoung@yahoo.com) writes from Ashland, Ohio.

By Kemberlee Kaye

I n March, Ohio Gov. John Kasich (R) will officially unveil his supplemental budget plan and omnibus bill outlining his legislative priorities for the next two years. Although previews of the plan include some positive reforms, Kasich’s “mid-biennium review” also includes proposed higher taxes on Ohio businesses and consumers.

To offset revenue losses from a proposed income tax cut, Kasich plans to increase the state’s severance tax, a tax on oil and gas extraction, from 2 percent to 6.5 percent. Kasich also proposes increasing excise taxes on cigarettes and raising the state’s commercial activity tax, officially described as “an annual tax imposed on the privilege of doing business in Ohio,” by 6 percentage points.

‘A Very Unsound Policy’

“The governor has made it clear he intends to use revenues gained from the severance tax to offset some revenue losses associated with his continued push to lower, and eventually eliminate, the personal income tax.” Buckeye Institute for Public Policy Solutions Policy Analyst Greg Lawson said. “Looking at a number of factors, this is a very unsound policy and will make Ohio a less attractive place to drill.”

Lawson says tax cuts for many people should not come at the expense of a few others.

“It is a violation of sound tax principles for the state to single out one particular industry in order to pay for tax cuts for everyone else,” Lawson said. “Although moving toward the elimination of the state personal income tax is commendable, sound tax policy should be comprehensive and broad, not narrow and punitive.”

Spending Remains High

Lawson says Kasich’s proposal to increase Ohio’s excise tax on cigarettes to offset income tax cuts and discourage smoking is similarly unwise.

“This might temporarily increase revenues that can be used to reduce the income tax,” said Lawson. “However, over time it will be a declining revenue source, as it will—at some level—discourage use of the product or drive it into the black market where taxes are not paid.”

Instead of hiking some taxes and cutting others, Lawson says a better way to achieve Kasich’s goal of eliminating the state income tax would be simply to cut spending.

“If we are to be serious on eliminating the personal income tax, we need to get a grip on the fact that we have spent 20-plus percent over inflation over the past quarter of a century in state-only dollars,” Lawson said. “Including federal dollars, it’s 40 percent over inflation. There are many reasons for this, including long-term, systemic problems like public-sector collective bargaining bidding up the cost of government across all levels, and the voracious appetite of entitlements like Medicaid.”

Kemberlee Kaye (kemberleekaye@gmail.com) writes from Houston, Texas.

By Alexander Anton

A recent study from the Mercatus Center at George Mason University says businesses such as Airbnb and Uber, which directly connect consumers and service providers without the need for middlemen, are empowering consumers and creating a self-regulating economy.

“[By allowing] underutilized assets or ‘dead capital’ to be put to more productive use, [companies like Airbnb and Uber improve] consumer welfare [and offer] new innovations, more choices, more service differentiation, better prices, and higher-quality services,” the report’s authors wrote.

Outmoded and Redundant Regulations

The authors say one obstacle to the so-called “sharing economy” is the application of “older regulatory regimes on these new services without much thought about whether they are still necessary to protect consumer welfare.

“Under the traditional ‘public interest’ theory of regulation, regulation is sought to protect consumers from externalities, inadequate competition, price gouging, asymmetric information, unequal bargaining power, and a host of other perceived ‘market failures,’” the authors wrote.

“The sharing economy means we’re using our resources more intensely,” said Adam C. Smith, assistant professor at Johnson and Wales University. “We’re using our resources more intensely than we ever have, because we have these transaction-cost-reducing technologies, like smartphone apps and so forth. All of that can only come through a decentralized network of people—consumers and producers—coming together.

“You wouldn’t normally think, ‘Oh, what am I going to do with my car if I’m not using it?’ or ‘What am I going to do with my apartment or my kitchen?’ … Well, it turns out that now we can communicate and transact with one another, allowing us to use those otherwise dormant resources,” said Smith.

Recommends Patience

Instead of trying to stop the sharing economy, Smith says regulators should adopt a wait-and-see attitude toward this next generation of business models.

“Regulations need to deal with that accordingly, rather than thinking of this as some kind of abnormal aspect of the marketplace that needs to be stomped out,” Smith said.

Smith says the role of disruption and innovation in the free market is similar to the ecological role played by fire.

“Forest fires are bad; we all know forest fires are bad; that’s what Smokey the Bear tells us, right?” Smith said. “Actually, forest fires are a necessary part of increasing the longevity and health of a forest. Fire purges back overgrowth; it’s how the forest naturally regulates itself.”

Alexander Anton (alexanderanton.heartland@gmail.com) writes from Palatine, Illinois.
Proposed Dishwasher Rules Will Cost Lots of Green

Kelsey Hackem

New efficiency standards targeting residential dishwashers proposed by the U.S. Department of Energy’s (DOE) Office of Energy Efficiency and Renewable Energy are expected to cause dishwasher sales to decline by more than one-third and add hundreds of millions of dollars to industry manufacturers’ production costs.

DOE estimates the regulations will reduce water consumption by about 68 gallons per household per year and reduce the average household’s electricity bill by about 56 cents a year.

The regulations are projected to cause a 34 percent decline in dishwasher sales, and the cost of industry compliance with the rules will exceed $200 million.

David Kreutzer, a research fellow for The Heritage Foundation, says proposed government mandates like these are unnecessary, because free markets naturally allocate and use resources in the most efficient way possible.

“Resources have benefits, and we want to use resources where they provide benefits equal to or greater than the cost of using them,” said Kreutzer. “That’s what the market does very well.”

Optimizing the Wrong Things

“The whole energy-resource-saving thing—where the goal is to use less—doesn’t make sense to me. We don’t want to waste resources, but markets already don’t want to waste resources,” Kreutzer said. “We don’t want cars to use gasoline for no reason whatsoever, for example.

“If you look at the ads, people apparently want more fuel-efficient vehicles,” Kreutzer said. “Every time I watch a football game, the ads are telling me which truck gets the most miles per gallon. If truck drivers are sensitive to the changes in miles-per-gallon, I’m sure the other drivers are, as well.

“What regulations don’t do very well, when the federal government makes these mandates, is include all of the tradeoffs,” said Kreutzer. “Look at cars, with the Corporate Average Fuel Economy standards. They don’t consider comfort or convenience or safety. The fact that we’re driving smaller, less comfortable, less safe cars doesn’t fit into the calculation anywhere.”

Wasting Time and Effort

Kreutzer says the proposed regulations on dishwashers optimize for the wrong factors, decreasing water use at the expense of other considerations such as time and convenience.

“Energy regulations on dishwashers cut the water use, because it’s the hot water that you’re cutting back, [but] in order to get the dishes clean, you have to run the pump longer,” said Kreutzer. “You save two gallons of hot water, but you’ve added 45 minutes or so—or more, in some cases—to the washing cycle.”

“[Government efficiency mandates] don’t consider convenience; they don’t consider durability; they don’t consider other features,” said Kreutzer. “They simply look at the total amount of electricity or water that gets used.

“Markets already give people the incentive to conserve resources,” Kreutzer said. “When you put government regulations [on] top of that, they simply distort the tradeoffs so that people aren’t allowed to get the most efficient use of the resources.”

Kelsey Hackem (khackem@gmail.com) writes from Columbus, Ohio.
Colo. Lawmaker Seeks Crackdown on Civil Forfeiture

By Kelsey Hackem

Responding to constituents’ concerns, a Colorado state lawmaker is aiming to rein in a controversial program that allows police to confiscate and sell private property without search warrants or a criminal conviction.

In 1984, the federal Comprehensive Crime Control Act created a method for local and national law enforcement agencies to split proceeds from the sales of seized assets. In 2008, the national Asset Sharing Program collected $1 billion in seized currency and property, a 968 percent increase over the program’s size in 1986.

Colorado state Sen. Laura Woods (R-Arvada) introduced House Bill 006 to reform the state’s civil asset forfeiture laws. She says the bill will help protect Coloradans’ constitutional rights.

‘Seizing for Salaries’

“I was spurred by complaints from citizens who are watching what’s going on across the country. As there is more policing-for-profit and seizing-for-salaries—as they say—they were contacting me with concerns.”

LAURA WOODS, STATE SENATOR ARVADA, COLORADO


“I was spurred by complaints from citizens who are watching what’s going on across the country. As there is more policing-for-profit and seizing-for-salaries—as they say—they were contacting me with concerns.”

“Seizing for Salaries”

“I was spurred by complaints from citizens who are watching what’s going on across the country. As there is more policing-for-profit and seizing-for-salaries—as they say—they were contacting me with concerns.”

LAURA WOODS, STATE SENATOR ARVADA, COLORADO

Seized would have the right to a preliminary hearing, or writ of replevin, to determine the validity of the seizure or require the return of the property.”

Woods’ bill includes additional restrictions on civil asset forfeitures.

“We have set a $50,000 threshold—meaning that the alleged criminal has to have at least $50,000 worth of assets, excluding the value of street drugs—for local law enforcement to be able to call in federal law enforcement,” Woods said.

“The federal law enforcement agencies do not have a conviction requirement, so they can scoop up assets and sell them without the citizen being first convicted. We’ve built in this $50,000 threshold to try and de-incentivize it.

“The executive branch, in the form of law enforcement, is both raising and spending money without the legislature’s check,” said Woods. “I think that’s a violation of the separation of powers that’s called for in our Constitution.”

Law Enforcement Agencies ‘Howling’

Although reaction from voters has been positive, Woods says not everyone is a fan of her bill.

“We’ve got a mix of reactions. The marijuana industry, the gun owners, the Campaign for Liberty groups, the Institute for Justice, libertarians, Our America Initiative … these groups are very supportive of this bill,” Woods said. “The liberty-minded legislators are very, very excited about this. The cops, the district attorneys, and the state attorney general are all howling, because, you know … ‘You’re going to take away our money.’”

Reason magazine Senior Editor Jacob Sullum says Woods’ bill is a step in the right direction.

“The central problem is the very idea of civil forfeiture, meaning that you can take away somebody’s property without even charging him with a crime, let alone convicting him,” Sullum said.

“True forfeiture reform means getting rid of civil forfeiture entirely, meaning that you would need a criminal conviction in order to seize and confiscate property associated with crime.”

Sullum says he was unsurprised by local law enforcement agencies’ reaction to Woods’ bill.

“Well, they like the money,” Sullum said. “You take away what for them is a windfall, of course they are going to object. I’ve seen some law enforcement people, for example the National Sheriffs Association, say this threatens public safety, because if we don’t have forfeiture, we are not going to have enough money for our essential operations.

“If that is true, that is really a scandal,” Sullum said.

Kelsey Hackem (khackem@gmail.com) writes from Columbus, Ohio.

INTERNET INFO


IN OTHER WORDS . . .

“Senate Bill 2015-006 would prevent police from taking any assets without a guilty conviction unless there is a settlement with all the parties, including the owner, agreeing to give up the property. The legislation is also likely to discourage police from going to the feds because any money from sold assets would go directly to the state general fund instead of to individual police agencies.”

—Arthur Kane, writing for Colorado Watchdog, January 19, 2015

POWER FOR USA

“Power For USA” reports on energy issues.

Factual information on all aspects of energy use and development are covered in articles written by DONN DEARS, a retired GE Company executive whose background, training, and experience qualify him as an expert.

Go to:
www.powerforusa.com
Free-Market Reforms Are Key to States’ Recovery

By Matt Hurley

Half a decade after the U.S. economy fell into a recession, the tax revenues of 41 states in the third quarter of the 2014 fiscal year were higher than in the third quarter of 2013. Sixteen states, including some of those states with higher tax revenues, are projecting budget shortfalls within the next two years.

The details of each state’s situation vary. The solution most often suggested to close the budget gap is tax hikes, but other states are planning to raid their “rainy day funds” to buy some time.

A History of Underperforming

In addition to present budget shortfalls, Research Associate Joel Griffith of The Heritage Foundation says the economies of tax-hiking states have historically lagged behind tax-cutting states.

“States implementing new income taxes over the past 50 years have seen population decline, gross state product decline, and revenue decline, in relation to the other states,” Griffith said.

“States such as California, Connecticut, Delaware, Illinois, and Maryland hiked taxes following the Great Recession,” Griffith said. “Overall, these states underperformed when compared to low-tax, business-friendly states such as Texas and Utah.”

Opportunities for Reform

Nicole Kaeding, a budget analyst for the Cato Institute, says underperforming states should use the opportunity to make real tax and spending reforms.

“The shortfalls present an opportunity for states to cut spending, reform programs, and eliminate waste and duplication,” Kaeding said. “These actions, when taken together, can put a state on a firmer fiscal footing.”

Kaeding says the growth of the economy and tax revenue is promoted through free-market policies, not economic development plans written by the government.

Winning Solutions

“Economic growth doesn’t come from providing grants or handouts to corporations; it comes from fostering a pro-growth environment,” Kaeding said. “A pro-growth environment is one with limited government intervention. It’s an environment where businesses and individuals are able to make the best decisions in their lives with minimal interference from government.

“That means low levels of spending and regulation,” Kaeding said. “It also means a tax code that has low rates and is neutral, meaning that it doesn’t advantage one group over another.”

Kaeding says another key to filling budget holes is reducing tax rates.

“When state budgets became tight during and immediately following the Great Recession, many states resorted to budget increases to close budget gaps,” said Kaeding. “Their experience demonstrates that this is the wrong approach. States didn’t solve the underlying structural issues to state budgets, which is why they are still dealing with shortfall issues. All that tax increases did was kick the problem several years into the future.”

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

S.C. Governor Proposes Gas, Income Tax Reform Deal

By Jeff Reynolds

In her annual State of the State address, South Carolina Gov. Nikki Haley (R) proposed reforming the state’s tax structure by cutting the income tax rate by 30 percent and increasing the gas tax by 10 cents per gallon.

Haley says her support for increasing the state’s gas tax is conditional on the legislature’s approval of a 30 percent reduction in South Carolina’s income tax and receiving the executive power to oversee a restructuring of the South Carolina Department of Transportation’s commissioner selection process.

If enacted, gas tax revenues would be dedicated exclusively to road maintenance.

Considering Neighbors’ Taxes

“Gov. Haley’s significant income tax proposal more than offsets the negative effect of the gas tax increase,” Patrick Gleason, director of state affairs at Americans for Tax Reform, said. “This income tax cut proposal is especially important given that there are two states with no income tax laws in the region, Tennessee and Florida. North Carolina just reduced its income tax rate, while Georgia is looking to follow suit.

“However, South Carolina legislators from both parties are now seeking to pass the gas tax increase and table the income tax cut,” Gleason said. “Americans for Tax Reform supports Haley’s insistence that any gas tax increase must be tied to an income tax cut. Otherwise, legislators are simply voting for higher taxes at a time when South Carolinians have been hit with over 20 federal tax increases in recent years.”

Let’s Make a Deal

Tax Foundation economist Liz Malm supports Haley’s proposed tax trade.

“In terms of the gas tax, South Carolina has a really low rate,” Malm said. “If it was brought up 10 cents like the governor wants, it would still be the lowest among its neighbors.”

“The way they fund transportation and road funding is that you have state taxes and user taxes and fees—things like tolls and road charges,” said Malm. “That only makes up 50 percent of road spending in South Carolina, and that other half has to be made up through the state’s general fund or federal aid.

“South Carolina has a high top-income tax rate, when you look at its region and its peers,” Malm said. “I don’t think you can really pick which is better, keeping gas taxes low or cutting income taxes. You have to look at the pros of each of them.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
President Barack Obama is pressing hard to expand taxpayer-funded government wireless access, calling for it in a January 14 speech in Cedar Falls, Iowa and in his State of the Union address.

A key component of Obama’s municipal-Wi-Fi proposal involves the federal government preventing states from stopping local governments from becoming municipal Internet service providers.

Instead of allowing Congress to draft and vote on a bill, Obama is establishing policy changes through the Federal Communications Commission (FCC) rulemaking process.

Preempting State Laws

FCC commissioners were scheduled to vote February 26, after this issue of Budget & Tax News went to press, on whether to overturn state laws in North Carolina and Tennessee that prevent local governments from building or expanding municipal wireless systems that compete unfairly with private systems.

Section 706 of the Communications Act gives FCC the authority to promote the deployment of broadband access. FCC hopes to justify its move against state legislatures by saying their laws obstruct FCC accomplishing that mission. That is an innovative interpretation of the statute, to say the least.

Alarmed by what they see as an attack on state sovereignty and a back-door attempt to find authority to further regulate the Internet, Senate Commerce Committee Chairman John Thune (R-SD) and Commerce Committee Chairman Fred Upton (R-MI) have sponsored a bill that would block FCC’s move.

‘Disaster Over and Over and Over’

Currently, 19 states have laws that limit municipal broadband networks in various ways. Some limit those networks to serving only certain geographic areas, while others impose restrictions on the prices muni broadband networks may charge. Seton Motley, president of Less Government and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says those states have passed such laws for good reasons.

“The government’s been in the business since the early 2000s, and it’s been a disaster over and over and over. That’s why 19 states have laws saying, ‘We don’t want to be on the hook like in Provo,’” Motley said.

In 2001, the town of Provo, Utah took on debt and raised taxes to fund the creation of iProvo, a municipal Internet service provider (ISP). Six years later, less than one-tenth of the city’s population had signed up for the service.

In 2013, city officials sold iProvo’s fiber infrastructure to Google for $1, officially pulling the plug on the ISP.

“Every resident in the state of Utah has to pay $240 a year in taxes to make up for the more than $500 million Provo lost on its government broadband attempt,” Seton Motley, President of Less Government

“Every resident in the state of Utah has to pay $240 a year in taxes to make up for the more than $500 million Provo lost on its government broadband attempt.”

INTERNET INFO


IN OTHER WORDS . . .

“The principal argument for municipal broadband is market failure: Internet service providers are entrenched dual-policies that have no interest in serving residents without the financial means to pay upward of $100 a month for a broadband package. Yet while touting the wonders of the 10 gigabit per second fiber to the home access the City of Cedar Falls, Iowa is providing, President Barack Obama neglected to mention that it costs $275 a month. Broadband for the people, indeed.

“Let’s say it one more time: Municipal broadband doesn’t work.”


Every Article. Every Clause. Every Amendment.

A landmark work of more than one hundred scholars, The Heritage Guide to the Constitution II is a unique line-by-line analysis explaining every clause of America’s founding charter and the relevant Supreme Court decisions.

In this fully revised second edition, leading scholars in law, history, and public policy offer more than two hundred updated and incisive essays on every clause of the Constitution.

In Missouri, Traffic Fines Double as Revenue Boosters

By Joseph Miller

Months after the tragic and highly publicized incident involving the death of Michael Brown in Ferguson, Missouri, St. Louis County police practices have been under close scrutiny by critics.

One criticism leveled at the county is the heavy and possibly illegal dependence of municipalities on traffic fines and other civil citations.

According to a recent report by Better Together STL, court collections in eight cities in St. Louis County exceed 30 percent of total revenue, potentially violating state law.

Macks Creek Speed Trap

From the late 1980s through the mid-1990s, Macks Creek, a town with fewer than 300 residents, was Missouri’s most notorious speed trap. Located along Highway 54, the city collected more than 76 percent of its revenue from traffic fines.

Residents had little reason to object, because travelers from other towns effectively subsidized town expenses. That changed in 1995, when Macks Creek police ticketed a state legislator who later sponsored legislation capping the proportion of revenue that can come from traffic fines.

Every dollar exceeding the 30 percent “Macks Creek Law” cap is transferred to the state for education funding. Failure to comply with the law can result in the suspension of a city’s authority to enforce traffic laws.

Unable to use law enforcement to keep itself afloat financially, Macks Creek quickly went bankrupt. Audits of the city’s finances discovered mismanagement of funds, wasteful no-bid contracts, and failure to keep accurate financial records.

‘Minefield of Police Cars’

Although the law effectively dealt with Macks Creek, it has been largely ignored in St. Louis County. Because many of the county’s 90 municipalities are very small, they tend to have equally small tax bases. As a result, many of these cities are highly reliant on fines and traffic tickets for revenue. These municipalities are not evenly distributed across St. Louis County. They are clustered in the northern area of the county.

Of the 20 cities in the county with fine collections exceeding 20 percent of total revenue, 13 are contiguous with one another in a 25-square-mile section.

Navigating this minefield of police cars, with officers eagerly watching for any infraction, is a daily burden for local residents who have to pass through many of these small municipalities to travel to work or to stores.

State officials initiated lawsuits and audits on some but not all possible violators of the Macks Creek Law. Such policing tactics are not new, and reports of possible cap infractions date back to the law’s passage.

In its current form, the law lacks provisions for regular audits and other enforcement mechanisms.

Watching the Watchers

Without a regular process to investigate whether cities are actually following state law, enforcement of the Macks Creek Law may fade as national attention on the state’s policing tactics subsides.

A possible reform that could help keep local municipalities in check is the lowering of the law’s cap, which would further discourage misuse of police resources. Many cities come in just under the 30 percent cap, relying on fines for more than 20 percent of revenue.

Joseph Miller (joseph.miller@showmeinstitute.org) is a policy analyst with the Show-Me Institute, based in St. Louis, Missouri.

INTERNET INFO


IN OTHER WORDS . . .

“This problem has been felt nowhere more acutely than in north St. Louis County. As we continue to identify areas for reform, an important first step is to require that St. Louis municipalities, and all municipalities around the state, follow the Macks Creek law [a Missouri law passed in 1995 intended to prevent cities from using traffic fines as a major source of general revenue] to the letter.

“The era of casual compliance has to be behind us. As a community, as a state, we need to take this seriously. It’s part of learning the lessons of Ferguson.”

—Missouri State Attorney General Chris Koster, press conference, January 22, 2015
States Take the Lead on Transportation Fund Reform

By Kenneth Orski

While some members of Congress are pressing for an increase in the federal gas tax, responsibility for funding transportation projects is increasingly shifting from the federal government to the states.

With gasoline prices nearing a five-year low, a chorus of voices, including several influential Republican senators such as John Thune (R-SD), Bob Corker (R-TN), Jim Inhofe (R-OK), and Orrin Hatch (R-UT), say now is the perfect time to raise the federal gas tax.

President Barack Obama does not seem to agree.

Obama did not include a gas tax increase among his tax proposals in his January 2015 State of the Union address, nor did he mention it in the context of his proposed “bipartisan infrastructure plan,” which disappointed transportation advocates.

White House Press Secretary Josh Earnest has repeatedly reminded reporters the Obama administration continues to believe the best option to pay for a long-term surface transportation bill is through a windfall from corporate tax reform, but a tax reform bill isn’t a sure thing. Tax reform is not likely to be passed before the current transportation measure expires at the end of May 2015.

Dead on Arrival

In the House of Representatives, the probability of a gas tax hike is virtually zero.

“While there may be some voices in the Senate in favor of raising the gas tax, the sentiment in the House is overwhelmingly against it, and this includes Speaker Boehner,” one senior House aide told reporters.

Rep. Paul Ryan (R-WI), chairman of the tax-writing House Ways and Means Committee, and Rep. Bill Shuster (R-PA), chairman of the Transportation and Infrastructure Committee, have also ruled out a fuel tax increase.

Given the House Republicans’ solid opposition, political observers do not see a gas tax increase as a practical reality. If that is the case, perhaps the time has come to reconsider the way we pay for transportation.

Bigger Role for States?

The transportation advocacy group Transportation for America (T4 America) argues the solution lies in shifting a larger share of funding responsibility to states and local governments.

“States that want to continue investing will have to explore new ways to raise funding for transportation on their own,” said T4 America Director James Corless.

For a growing number of states hoping to secure a stable source of funds for their transportation programs, a long-term federal transportation authorization is no longer a necessity or a possibility.

‘Laboratories for Fiscal Innovation’

Surveys by the American Road and Transportation Builders Association and the National Conference of State Legislatures show state governments have become laboratories for fiscal innovation.

For example, seven states—Maine, Maryland, New Hampshire, Pennsylvania, Rhode Island, Vermont, and Wyoming—have increased local fuel taxes. Other states—Delaware, Florida, and Ohio—have floated the idea of toll revenue bonds and increasing highway tolls. Arkansas, Minnesota, and Wisconsin have enacted or are considering dedicated sales taxes for transportation. At least 20 states are poised to tackle transportation funding in 2015, according to the Council of State Governments.

Collectively, these measures will generate billions of dollars of additional revenue for state and local transportation programs. The states’ added revenue should largely replace the absence of federal funding.

With the 2014 midterm elections boosting Republican majorities in statehouses to historic highs not seen since the 1920s, the movement toward greater self-sufficiency and financial innovation at the state and local levels is likely to grow, and the United States will be better off as a result.

Kenneth Orski (korski@verizon.net) is a public policy consultant and former principal of the Urban Mobility Corporation. An earlier version of this story appeared at Innovation Briefs at http://www.innobriefs.com/. Reprinted with permission.

.states-saving-themselves

Governors, state legislatures, and local governments are responding to uncertain prospects for future federal funding by taking aggressive steps to become less dependent on federal aid.
An Engaging Recipe for Revitalizing American Society

By Jay Lehr, Ph.D.

Cal Thomas is among America’s most prominent conservative newspaper columnists; he has appeared in hundreds of newspapers over the past three decades. Thomas has railed against the increasing size of government and the decline in morality and human values that enables the government to infringe on our freedoms.

At least half of our nation has chosen to trade liberty for a long list of handouts, which Thomas says is leading to social decay. Thomas says by returning to common sense and the nation’s founding principles, the decline of America can be prevented.

“Groundhog Day”

Weighing in at just 224 pages, What Works makes for easy reading, but don’t be fooled by its small size. Thomas’s book is full of hard data on the failures of government and how each presidential administration seems to repeatedly make the same mistakes.

As a result, life for most Americans has become eerily similar to the movie Groundhog Day, in which Bill Murray’s character is forced to repeat the events of the same day, again and again, until he gets it “right.”

Thomas is a deeply religious man, and his devout Christianity shines through his words. He defines clearly the nation’s economic and moral problems and offers sound solutions the reader can accept without agreeing with his religious beliefs.

His descriptions of big government’s failures may be all too familiar to regular readers of The Heartland Institute’s many publications, including Budget & Tax News.

Rejecting Opponents’ Charges

“If conservatives want to see their ideas prevail and ideals achieved, they must stop playing on the liberals’ field, and by their rules,” writes Thomas. He later says conservatives should stop responding to outrageous charges of not caring for the poor, the immigrants, minorities, and women, because these charges are designed to distract the public from real, substantive issues.

Early on in What Works, Thomas explains every problem presented by politicians and the media in modern America is presented as a crisis solvable only by more government. The founders of our nation did not intend this, Thomas says, and he proves this by referring to the debates between the Founding Fathers in The Federalist Papers and at early constitutional conventions.

Thomas writes, “[Few people realize The Federalist Papers] were thought of as notes by the founders that expanded on their motivations and philosophy as they formed this more perfect union.”

He describes The Federalist Papers as “a rebuke to those modern political leaders, which may be why more schools don’t teach them.” Thomas’s insights into the philosophical arguments behind our nation’s founding will amaze the reader.

Extremely Well Read

One particularly notable section of the book that is worth the price of the book by itself is Thomas’s discussion of world philosophies. The author defines the five major sectors of world philosophies—animism, naturalism, pantheism, post-modernism, and theism—along axes of humans, reality, truth, and values; his formulation is especially helpful for navigating the world of philosophy for those with limited knowledge of that area.

Thomas is extremely well-read, and he sprinkles historical quotes throughout the book from people who foresaw the current downhill trend of government, implying what would work is essentially the opposite of what is done today.

For example, President Thomas Jefferson said, “A government big enough to give you everything you want is a government big enough to take away everything that you have.”

Alexis de Tocqueville warned us, “The American Republic will endure until the day Congress discovers that it can bribe the public with the public’s money.”

Such “common-sense solutions,” Thomas says, are practically absent from the dialogue espoused by our nation’s current political and cultural leaders.

What Works: Common Sense Solutions for a Stronger America

Cal Thomas; Zondervan Publishing House, 2014, 224 pages
ISBN-13: 978-0310339465; $14.29 on Amazon.com,

Solutions from the States

Thomas says most of “what works” results from state governments rejecting the federal government’s failed central planning attempts.

Thomas highlights programs in Georgia, Indiana, Louisiana, Nebraska, New Jersey, New Mexico, Ohio, Texas, and Wisconsin, dealing with issues such as college scholarships, debt reduction, economic development, education reform, taxpayer refunds, pension deficits, property rights, and tax reduction—to name just a few.

Enabling Personal Responsibility

Another highlight of the book is Thomas’s explanation of Rep. Paul Ryan’s (R-WI) plan to reform Medicare. Thomas’s review captures the Ryan plan’s simplicity and power; because the plan weakens the federal government’s power over the people, Thomas says, it has not gained favor in Washington, DC.

Thomas argues enabling personal responsibility and increasing freedom is the cure for most of our health care problems, ranging from mental illness to reforming nursing homes.

A message of personal freedom and individual achievement carries throughout the book as the bedrock for righting what is currently wrong with the nation. That, readers will conclude after reading this enjoyable book, is “what works.”

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

IN OTHER WORDS . . .

“After three decades of writing a syndicated column and as a reporter before that, I have pretty much seen it all, especially Man’s futile attempts to perfect himself and alter certain behavior through government, specifically the federal government.”

—Cal Thomas, writing in What Works: Common Sense Solutions for a Stronger America
Better Plans Before Bigger Budgets in Georgia

By Benita Dodd

The 2014–15 Georgia General Assembly created a joint study committee to make recommendations for funding construction, maintenance, and repair of the state’s transportation infrastructure after voters rejected a 1 percent sales tax increase proposal in 2012.

The committee’s final report, released December 30, said, “Georgia must take immediate and significant steps to increase its investment in transportation infrastructure.” The report noted that voters have rejected a sales tax increase and a 1 cent statewide sales tax increase, meaning the state’s gas tax is dedicated to transportation funding.

Consultants say minimum maintenance will cost $1 billion to $1.5 billion per year for the foreseeable future, more than the state can afford. The “full universe of transportation needs,” including passenger rail, would require up to $5.4 billion annually.

The committee’s report cites a study by Reason Foundation scholar Robert Poole that estimates the cost of national infrastructure repairs and additions to be approximately $983 billion.

The committee’s report did not mention Poole proposed a per-mile tolling system that would provide 99 percent of the necessary revenue.

Funding the future of Georgia’s transportation infrastructure isn’t as difficult as some people portray it. Honing the infrastructure project’s focus on transportation solutions eliminates the need to raise taxes.

Although Georgia ranks 49th in per-capita transportation infrastructure spending, it has the nation’s 23rd-highest gas tax. This discrepancy is due to the fact that less than 60 percent of the state’s gas tax is dedicated to transportation funding.

Reforming the state’s tax laws would also help pay for more road and bridge repairs. By allowing the state to create smaller tax regions to focus on projects of mutual benefit and tax at fractions of a penny, more flexible and targeted taxes can help prioritize projects. This would help match taxes to the needs of a project instead of allowing projects to expand to match revenues.

Georgia should set the legislative, legal, and technological foundation for a possible future involving autonomous vehicles, private-sector approaches to addressing people’s transportation needs, and funding models that rely heavily on user fees such as tolls and distance-based charges.

Benita Dodd (benitadodd@georgiapolicy.org) is vice president of the Georgia Public Policy Foundation.

INVEST IN FREEDOM

INCLUDE THE HEARTLAND INSTITUTE IN YOUR ESTATE PLAN

One way to ensure free-market ideas are effectively promoted in the future is to name The Heartland Institute a beneficiary of your estate. You may designate a dollar amount or a percentage of your estate, or name Heartland a beneficiary of your insurance policy, retirement plan, IRA, bank or brokerage account, real estate, or other financial assets.

Many legacy gifts are easy to make and do not require legal assistance. For those that do, Heartland has legal advisors willing to help.

For sample bequest language or for further information please contact Gwendalyn Carver, Development Director, at 312/377-4000 or by email at gcarver@heartland.org.

INTERNET INFO

Legislators:

Make Us Your New Legislative Aide!

Join Heartland’s Legislative Forum today and stay on top of the latest research and policy solutions.

Why Join?
Simply, The Heartland Institute delivers what elected officials need. Busy elected officials have little or no staff and need a reliable source of research and commentary on the most important public policy issues of the day. For 31 years Heartland has been that resource.

Benefits of membership include:
• Travel Scholarships to Heartland’s Emerging Issues Forum
• Priority access to your very own free-market “think tank”
• Bringing experts to your state
• Invitations to Legislative Forum member-only events
• Complimentary copies of Heartland Policy Studies and books

Membership is limited to current elected officials and costs just $99 for two years or $179 for a lifetime membership. As a lifetime member, you will enjoy the great benefits the Legislative Forum offers for your entire time in office, as well as alumni benefits thereafter.

Visit heartland.org/sign-forum to sign up.

For more information, please contact Login Pike at 312/377-4000 or email her at lpike@heartland.org.

“Heartland’s research and advocacy for science-based policies that improve people’s lives have been very helpful to me and my colleagues.”

REPRESENTATIVE ISAAC LATTERELL
SOUTH DAKOTA