

MARCH 6, 2009

Friday Public Policy Commentary

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Editor's Note: Welcome to The Minnesota Watchdog!

1. Attention to Deficit Disorder.

The much-feared state budget forecast arrived this week with somewhat of a thud. With some reports claiming the deficit could rise to \$6 or \$7 billion, the deficit is now projected to be a lower-than-expected \$4.57 billion.

The deficit is still of gargantuan size and thus presents the legislature and the governor with an opportunity to make gargantuan reforms in the way state and local government operates.

Moreover, the new deficit number was tempered by a \$1.3 billion injection of Monopoly money hot off the printing presses in Washington. Without the Monopoly money, the deficit is closer to \$6 billion. This is one-time money that will not be available in the "out years." What this means is that the state's budget, when resolved will likely lack "structural balance", meaning that there will be projected budget deficits for future state budgets beyond the upcoming two-year budget cycle that begins July 1st.

Legislative Republicans were resolute in their pledge to resolve the deficit without adding to the already high tax burdens faced by Minnesota families and businesses. Minority Leader Marty Seifert wryly noted that the DFL has a case of "Attention to Deficit Disorder."

Governor Pawlenty was equally resolute.

It is the DFL that seems to be paralyzed by the crisis.

The DFL has simply failed to offer any concrete solutions or provide any leadership on what is undoubtedly one of the defining legislative issues of our time. That's not an understatement when you consider that this is the worst economic crisis since the Great Depression.

The DFL majority has known since at least November of last year that the state's budget was deep in the red. Yet the majority did nothing for the rest of 2008.

The 2009 session convened January 6th and legislators started collecting their per diem payments. The DFL leadership did nothing in January beyond taking the expected pot shots at the governor's budget proposal. Maybe the DFL would be well served to recall Harry Truman's observation that any jackass can kick down a barn. It takes leadership to build one.

February dawned and the DFL decided to go around the state on a Misery Tour to gather input from the citizens. That would have been grand idea - back in November.

Here we are in March and the DFL majority has yet to offer their budget. In fact, the Speaker of the House was quoted as saying their budget would be ready by mid-April, leaving just over 30 days to finish a budget before the legislature adjourns on May 18. Of course, there may be a special session beyond

that, with the possibility of a government shutdown starting July 1st.

Thus far, the legislature has passed a grand total of 5 bills. Now the Watchdog is quite comfortable with governmental inaction, but the point is that legislators shouldn't be sitting around the Capitol collecting paychecks for nothing. Maybe the legislature should have convened in late March or early April. Just what in the heck are these guys doing?

The DFL paralysis is quite understandable. Raising taxes is in their DNA but they don't want to be out on a limb calling for tax increases, especially during a recession.

The GOP is united against job killing tax increases. Even the Obama administration is holding off on their War on Success tax increases until at least 2011. Doctor Tom Stinson, the state's economist noted in a private meeting with legislators that tax increases during this time of severe economic turmoil would be unproductive. Thus, it appears that no one is willing to take on tax increases with the possible exception of our brave band of DFL revenue enhancers in Saint Paul.

So what's a massive majority to do? Sit on their collective a\$\$es.

<http://www.startribune.com/politics/state/40640392.html>

<http://www.governor.state.mn.us/mediacenter/pressreleases/PROD009381.html>

http://tpt.org/aatc/2009/03/03/lawmakers_react_to_forecast

2. Forecast Calls for Slush.

Only in government would this happen. With mayors and city councils howling over a reduction in aid payments from the state, we find out that many are sitting on a mountain of taxpayer cash.

MPR reported this week that the State Auditor has uncovered approximately \$1.5 BILLION in reserve monies being hoarded by city governments in Minnesota.

While the Watchdog has no problem with cities accumulating reasonable "rainy day" funds, the scope of hoarded funds and the attitude of city officials are both typical and appalling.

Typical is the attitude of Wadena Mayor Wayne Wolden. Wolden hysterically noted that state aid cuts will mean his backwater burgh will only plow the streets "once every other blizzard." What Wayne didn't note was that his city of approximately 4,000 is sitting on a \$1 million budget reserve.

Similarly, Murderapolis Mayor RT Rybak is sitting on \$133 million in reserves. This after he unveiled a budget that takes cops off the streets.

It's obvious that these mayors have taken a cue from the local schools boards and are adopting a "Washington Monument" strategy, whereby units of government make the most painful cuts first to fool the public into believing that the cuts are too painful and too deep and thus the only way out is another tax increase.

The economic sky is pouring rain. Time to build that ark, mayors.

<http://minnesota.publicradio.org/display/web/2009/03/02/cityreserves/>

3. Dr. Tom Fights for America.

Watchdogs, if you aren't familiar with Senator Tom Coburn (R-OK), you should be. Coburn was first elected to the House in 1994 Contract with America election. True to his word, Coburn served three terms and then left the House. An outpouring of support for Coburn in 2004 led him to run for the Senate seat he occupies today.

He has been a leading voice for true fiscal conservatism ever since, shunning the go-along-to-get-along attitude that pervades the most exclusive club in America, the U.S. Senate. Coburn is also an author,

writing "Breach of Trust", which is mandatory reading for all Watchdogs.

Not surprisingly, Coburn has been a fierce critic of the pork-filled "stimulus" package. One would think that the greatest economic crisis of our time would prompt the Congress to set aside the pork barrel mentality, but alas, that is not the case.

In fighting the stimulus, Coburn offered a floor speech entitled, "The Stimulus is a Step Towards a Soviet America." The Watchdog predicts that this speech will come to be regarded as a classic of American politics and will stand the test of time as a defining critique of Congressional incompetence in the face of economic crisis.

Coburn's speech courageously shamed his Senate colleagues by highlighting the rank pork barreling in the package. Among the lowlights:

- The largest earmark in American history, a \$2 billion set aside for a "zero emissions" coal plant that MIT scientists say cannot work. Maybe that \$2 billion should go towards an alchemy plant to turn lead into gold. It would have a better chance of success. Don't tell Robert Byrd, he'll probably do it and put the darn thing in West Virginia!
- \$448 million for a new Homeland Security building. The Federal government currently has \$1.3 trillion worth of empty buildings.
- \$850 million for Amtrak.
- \$1.2 billion for "youth activities?" This is Bill Clinton's "midnight basketball" on steroids. For \$1.2 billion, every ghetto and barrio can host "midnight polo."

Coburn finished by observing, "Let me conclude by saying we are at a seminal moment in our country. We will either start living within the confines of realism and responsibility or we will blow it and we will create the downfall of the greatest nation that ever lived."

<http://www.freerepublic.com/focus/f-news/2188382/posts>

4. The Stimulus, GM, Cramer, and \$200 Billion.

While the Watchdog may not be among the crowd that wants to see the president fail, we are certainly among the crowd that predicts his policies will fail because those policies punish investment and success while rewarding political allies and favored special interest groups.

Let's take a quick look at some of the poisoned fruit these policies have produced thus far.

Just weeks after the federal government forced the taxpayers to become unwilling investors in Detroit, we read that there is a significant chance GM will be forced into bankruptcy, which is where they should have been in the first place.

It didn't take an MBA to see that Detroit's business model was a failure and that propping up GM and Chrysler would do little but throw good borrowed money after bad.

But the UAW needed a payoff. Bankruptcy would allow a judge to rewrite the terms of the collective bargaining agreements that contained goodies like being paid for not working and benefits like full retirement at age 38.

Detroit is an old line legacy industry that is in serious need of a shakeout if it is to emerge ready to compete in the new economy. In that regard, the airline industry offers the blueprint. It's too bad we had to handcuff our kids and grandkids to billions more in Chinese-financed debt before learning the lesson. <http://finance.yahoo.com/news/GM-auditors-raise-doubts-on-apf-14550933.html>

Need another example of misplaced priorities? How about the \$200 billion plan to encourage more credit card spending? That's right, the administration and co-conspirators in Congress want taxpayers to buy \$200 billion in toxic securities backed by bad credit card debt. Why? In order to encourage banks to make credit card debt easier to obtain. Why in the world would we want to encourage the same kind of profligate credit card spending that helped us get into trouble in the first place? Yes, consumer spending is important to the economy, but encouraging people to spend money they don't have is a recipe for disaster.

http://news.yahoo.com/s/ap/fed_consumer_credit

Finally, Wall Street guru Jim Cramer has been involved in a running battle with the White House ever since Cramer argued that the president's economic plan would destroy wealth.

<http://www.mainstreet.com/article/moneyinvesting/news/cramer-my-response-white-house>

5. Quote of the Week.

"Yes."

Governor Tim Pawlenty responding to whether he would oppose DFL tax increase proposals.

<http://www.startribune.com/politics/40640392.html>

MARCH 13, 2009

Friday Public Policy Commentary

In This Issue:

1. **2009 Tax Incidence Study.**
2. **Obama's "Change" comes to Switzerland.**
3. **Check Out John Stossel.**

1. 2009 Tax Incidence Study.

The Minnesota Legislature has released the 2009 Tax Incidence Study this week. For Watchdogs who don't remember, the study is a non-partisan overview of Minnesota's tax burden and how that burden is distributed.

The study is non-partisan and offers excellent information regarding Minnesota's tax system. Of course, the Watchdog needs to weigh in on the subject since the mainstream media likes to cherry pick certain stats and conclusions to support their annual whine-fest that the "rich" don't pay enough taxes.

<http://www.startribune.com/opinion/commentary/41121517.html>

The latest report notes that Minnesota's tax burden has become more regressive, meaning that poor people pay a greater percentage of their income to taxes than the wealthy. The study notes that in 2006 (the baseline study year), the bottom 10% in Minnesota paid 23.8% of their income in state and local taxes while the richest 10% paid 10% of their income to state and local taxes.

The Left then uses this statistic to call for punishing success in the form of higher taxes for the wealthy.

But here's what the Left doesn't say. First, the study notes, "the effective tax rate for the first decile (the poorest 10%) is overstated for many reasons."

Space does not permit the listing of the many reasons, but suffice it to say, the poorest 10% don't pay 23.8% of their income in state and local taxes. (Read the entire study by clicking the link below.)

But here's the real important part: They never tell you about how the wealthy pay the lion's share of taxes.

Take the income tax, which is the biggest tax revenue generator in the state. The bottom 10% don't pay income taxes in Minnesota. In fact, they take money out of the system in the form of refundable tax credits. The next 10% don't pay income tax either. So, the bottom 20% of income tax payers don't even pay into the system.

And what of the top 10%? They pay 57% of all state income taxes. The top 5% pay 44% of the income taxes. And the wealthiest 1% pay 25% of the total income taxes collected.

So who isn't paying their fair share?

Maybe tax burdens ought to be allocated on the basis of governmental services consumed. The wealthiest 10% certainly don't suck up 57% of governmental services.

The simple fact is that the wealthy in Minnesota more than pay their fair share.

Moreover, this concept of "progressive" taxation is suspect and downright antithetical to the very principles upon which this country was founded.

Punishing success and rewarding sloth isn't what made America the greatest economic force the world has ever seen. Discriminating against successful people by forcing them to pay a grossly disproportionate share of the tax burden is an egregious violation of concept of equality enshrined in our Constitution.

The practical reality is that higher and higher tax rates only drive wealth, capital and prosperity to lower-tax jurisdictions.

Of course, the DFL speaks of making the system more "progressive" by raising taxes on the wealthy.

First, the DFL should acknowledge its hypocritical role in making the system more regressive, which they have done by passing a raft of sales tax increases for light rail, baseball stadiums, zoos, bike trails, the arts, MPR and the like. The sales tax is very regressive and it only stands to reason that when you raise these taxes, the system becomes more regressive. DFLers are interested in protecting the poor from regressive taxes only when it means pounding the wealthy, which does nothing to help the poor except reduce the jobs and charitable services upon which they rely.

Property taxes are also regressive and the DFL has consistently opposed capping property taxes, which was the law in Minnesota for many years - known as "levy limits." In fact, Minnesota last session brought back limited levy limits and the DFL is right now working on legislation to remove that cap and let school districts and other local units of government raise property taxes without limit. And SURPRISE! A DFLer is the author!

https://www.revisor.leg.state.mn.us/revisor/pages/search_status/status_detail.php?b=Senate&f=SF1054&ssn=0&y=2009

The bottom line is that the successful in Minnesota are already bearing more than their fair share while 20% of Minnesota households don't pay income taxes at all.

And don't forget about the corporate taxes here in Minnesota. Minnesota is one of a shrinking number of states that have a corporate tax at all.

Most states have realized that corporations don't pay corporate taxes. Instead, corporate taxes are paid by employees in the form of lower wages and benefits. They're paid by consumers in the form of higher prices. Finally, they're paid by investors who realize lower rates of return and smaller dividends.

Most troubling, the study predicts that Minnesota's already sky-high and uncompetitive commercial and industrial property tax rate will increase 42% between 2006 and 2011.

There is an increasing incentive for job providers to leave Minnesota. More business friendly states like North Dakota and Iowa are faring much better. And please spare the Dog the bombastic arrogance of denigrating the quality of life in those states compared to Minnesota. Yes, the Dog loves frigid Minnesota, but it's not like those two neighbors are third world banana republics. Heck, you may be moving there with your job soon enough!

<http://www.startribune.com/local/41154987.html>

<http://www.sbecouncil.org/uploads/sbsi%202008%5B1%5D1.pdf>

http://www.taxes.state.mn.us/taxes/legal_policy/other_supporting_content/2009_incidence_report.pdf

2. Obama's "Change" comes to Switzerland.

While we're all basking in the post-partisan "change" wrought by President Obama, it might help to get beyond the rose colored emotional glasses and take a sober look at what our community organizer in chief (COINC) has been up to of late.

First, we all heard about a post-partisan White House, where there wouldn't be score-keeping, name calling, but there would be the taking of lunch money from the rich kids.

We now find out the White House has already got an "enemies list" headed up by Rush Limbaugh, a man with no title in the Republican party and no election certificate to the Congress. Since when has the president of the United States stooped to attack and vilify an entertainer? Maybe that's "change" but certainly not the type most sheeple voted for last November.

And there's the tiny matter of the trillions of dollars in liabilities the COINC has racked up already. After rightfully castigating the Bush administration for running up the debt and handcuffing our children to a mountain of Chinese-financed debt, COINC is on target to blow by W's sad record of fiscal mismanagement.

On top of that, the Pied Piper of Post-Partisanship has assembled a budget full of Foggy Bottom financial trickery that would make Bernie Madoff blush.

Mr. Obama's budget also assumes the economy declines 41% less this year and grows 52% more next year and 38% more the year after than is estimated by the Blue Chip consensus. If Mr. Obama used the consensus forecasts for growth rather than his own rosy scenarios, his budget would be \$758 billion more in the red over the next five years.

Other expensive new programs disappear after a number of years. As if any new program disappears.

Furthermore, discretionary domestic spending grows over the next two years by \$238 billion. COINC promises it will then be cut in real terms for the next nine years. Oh yeah, and the check's in the mail.

Then there's the omnibus spending bill to fund the government for the next six months, packed with 8,500 earmarks and tens of billions in additional spending above the current budget. What happened to pledges for earmark reform and making "meaningful cuts?"

While COINC no doubt relies on the very debt leveraging he decried as a candidate to fund this debacle, he also relies on some good old fashioned spank-the-wealthy tax increases to gloss over the Red Sea of debt.

The unfortunate news for the White House is that the wealthy are smart folks who achieved success by being ahead of bad news.

And while it will take Washington some time to get around to giving us "change" right where it hurts, the rich are already lowering the financial life boats and heading for safe harbors.

One of those safe harbors is Switzerland, where many companies are now domiciling to avoid the aforementioned and often-promised "change."

There will no doubt be a wailing and gnashing of teeth from the Left as smart businesses and investors "outsource" to more favorable tax climates. We'll hear all about how "patriotic" it is to stay in America and take a confiscatory beating at the hands of a man who never created a job or met a payroll.

But those darn capitalists just don't get it. They've got this crazy notion that the more profitable a business, the more jobs and prosperity there will be for all. And when businesses keep more of their profits, that wealth is distributed to employees and the community at large through economic growth and charitable giving. The whole problem with that concept is that it reduces the power of

government and thus the influence of folks who like to be generous - with other people's money.

<http://online.wsj.com/article/SB123682426946303905.html>

<http://www.reuters.com/article/GCA-Oil/idUSTRE52B08T20090312>

3. Check Out John Stossel.

John Stossel will host an ABC special on government spending tonight!

<http://abcnews.go.com/2020>

MARCH 20, 2009

Friday Public Policy Commentary

In This Issue:

- 1. Three Card Monty.**
- 2. Market Distortion.**
- 3. Watchdog Network Call.**

1. Three Card Monty.

It's that time of year down at the Capitol when legislators and the governor finally get around to thinking in a serious way about our serious budget deficit. Now that the Senate DFL, the Governor, and the House DFL (at least through the words of the Taxes Chair) have weighed in, taxpayers can pick a budget card from this game of fiscal three card monty. Let's take a closer look at what each proposal offers:

The Governor's Revised Proposal:

What's Good:

- No Tax increases. Minnesota is already uncompetitive with respect to taxes. Increasing taxes only drives away job creators and other successful people who create wealth.
- Cuts to Health and Human Services. This program area is out of control and threatens to bankrupt the state. Thanks to Pawlenty taking federal "stimulus" money, the state must agree not to cut HHS rolls until the next biennium (the out years). Pawlenty's revised budget proposes to cut \$173 million from HHS in the out years, although that may be too little too late.

What's Bad:

- The DFL is right when they say Pawlenty relies on one-time money, including one-time federal "stimulus" money and about \$2 billion worth of accounting shifts and other gimmicks. Since this money ends while the programs often continue, Pawlenty is pushing a deficit off to future years, meaning the budget lack "structural balance." Moreover, it creates a credibility gap when the governor criticizes federal money and then takes it. If Republicans are to regain credibility with the voters, they need to stop with the smoke and mirrors and rely on credible accounting methods.
- Too much spending. Pawlenty's revised budget proposes a meager overall spending cut of less than 2%. In the out biennium, spending increases again. Only in government would the worst economic crisis since the Great Depression lead to such meager, anemic results. The only recession-proof industry is government.
- Increased education funding. The Pawlenty budget actually increases K-12 education funding by about \$183 million. This is little more than bowing to the education lobby. While the new money is earmarked for teacher merit pay, there is a good case to be made that education ought to take a cut, especially since it comprises nearly half the state's general fund. Republicans ought to focus on results and not money. What a cop-out.

The Senate DFL Plan:

What's good:

- The Senate plan includes a 7% across the board budget cut, including sacred cows like education.
- Structural balance. The DFL plan balances and doesn't rely on accounting shifts and other gimmicks.
- The DFL plan also calls for \$78 million in public safety cuts. Good. Minnesota will get by just fine without so many Minneapolis firefighters hanging out at the fire station playing Xbox or cops sitting in medians writing traffic tickets to taxpayers who are running late to work to pay the taxes that pay for the generous benefits these government employees receive.

The bad:

- The plan calls for \$2 billion in new taxes, mainly coming from "the rich." If that means the top income tax bracket in Minnesota, the rate would have to rise to 12% to confiscate an additional \$2 billion, which is unlikely even for that band of success haters. So where else to get it? DFL Senator Tom Bakk has already broached an across the board income tax hike as well as taxing Internet downloads. Other DFLers speak of extending the sales tax to services and clothing.

The House DFL Plan:

- The House DFL has yet to release a comprehensive plan, although Taxes Chair Ann Lesczewski (DFL-Bloomington) has released some details via her committee. The good news of the proposal is that a proposal to tax Minnesota corporations only on sales in Minnesota and not on payroll or property assets in Minnesota would be accelerated. This "single sales factor" change would be good for Minnesota's business climate.

More good news for the House DFL plan comes in the form of the elimination of corporate tax credits and incentives won by special interest groups for their industry or their geographic area, including the "JOBZ" program. Lenczewski is right to create more equity by eliminating special treatment and putting all businesses on more equal footing by taking those monies and creating credits and deductions that would be available to a wider segment of taxpayers.

- The bad news is that the proposal would limit mortgage interest deductions, which would be devastating for many homeowners. She would also eliminate other politically popular programs like the K-12 deduction for individual taxpayers.

It will be interesting to see what the final product looks like since all three proposals are very different in so many critical ways. It also important to remember that you can't take the politics out of politics. Some of these proposals may very well be trial balloons floated to gauge public reaction and thus not very serious. The Watchdog does predict that the final product will contain no tax increase. Governor Pawlenty, looking at possibly running for president, can ill afford to jeopardize his credentials with conservatives. On the other hand, he has proven very willing to accept fees. Stay tuned.

<http://www.mmb.state.mn.us/fin/budget>

<http://www.startribune.com/politics/41156942.html?page=2&c=y>

http://minnesota.publicradio.org/display/web/2009/03/18/budget_update/

2. Market Distortion.

While most taxpayers are rightfully outraged by the immoral ineptitude of the president and Congress over the Leviathan known as the "stimulus." Yes, the AIG bonuses and money for mobster museums are indeed enough to cause civil unrest.

Now that the rest of the industrialized world has contracted Stimulus Fever to a greater or lesser extent, taxpayers should be equally concerned about what these massive governmental interventions are doing to the fundamental underpinnings of free trade and capital markets.

Since the dawn of trade, man has struggled against the tendency of governments to intervene in markets, be it in the name of nationalism, industry protection, or outright political favoritism.

The last twenty years have seen remarkable progress in the regard, with agreements such as NAFTA tearing down barriers to trade. It is no coincidence that global prosperity has seen a corresponding increase, even with the current downturn taken into account. After all, it's not like the world was free of economic turmoil during periods of increased protectionism.

The threat to the global economy comes in the form of attacks on market efficiency.

The first rule of economics is that all resources are limited. Whether its oil, water, copper, health care, hockey sticks or paper clips, every resource is limited in quantity.

So the real task of any economy is allocate these resources and employ them in the most efficient manner. In all of recorded history, it is capitalism that has done the best job promoting this efficiency. Through rational self-interest buttressed by the rule of law, each market participant works to make markets as efficient as possible by merely seeking the greatest good for themselves. Actors who provide the best product or service control a greater share of scarce resources in their industry while inefficient participants lose control. This ever-shifting allocative model ensures that the most efficient players are rewarded, increasing overall societal wealth and prosperity. Government, on the other hand, is a poor substitute for free markets. First, government lacks an incentive to behave efficiently. If a private company doesn't act efficiently, that company goes bankrupt. There are no similar fears in government, where incompetence is usually met with either a committee hearing on the matter or a labor union grievance.

Instead, government is motivated by nothing more than the desire of politicians to increase their influence by satisfying the temporary passions of the masses. Regardless of the economic consequences, politicians do what they think will win them influence. Want an example? Even the worst economic crisis since the Great Depression couldn't stop politicians from loading up the "stimulus" package with blatant pork financed by debt that will be repaid by our kids and grandkids.

It should appall any taxpayer that government debt is being leveraged to reduce the efficiency of markets.

AIG, GM, Chrysler, Citigroup, and others are all inefficient businesses that were sucking scarce resources away from more efficient market participants. These entities should have been either dissolved, where their resources could be freed up, or given the protection of bankruptcy reorganization, where creditors could work through the legal process make the company more efficient.

It is indeed ironic that government spends money out of the treasury to make markets more inefficient.

Not surprisingly, a classic example of this market distortion comes from France, home to socialism and snotty behavior in general. The French have begun handing out stimulus Francs (maybe we should call our stimulus dollars "Freedom bucks") to Renault, a car company. In exchange for stimulus Francs, Renault has agreed to keep its Sandouville plant open, despite the fact that the plant is horribly inefficient and should, by management's own admission, be closed. Instead, the plant will remain open, employing capital in an inefficient endeavor that denies other market players that same capital, which they could use more efficiently to make a better product.

This market distortion stifles innovation and robs society of opportunities to increase prosperity. Using tax dollars to pay companies to make products the market doesn't need is unsound economic policy. That government is employing this strategy on a massive scale should deeply concern citizens around the globe.

- The Minnesota Watchdog

3. Watchdog Network Call.

Do you have a web site dedicated to keeping government accountable? How about a blog celebrating free markets and limited government? Do you have governmental waste, fraud, and abuse to report in your community?

Send the information to The Minnesota Watchdog. We are creating a network of like-minded citizens who understand freedom's call and want to be involved. From this nation's founding, the cornerstone of our freedom continues to be average citizens who are willing to step forward and participate in the fight to maintain the great American principles of merit, individualism, and self-reliance.

Send your information to Harold@theminnesotawatchdog.com.

MARCH 27, 2009

Friday Public Policy Commentary

This week, the Minnesota Watchdog breaks down the state Senate's "stimulus" bonding bill and explains why it is bad public policy.

BACKGROUND

The [Minnesota Constitution](#) authorizes the state to issue debt for "capital" projects. This debt takes the form of selling bonds which are re-paid, with interest, to the bondholder usually over the course of 20 years. When the legislature passes a bond authorization bill, it is called a "bonding" bill. When the legislature went to meeting annually in the 1970s instead of every odd numbered year, the ostensible purpose was to allow the legislature to properly consider a bonding bill in the even-number years without the distraction of crafting a biennial budget, which occurs in the odd-numbered years.

However, the legislature has demonstrated a willingness to pass large bonding bills in even and odd years in the name of "job creation" and economic "stimulus."

These bond proceeds must be spent on public works of a capital nature. Some of these projects support core governmental functions like bridge repair and prison renovations. But like any governmental spending program, pork is an ingrained facet of every bonding bill, containing money for projects like softball fields, interpretive centers, and sheet music museums.

The chart below shows the recent history of bond allocations.

2008: \$367,700,000 (Senate proposed)

2007: \$106,255,000

2006: \$999,980,000

2005: \$962,980,000

2004*: \$0

2003: \$747,425,000

2002: \$673,128,000

<http://www.mmb.state.mn.us/doc/bonds/history/authorizations.pdf>

*The legislature attempted to pass a bonding bill in 2004 but a bill never cleared the Senate. Republicans in the Senate blocked the bill. The Minnesota Constitution mandates that a bonding bill must have a "super majority" of at least 3/5ths of each house in order to pass. The failure to pass a bonding bill led to the charge that it was a "do nothing" legislature. That fall, House Republicans lost 13 seats and saw their majority cut to a meager 68-66 margin (the Senate did not stand for re-election that year). Many blamed the losses on the "do nothing" allegation.

This year, both houses are considering bonding bills to "stimulate" the economy. The Senate's version has already been approved, having passed last week. The bill was

then "laid on the table", meaning that it was literally laid on the desk of the Secretary of the Senate, where it will sit until a senator moves to "take up" the bill.

<http://www.mmb.state.mn.us/fin/bonds>

BREAKING DOWN [SF 781](#)

Senate File 781, authored by Capital Investment Committee Chairman Senator Keith Langseth (DFL-Glyndon), authorizes the issuance of \$367,700,000 in bonds for a variety of projects.

As Watchdogs might imagine, the bill is laden with a smorgasbord of non-essential pork:

- \$5 million for a train from Saint Paul to Duluth (uh, you can fly there in 45 minutes);
- \$1 million for street lights on the Grand Scenic Byway in Minneapolis;
- \$100,000 for Heritage Village park in Inver Grove Heights;
- \$100,000 for the Rock Island swing bridge in Inver Grove Heights;
- \$450,000 for a bike trail on Lower Afton Road;
- \$2.5 million for the Springbrook Nature Center in Fridley;
- \$500,000 for the Big Lake Regional Ice Center;
- \$6.5 million for the Southern Minnesota Women's Hockey Center in Mankato;
- \$4.5 million for the Asian Pacific Cultural Center in Saint Paul;

Hey, why let a massive, record deficit dissuade our legislators from their timeless quest to buy votes at the expense of public fisc?

BONDING BILLS DON'T CREATE WEALTH

Politicians justify large and frequent bonding bills by proclaiming that they "get the economy moving," "create jobs," and have other salutary economic effects.

At the outset, if these bonding bills are such tonic for the economy, why is it that two record bonding bills were passed back to back in 2006 and 2007 and then the economy went into recession in December of 2007? So much for that theory.

The claim that state bonding will "get the economy moving" and "create jobs" is illusory because it is important to remember that government cannot create wealth. Because government cannot create wealth, jobs created by government merely reallocate resources in a political, not economic, manner.

In order for government to put a person to work, government must find the money to pay the person by taking money out of the private economy, either through direct taxation or by indirect taxation that is used to pay the principle and interest on the debt that was issued to "create" the job.

When this happens, a cruel illusion takes place because citizens can see a tangible result (e.g. a construction worker putting up a bridge) and the person who has the government-created job certainly feels good about being employed.

But what cannot be seen is the [opportunity cost](#) to society. When government taxes a dollar out of the private economy, that dollar is no longer available to the private economy for investment or spending. Moreover, the private economy runs on the principle that markets are efficient, meaning that private dollars ultimately flow to the most efficient purposes. Government, on the other hand, has no profit incentive and all too often makes spending decisions based on nothing more than rank politics. Thus, it is far more likely that a dollar in the private economy will be more efficiently spent than a dollar spent in the public economy.

This, essentially, is the eternal burden of the economic conservative. Big government advocates have the easy sell because it is easy for them to point to the tangible governmental project and the real worker who was put to work by the spending program. On the other hand, the economic conservative is left to point to intangible people and opportunities that were never realized because government seized the funds that otherwise would have been spent privately.

Furthermore, we have seen that more and more of these governmental projects are financed with debt. If government goes on a big enough borrowing binge, it can "crowd out" private entities that are competing to borrow the same pool of money. After all, credit markets are finite and increased demand will ultimately drive up the cost of renting money.

It is also obvious that issuing debt has direct costs as well. Borrowed money costs more because of interest payments. As mentioned above, state bonds usually have a 20-year repayment schedule, handcuffing future generations to that debt. In fact, debt servicing is one of the fastest growing areas of the state's general fund, comprising about 3% of the budget, which is more than the Agriculture & Veterans budget (1.1%), Economic Development (.8%), the Environment budget (1%), and the budget used to finance each state agency's administrative overhead (1.8%). Minnesota has a policy that debt service should not exceed 3% of the state's general fund. The legislature is bumping up against that ceiling and already many legislators are talking about breaching the 3% limit.

It is far from certain whether or not there will be a bonding bill this session, but Watchdogs should stay tuned and be prepared to counter the argument that bonding bills create jobs and stimulate the economy.

- *Harold Hamilton*

April 3, 2009

Friday Public Policy Commentary

The Curious Case of the Furloughed State Employee

While economists debate whether we have reached the bottom of the longest economic recession since the Great Depression, the American economy continues to shed jobs apace. One respected employment tracking service estimates that 742,000 jobs turned to dust in March. Later today, the Department of Labor will give the official estimate, which in any case won't be pretty.

To avoid layoffs, "furloughs" have become a popular alternative to preserve jobs. A "furlough" is a fancy word for putting employees on unpaid leave for a period of time. The Utilitarian idea is that through the shared sacrifice of pay cuts, jobs can be preserved.

A scan of the Internet will quickly reveal that furloughs are popular and in full-force across every sector of the economy around the world. At Ford's Saint Paul assembly plant, employees just last month came off a [six-week furlough](#). In Japan, [Asahi Glass](#) is emblematic of companies utilizing furloughs. Furloughs are also becoming commonplace in the public sector. In fact, [government at every level is looking at furloughs](#).

Thus, it should have come as no surprise when it was revealed that Governor Tim Pawlenty's labor negotiators [proposed furloughs](#) of 24 days per year for state workers during recent contract negotiations. Because Minnesota has a [public sector labor law](#) tilting the field in favor of unions, furloughs are a "term and condition" of employment that must be negotiated with the government unions.

Predictably, there was a hue and cry from our public servants, as exemplified by the [hysterical response](#) from the American Federation of State, County, and Municipal Employees (AFSCME), who labeled the proposal a "bomb."

Immediately, the blogosphere came alive with tales of overworked, underpaid AFSCME employees who thought it outrageous that they would be asked to share in the same hardships as the private-sector workers who pay the taxes that keep state workers employed.

So what's the truth regarding AFSCME employees? What kind of pay and benefits do they get? Should they indeed be exempt from furloughs?

To begin, it is true that AFSCME employees are among the lowest-paid in state government. There are many thousands of state employees who make more. For our case study, it is thus more than fair to examine the compensation of a senior AFSCME employee.

Our hypothetical employee is Tom. Tom is a senior AFSCME employee who lives in Owatonna and works at a state facility in the south Metro. Tom works full-time for a Minnesota state agency. Tom has two children and a wife who stays at home with no outside employment.

Tom's contract may be found [here](#).

PAY

Tom is in the Craft, Maintenance and Labor unit and receives pay of \$27.52 per hour, or \$57,462 annually. By comparison, per capita income in Minnesota is \$29,027, just about half of what Tom earns. The federal poverty threshold for a family of 4 in Minnesota is \$21,200. In short, Tom's family lives a comfortable, if modest, lifestyle on his income alone.

HOLIDAYS

According to Tom's collective bargaining agreement, he gets 10 paid holidays:

Independence Day
Labor Day
Veterans Day
Thanksgiving Day
The Day After Thanksgiving Day
Christmas Day
New Year's Day
Martin Luther King Day
President's Day
Memorial Day

VACATION

As a senior employee, Tom earns 9 hours of vacation per payroll period. Given that the state operates on a bi-monthly pay roll period, there are approximately [26 payroll periods](#) in a year. Hence, Tom accrues 234 hours of paid vacation each year, which equates to over 29 workdays in a year.

SICK LEAVE

The contract allows for the accrual of 4 hours of sick leave per payroll period, which is 104 hours or 13 days per year.

In total, if Tom were to take advantage of every hour of vacation and sick leave in a year, plus the paid holidays, he would be paid for 52 days of work where he didn't have to show up. There are 2080 hours in a standard work year. Tom's 418 hours of paid time off are equal to about 20% of his work year.

[HEALTH CARE](#)

Among a menu of health care options, Tom has selected the ["Advantage" program from Blue Cross](#) to cover himself and his family.

For purposes of illustration, let's assume for just a moment that Tom is single. If Tom were single, he would pay zero out of pocket for premiums, while the state would pay monthly premiums of \$447.28 on his behalf.

To cover his family, Tom pays \$130.20 in monthly premiums, while the employer share of his monthly premium is \$1315.34.

RETIREMENT

As a government union member, Tom receives a "defined benefit" retirement from the state. By contrast, most private sector workers receive a "defined contribution" retirement.

A "defined benefit" plan gives Tom a guaranteed retirement benefit based on a mathematical formula. This benefit is primarily provided and guaranteed by the state as a fringe employment benefit, although Tom is required to contribute a small part of his pay each month to his retirement account.

A "defined contribution" retirement plan provides benefits based solely upon what an employee contributes to the plan. If the employee is lucky, his employer will match a certain percentage of what the worker invests.

Since Tom is a senior state employee who was hired in 1980, he may be eligible to [retire](#) at any age, as long as he has at least 30 years of eligible employment. For many state employees, full retirement eligibility starts at age 65, with at least three years of state service. However, some state employees hired prior to July 1, 1989, are eligible for full retirement with 30-years of service, regardless of age. Here, there is a similarity with the private sector, where General Motors has a similar retirement plan.

In sum, AFSME employee Tom has an annual salary of over \$57,000, paid time off in the neighborhood of 378 hours, a defined-benefit retirement package, and monthly health care premiums of \$130 per month.

DO YOU think Tom is fairly compensated? Should he be spared a furlough?

I think not.

- *Harold Hamilton*

April 10, 2009

Friday Public Policy Commentary

In This Issue:

1. **Money Can't Buy You Love.**
2. **Whither Capitalism?**

Editor's Note: Both the Anoka County Watchdog and the Minnesota Watchdog make every effort to report the news accurately. Like any publication, we sometimes get it wrong. Last week, we got the math wrong with respect to the amount of paid time off our hypothetical AFSCME worker, "Tom," earned in a year.

We reported that "Tom" accrued 348 hours of paid time off each year. The actual paid time off accrued is 418 hours per year, which equates to over 52 work days each year. Put another way, this is approximately 20% of a typical work year. Sorry, taxpayers. It's worse than we reported!

1. **Money Can't Buy You Love.**

The DFL-led Minnesota Senate delivered a bit of a shock this week when it [passed the omnibus education funding](#) bill with a \$453 million cut, one of the deepest cuts to public education in the last 25 years.

36 DFL senators were joined by one Republican to pass the bill on a decisive 37-29 vote. It should be explained that the one Republican, Senator Gen Olson, likely voted for the bill solely to earn an appointment on the conference committee that will reconcile the Senate and House versions. The legislature has a custom of not appointing a legislator to a conference committee unless the legislator voted for the bill. Olson is the ranking Republican on the education committee and was a likely candidate to be the one to represent the GOP caucus on the bill.

It is indeed ironic to see the DFL cross Education Minnesota, the most powerful [special interest group](#) in Saint Paul and one of the DFL's sugar daddies of campaign contributions.

Education Minnesota is so powerful, they demanded that the K-12 budget actually [be increased](#) this year despite the historic deficit. Needless to say, a cut in funding has caused [much consternation](#) among and violated the group's arrogant sense of entitlement. Never mind that K-12 education funding comprises [38%](#) of the general fund budget.

In order to appreciate the irony of the DFL delivering a massive cut to education, one must understand the magnitude of Education Minnesota's "investment" in the Senate DFL.

Because Minnesota state Senators enjoy four-year un-staggered terms, the Senate last stood for re-election in 2006. That year, Education Minnesota spent a whopping \$2,869,295 on legislative elections. This amount included a direct contribution of \$156,250 to the Senate DFL Caucus. Moreover, of the 36 DFL Senators who voted to cut education funding, 27 received a direct contribution to their campaign committees from Education Minnesota.

Now the Watchdog has no problem with seeing the education-industrial complex share the pain of budget reductions. It's just a little ironic, even funny as hell, that Education Minnesota has gotten no love in return for their largess. Whether it's pushing for statewide teacher health insurance, expansion of the "rule of 90" retirement formula, or increased education funding, it is clear that the DFL in Saint Paul considers Education Minnesota to little more than a political ATM to be seen and not heard.

Republicans at the Capitol, including Governor Pawlenty, would be well-served to follow the DFL's lead in treating Education Minnesota like the girlfriend you don't want your friends to see. Year after year, Pawlenty and other Republicans think they will earn some affection from the teacher's union by jacking up their funding and helping them with their agenda. They don't understand that no matter the facts, the DFL will be Education Minnesota's only boyfriend.

Think about it. Right now, the only political player advocating for a funding increase for K-12 is Tim Pawlenty. Education Minnesota worked like gangbusters to elect Mean Mike Hatch over Pawlenty. Who would have thought it would be Pawlenty advocating the union line while the DFL would be the ones to keep the insatiable spending appetites at bay. C'mon Tim, Ed. Minnesota will never take you to the prom. Get over it and make them live like any family or business that is making sacrifices to live within a budget.

Another factor to consider in the whole debate is the [recent revelation](#) that Minnesota school districts are sitting on nearly \$1 billion in reserve funds. These "rainy day" funds are to be used in situations precisely like the one the state currently faces. The Senate has offered the steepest budget cut at \$453 million. Thus, the districts could easily absorb the cuts and have well over \$500 million to spare.

2. Whither Capitalism?

The blogosphere is atwitter with shock and awe regarding a [Rasmussen poll](#) that shows that only 53% of those surveyed believe that capitalism is superior to socialism.

Count the Minnesota Watchdog in the minority on this one. We're not surprised in the least that such a small majority favors free-markets over the centralized pricing model of socialism.

It is nothing more than human nature that those who produce nothing yet receive benefits from the Leviathan of socialist government would see capitalism, with its focus

on merit and individual talents, as inferior to an economic system that appropriates by force the fruits of labor that government then uses to bribe the less productive.

On the other hand, productive citizens would tend to favor capitalism, since it is the economic system that best protects individual rights and liberties, allowing each person the opportunity to succeed, or fail, based upon their individual talents and work ethic.

This poll is nothing more than one more reflection of the reality facing America, where more and more people are riding in the government wagon while fewer and fewer are left to pull the load.

Take a look at who pays federal income taxes.

| Percentiles Ranked by AGI | AGI Threshold on Percentiles | Percentage of Federal Personal Income Tax Paid |
|--------------------------------------|---|---|
| Top 1% | \$388,806 | 39.89 |
| Top 5% | \$153,542 | 60.14 |
| Top 10% | \$108,904 | 70.79 |
| Top 25% | \$64,702 | 86.27 |
| Top 50% | \$31,987 | 97.01 |
| Bottom 50% | <\$31,987 | 2.99 |

Note: AGI is Adjusted Gross Income
Source: Internal Revenue Service

The top 1% pays nearly 40% of the income tax while the bottom 50% pay only about 3%. When the top 50% of income earners pay 97% of the income tax, it becomes easy to see why only 53% of citizens think capitalism is better than socialism.

The case in Minnesota isn't much better. According to the [2009 tax incidence study](#), Minnesota's income tax structure isn't too much different:

The bottom 10% don't pay income taxes in Minnesota. In fact, they take money out of the system in the form of refundable tax credits. The next 10% don't pay income tax either. So, the bottom 20% of income tax payers don't even pay into the system.

And what of the top 10%? They pay 57% of all state income taxes. The top 5% pay 44% of the income taxes. And the wealthiest 1% pay 25% of the total income taxes collected.

So, is it really any surprise that the Rasmussen numbers aren't too much different from the numbers that show who pays the income tax and who doesn't? When nearly half of taxpayers don't pay into the system, it becomes very easy to sell socialism as a "fair" and convenient form of economics.

April 17, 2009

Friday Public Policy Commentary

In This Issue:

1. **Harold Hamilton's Tea Party Day Remarks.**
2. **Analysis of Minnesota Congressional Earmarks.**

1. Harold Hamilton's Tea Party Day Remarks.

Editor's Note: Minnesota Watchdog founder Harold Hamilton was a featured speaker at the Saint Paul Tea Party rally.

Welcome to our tea party to fight against unfair taxation. With my new web site, The Minnesota Watchdog.com, I'm working hard to do something about this rip off.

Our family manufacturing business just sent in a big check with over 450 pages to the IRS and the state of Minnesota.

Presently, the tax code runs over 65 thousand pages. I don't understand it, my CPA doesn't understand it and most people in the IRS don't understand it. This year Americans spent over 5 billion hours preparing their taxes and over \$30 billion on tax services.

Many Americans spent 50¢ or more of every dollar on taxes. Our company spent 49¢ of every dollar of gross income on local, state and federal taxes and fees. And, President Obama has warned us - expect a lot more taxes next year. How much is enough?

In September, I sent a letter to Senator Klobuchar with an analysis of the 49¢ of every dollar of gross income that my company paid during the last fiscal year. To her credit, despite her busy schedule, she sent me a letter in response. She claims that the tax system is unbalanced. I agree. However, her letter claims that companies like mine don't pay enough and the increased taxes will be dedicated to paying off the national debt. Does she even know the size of the national debt? Has she talked to President Obama lately? The debt is skyrocketing. Senator Klobuchar also claims that my company is using loopholes to avoid taxes. What loopholes? In October I sent her a letter asking, "How much taxes do you believe that my company should pay?" What loopholes is my company taking advantage of? Maybe she'll tell me to send it all in. Maybe she despises profits. My banker told me that my company had to make a profit or find a different line of business. It takes profits to create jobs. I haven't heard from Senator Klobuchar. Senator, if you're listening, how much should my company pay? Should I just send it all in? Tell me what loopholes my company is using to avoid taxes.

Under President Obama, our national debt will more than double in the next ten years from \$5.8 trillion to \$12.5 trillion. So, how do we cope with this plus the other \$57 trillion in unfunded liabilities? The federal government has a plan. Print money. Even the Chinese are worried. They don't want to be stiffed. They loaned us money big time and

they don't want to be repaid with dollars worth half as much. Inflation is the worst tax of all. At this rate of spending we may as well cut our dollar bills in half. In a few years that's all they will be worth.

Half of our production is for the international market. How can our company compete with taxes so high? High taxes is one of the reasons we are losing so many manufacturing jobs. Where are the jobs going to come from? How can we keep the workers we need on the payroll when we pay so much in taxes?

I grew up in Nebraska during the depression. Our family was poor. I can assure you that poor people don't create jobs. So, the government seems to be trying to make all of us poor. Where will the jobs come from?

In the early 80's, Dr Laffer, an economics professor, drew a famous curve on a cocktail napkin in a bar in Washington D.C. It's called the Laffer curve. It shows that at a tax rate of 100%, nobody is willing to work. Is it any surprise that we aren't willing to work for nothing? So, high taxes provide no incentive to work. I for one would head for a beach in Florida.

Our family business donates to food shelves and the Salvation Army. These days, the need is very great. But, President Obama thinks he needs the money. President Obama believes I'm giving too much to charity. So, why not reduce my giving so the President Obama can contribute to his favorite charity Acorn? Afterall they worked hard to elect him. Some of the Acorn people have been convicted of voter fraud. President Obama is convinced that with redistribution the government can take not only my hard earned charity dollars and even more give to the poor and to Acorn. In short, the government knows best. Does this belief that poor people deserve to live high on the hog sound like socialism? All of us believe in equal opportunity. But, do any of you believe I have the right to sit on my duff and let you get up early and work hard to feed me? I think not.

A famous quote from Karl Marx in the communist manifesto comes to mind. "From each according to his ability. To each according to his need." That's socialism.

So, in summary we still have manufacturing in Minnesota but it's struggling. High taxes cause manufacturing jobs to go out of state or to Asia. In Singapore instead of 49¢ of every dollar it is 17¢ of every dollar that goes to the government. In Ireland, it's 12 cents of every dollar. Low taxes is what creates jobs. And, log on to my web site, theminnesotawatchdog.com, to get the best daily newspaper articles. That's theminnesotawatchdog.com web site.

2. Analysis of Minnesota Congressional Earmarks.

[Citizens Against Government Waste](#) (CAGW) has released their annual "[pig book](#)" exposing the most egregious pork-barrel earmarks in the 12 major congressional appropriations bills for fiscal year 2009.

As Watchdogs would expect, the report isn't pretty. Despite the worst economy since the Great Depression, Congress just couldn't push away from the public trough and act responsibly, thereby confirming the fact that Washington is incapable of reform. The only true check on government spending is to reduce it - in a big way. It is indeed galling to contemplate the massive [generational theft](#) that is financing this disgusting free-for-all.

CAGW identified a total of 10,160 pork-barrel earmarks worth a total of \$19.6 billion.

What's worse, despite all the high-minded rhetoric regarding transparency, 221 anonymous earmarks worth \$7.8 billion, which is over 1/3rd of the total cost of the earmarks.

As nauseating as it may be, consider some of the lowlights found in the pig book:

- \$1.8 million for swine odor research;
- \$1.9 million for a water taxi service;
- \$2.2 million for the Center for Grape Genetics;
- \$2 million to promote astronomy in Hawaii;
- \$4 million for the Center for Autonomous Solar Power;
- \$24 million to FEMA for "predisaster" programs;
- \$500,000 for the Native Hawaiian arts and culture program
- \$1.5 million for the California Trail interpretive center

You get the picture...and the bill!

And what of Minnesota's congressional delegation? Were the Northstar state's among the offenders? [Let's take a look:](#)

Senator Amy Klobuchar:

Senator Klobuchar requested 88 earmarks totaling \$163,563,625.

Among the lowlights:

- \$4.5 million to study how to use wood (you know, that brand thing that comes from trees)
- \$300,000 for wild rice research
- \$290,000 to study cereal disease
- \$20 million for the trolley between Minneapolis and Saint Paul
- \$381,000 for the Duluth Children's Museum
- \$500,000 for National History Day activities

Give her a break. After all, she's porking for two these days!

Editor's Note: Senator Norm Coleman was not included in the database.

Rep. Tim Walz (DFL - District 1)

20 earmarks requested for \$68,864,500

Lowlights:

\$712,500 for a transit operations center in that megalopolis Rochester
\$2.2 million for the Minnesota Satellite Multi-Modal Collaborative Crisis and Training Network
\$500,000 for the federal government to buy more land in Minnesota and Iowa
\$235,000 for the Uniform Farm Management Program

Rep. John Kline (GOP - District 2)

Rep. Kline requested no earmarks.

Rep. Erik Paulsen (GOP - District 3)

Rep. Paulsen requested no earmarks

Rep. Betty McCollum (DFL - District 4)

18 earmarks for \$54,685,000

Lowlights:

\$475,000 for a pedestrian median on Snelling Avenue (what happened to sidewalks?)
\$8.6 million for arts programs
\$6.8 million for the Kennedy Center (could we at least get pork for Minnesota?)
\$500,000 for a jobs program for ex-cons

Rep. Keith Ellison (DFL - District 5)

2 earmarks for \$25,303,000

One of the earmarks was \$24.8 million for a reading education program.

Rep. Michele Bachmann (GOP - District 6)

Rep. Bachmann requested no earmarks.

Rep. Collin Peterson (DFL - District 7)

19 earmarks for \$22,733,500

Lowlights:

\$475,000 for a gym on the Red Lake Reservation
\$713,625 for the Minnesota Center for Renewable Energy for unknown reasons
\$2.8 million for dirt management research

Rep. Jim Oberstar (DFL - District 8)

30 earmarks for \$34,215,143

Lowlights:

\$475,000 to study a train to Duluth (remember when Amtrak abandoned the idea?)
\$950,000 for a pedestrian bridge in metropolitan Isanti
\$2.8 million for Greater Minnesota Transit (where busses are really needed)
\$951,500 for a clean air project

\$95,000 for the Minnesota Humanities Center (we have one of those?)

In sum, it's not surprising that the politician considered most vulnerable by the Democrats would be the biggest porker in the House delegation. Shame on you, Mr. Walz. Even Democrat Tim Penny, a predecessor of yours, would have shown far more restraint.

On a very positive note, all three Republicans in the House chose not to participate in the foolishness. They will no doubt be criticized by some for not taking a slice of greasy bacon. Having said that, generations of future taxpayers will thank you for not handcuffing them to the Mount Everest of debt. It is a principled stand that the Watchdog concedes has more political downside than upside. That's true leadership, compared to the cowardice of Representative Walz, who is counting on his constituents to rejoice in spending money they don't have and sticking their kids with the bill.

We would also be remiss by not giving some kudos to Rep. Keith Ellison who showed restraint in requesting only two earmarks. That's more than the Dog can say for many Republicans. We haven't forgotten that the earmark orgy happened on the Republican watch as well.

Oink on, you crazy diamond!

April 24, 2009

Friday Public Policy Commentary

In This Issue:

1. **Bachmann Haters are Lazy (and hateful).**
2. **The Taxman is Coming for You!**
3. **Energy Bill has Much Hot Air.**
4. **Choo-Choo Choose Me.**
5. **We Need Two Rallies - at Least.**

1. **Bachmann Haters are Lazy (and hateful).**

Our loyal Left-Wing readers really got their collective pull-ups in a bundle after reading my [analysis](#) of Citizens Against Government Waste's 2009 "Pig Book" report.

The Dog's inbox was filled with some rather intolerant, close-minded, bullying email regarding Bachmann's decision not to seek earmarks this fiscal year. Given the results from last year, you would think the Left would be just a wee bit content. Perhaps that "change" isn't what they thought it would be.

Owning a public policy organization devoted to solutions, I'm more than happy to help all the Left-wing sheeple who obviously experienced some problems with basic reading comprehension. Put down the hummus, turn off Rachel Maddow and pay attention.

My report focused on the 2009 Pig Book. The 2009 report clearly shows that in 2009 Rep. Bachmann requested no earmarks. Reading the Watchdog requires SOME work. We can't spoon-feed everything, sheeple.

Perhaps some of that outrage should be direct to Rep. Tim Walz, who bellied up to the public earmark trough in a big way, despite his [feigned concern](#) about the earmark process.

2. **The Taxman is Coming for You!**

With big majorities in both houses of the Minnesota legislature, the DFL has come up with a unique, novel approach - NOT! - to solving the government's budget deficit: tax increases.

And this time the DFL has gone waaayyy beyond the old class warfare and sin tax pages in the playbook. They've gone far beyond the "rich" paying their "fair share" and all the "impact fees" to mitigate the horrible costs smokers and drinkers visit on civilized America. (Never mind that wealthy folks already pay the freight and smokers die before they become a warehousing burden on society.)

The [House](#) lowlights:

- Disallows the itemized deductions for real and personal property taxes, mortgage interest, and charitable contributions.

- Imposes a new 9 percent income tax rate at \$300,000 of taxable income for married joint filers, adjusted for other filing statuses.
- Repeals individual income tax credits for dependent care expenses, K-12 education expenses, long-term care insurance premiums, and health insurance premiums of certain section 125 plan participants.
- Imposes a gift tax to complement or back up the Minnesota estate tax
- Allows counties to impose a local sales tax.
- Repeals levy limits for large cities.
- Eliminates the "truth in taxation" hearing requirement.
- Gives cities an option for a new municipal "street improvement" district that will collect property taxes for up to 10 years.
- Jacks up a host of sin taxes from alcohol to tobacco.
- Levies a tax on digital downloads like iTunes.

The [Senate](#) lowlights:

- Increases all income tax rates and adds a fourth tier.
- Increases Alternative Minimum Tax (AMT) rate.
- Repeals Northstar Rail sales tax exemption.
- Allows Met Council to tax to subsidize mass transit.

While raising taxes always stifles growth and wealth creation, raising taxes during a severe economic crisis is nothing short of legislative malpractice. Consider the income tax. Many small businesses file their business taxes on the individual income schedule. Thus, when the income tax is raised, this becomes a higher tax on small businesses. It doesn't take an economist to see that when small businesses have more taken, they have less available to spend on employee benefits, capital equipment, and other truly stimulative expenditures.

How about the mortgage interest deduction? Every person who has a mortgage has counted on the mortgage interest deduction, which has been in the tax code for many decades. Does it really make sense to make home buying more expensive and push even more prospective buyers out of the market?

Finally, although the Watchdog doesn't have a problem with Northstar rail getting shafted on the sales tax exemption, the Dog does have a problem that the provision was put in the Senate tax bill in the first place. Anoka County has put numerous lobbyists on the public payroll to hang out at the Capitol. These knuckleheads couldn't even keep this provision out. Maybe too much time down at [the Lexington with Dan Erhart](#) and not enough time sitting in committee paying attention - AND EARNING YOUR PAY!

<http://www.cfboard.state.mn.us/lobby/adetail/a3135.html>

<http://www.cfboard.state.mn.us/lobby/adetail/a3617.html>

<http://www.cfboard.state.mn.us/lobby/adetail/a4977.html>

If this repeal stands as law, Anoka County taxpayers will have the sales tax payments thrust back upon them.

Way to go, Anoka County.

3. Energy Bill has Much Hot Air.

State representative [Tom Hackbarth](#) (R-Cedar) is an expert on environment and energy issues at the state house. Yesterday, the House DFL passed its energy and environment bill. Hackbarth has flagged the following provisions as the most troublesome:

- A mandate that yard waste cannot be placed in a plastic yard bag unless the bag is eco-friendly. Applies to Metro counties but exempts Minneapolis.
- \$1 million for "composting" grants.
- Mandates fish consumption advisories to be posted in 4 languages to "fairly represent the population of the state."
- Adds job-killing "fees" to Iron Range mining concerns.
- Increases a host of other fees.

As if it wasn't enough to kill jobs in the tax bill.

4. Choo Choo Choose Me.

While the Governor earns high marks in many public policy areas, most notably taxes, he falls short in others. Among those shortcomings is a fondness for trains, an 18th Century mode of transportation with a futuristic price tag.

This past week, the Governor signed on to a scheme to bring rail to the region. The most laughable proposal is a "high speed" rail line between the Twin Cities and Chicago.

Thank God. What would we do without this visionary plan? Build an interstate between the two and have people drive their own cars on a schedule convenient to them? Build an airport where airplanes would transport people in about 90 minutes?

Southwest airlines offers 8 daily roundtrip flights for about \$65 each way.

Minneapolis is about 400 miles from Chicago. It takes about 7 hours to drive there. If your car gets 20 miles to the gallon on the highway, you would need 40 gallons of gas round trip. At \$2 a gallon, that's \$80 total.

Oh yeah, you could also get crazy and ride the Greyhound.

So what exactly is the advantage of spending untold millions on high-speed rail that is slower than airline travel, won't be any less expensive, and offers all the inconvenience of mass travel that can be eliminated when you drive? Nothing - for the consumer. But such a plan offers all sorts of opportunities for lobbyists and power-hungry elected officials who will compete with other lobbyists and politicians from other regions for the pot of rail money - which should have gone to roads and bridges in the first place.

We face the prospect of taxpayer-subsidized rail that will directly compete with private airlines and bus companies.

5. We Need Two Rallies - at Least.

The state of America is such that one rally just won't suffice. While the April 15th Tea Party bash across the Fruited Plain was spectacular, we need to sustain the momentum.

To that end, our small government brothers and sisters are hosting another tribute to freedom that promises to at least rival the enthusiasm and energy created by the Tea Party.

[The 2009 Tax Cut Rally](#) will feature Governor Pawlenty (who will no doubt avoid talking about health impact fees, commuter rail, or baseball stadiums) and "Mr. Right" Jason Lewis.

If you can't get up for this one, you must be loving the "change."

May 1, 2009

Friday Public Policy Commentary

In This Issue:

1. **Harold Hamilton is my President.**
2. **The "Spectacle" of RINOs.**
3. **We knew the dangers of sub-prime lending 63 years ago.**
4. **The T-shirts are in!**
5. **Rally Time.**

1. **Harold Hamilton is my President.**

Congratulations to Watchdog founder Harold Hamilton, who last night was named as the next president of the Freedom Club. The Freedom Club is Minnesota's most influential political organization dedicated to promoting and electing candidates who stand for free markets and limited government.

2. **The "Spectacle" of RINOs.**

It has been amusing and annoying all at once to watch Republican moderates don sackcloth and tear at their breasts regarding the defection of Senator Arlen Specter to the democrats, bringing them one vote closer to unchecked power in Washington.

Senator Olympia Snowe (R-Maine) was the first one to craft a [somber dirge](#) lamenting "the Spectacle" while throwing about platitudes about the "devaluation of diversity" and the lack of "inclusiveness" in the GOP. If Snowe ever leaves politics, she has a bright future writing manuals for diversity training at any major college campus in California. Apparently, the GOP in Washington has been just too damned conservative for her liking.

In classic diversity-speak, Snow also absolved Specter of any responsibility for his action and placed blame squarely upon the Party she relies on every six years to give her money, resources, and volunteers. "But it is truly a dangerous signal that a Republican senator of nearly three decades no longer felt able to remain in the party," Snowe informs us.

What is missing, of course, is a precise listing of exactly what conservative views or actions led to "the Spectacle." What exactly led to this "dangerous signal?" If conservatives and their dangerous views have been so toxic, why not list them?

Could it have been a commitment to reduced federal spending and smaller government? George Bush, with the gleeful help of GOP legislators, increased federal spending at a higher rate than the previous six occupants of the White House, including Jimmy Carter and LBJ. Adjusted for inflation, Bill Clinton increased federal spending 11%, while [Bush increased it 104%](#). I guess we can cross "limited spending" off the "dangerous signal" list.

How about pork-barrel earmarks? Did a commitment to reducing earmarks and increasing transparency offend "moderates?" Nope. There wasn't a damn's worth of earmark reform under Republican rule. We only need point to the omnibus Transportation bill that contained over 6,000 earmarks to see how successful conservatives were in limiting this disgraceful practice.

Maybe it was a commitment to honoring federalism by leaving states run education? No, again. No Child Left Behind was a Republican love child.

Perhaps a commitment to limiting the entitlement programs that are eating us alive fiscally? No, no, and no. Medicare Part "D", the largest expansion of Medicare in a generation was passed by Republicans and signed into law by Bush.

How about a commitment to ethical behavior that eschews careerism and using one's office for personal gain? Whoops. Duke Cunningham and Mark Foley sort of burned that bridge.

So, Senator Snowe, perhaps you could indulge the Watchdog and explain exactly what you mean when you insinuate that conservatives are to blame for the GOP's current predicament.

The more likely answer is that the GOP has lost credibility with voters of every stripe because of runaway spending and integrity issues. The way back is a commitment to honor our values as articulated by the Party platform. Whether your selling vacuums or ideas, the surest way to lose a customer is to fail to deliver on your stated promises.

Moreover, let's cut through the BS and get to the root of this problem. "The Spectacle" was nothing more than a naked political calculation solely regarding what the Senator thought was his best chance to keep his butt in Washington, because 30 years just isn't enough. Specter himself admitted that he consulted polls showing him losing as a Republican. Ambition, not ideology or conscience, drove this choice. So spare us the drama, Olympia.

Second, conservatives need to keep this all in perspective. Arlen Specter never really was with the team. He embraced democrats and their bills whenever and wherever it suited him. The last straw was his vote supporting the \$700 billion Wall Street bailout, complete with bonus payments to the same executives who drove their companies into the ground in the first place. It would be hard for Specter to support the Democrats any more than he already did.

Nice try, Olympia. Scapegoating conservatives may be popular sport for some, but the complaint is about as legitimate as pro wrestling.

3. **We knew the dangers of sub-prime lending 63 years ago.** ["Economics in One Lesson"](#) has been on Harold Hamilton's recommended reading list for many years. First written in 1946, it is undoubtedly one of the most concise and correct explanations of economics to be found.

For those who doubt the relevance of a book written just after World War II, read the following excerpt:

The case against government-guaranteed loans and mortgages to private businesses and persons is almost as strong as, though less obvious than, the case against direct government loans and mortgages. The advocates of government-guaranteed mortgages also forget that what is being lent is ultimately real capital, which is in limited supply, and that they are helping an identified "B" at the expense of some unidentified "A." Government-guaranteed home mortgages, especially when a negligible down payment or no down payment whatever is required, inevitably mean more bad loans than otherwise. They force the general taxpayer to subsidize the bas risks and to defray the losses. They encourage people to "buy" houses they cannot really afford. They tend eventually to bring about an oversupply of houses as compared to other things. They temporarily overstimulate building, raise the cost of building for everybody (including the buyers of the homes with the guaranteed mortgages), and may mislead the building industry into an eventually costly overexpansion. In brief, in the long run they do not increase overall national production but encourage malinvestment.

SOUND FAMILIAR?

4. **The T-Shirts are in!**

Among other things, the Anoka County Watchdog is famous for its "Bulldog" t-shirts that are ubiquitous around Anoka County.

The Minnesota Watchdog can now report that "Minnesota Watchdog" t-shirts are now in stock and ready for delivery.

These t-shirts, like their Anoka County counterparts, are sure to be a hit with conservative thinkers around Minnesota. As always, these stylish shirts are free of charge. However, these shirts are available only to those who are signed up to receive both the "Morning Blotter" and "Friday Commentary" from the Minnesota Watchdog.

Send an email to Harold@theminnesotawatchdog.com

INCLUDE:

Name

Address

T-shirt size

First come, first serve!

5. **Rally Time.**

We know you haven't forgotten about the annual [Tax Cut Rally](#) happening tomorrow at the State Capitol from 11-2, featuring Governor Pawlenty and Jason Lewis. The odds are good that the legislature will be in session that day, so you can pop in and warn your legislator that you will be watching their votes on all things fiscal!

May 8, 2009

Friday Public Policy Commentary

In This Issue:

1. **Special Commentary from state Representative Kurt Zellers.**
2. **The "Spectacle" Part Deux.**
3. **Paying Employees to Loaf has Consequences.**
4. **Social Engineering Par Excellence.**

1. **Special Commentary from state Representative Kurt Zellers.**

State Representative [Kurt Zellers \(R - Maple Grove\)](#) wants all loyal watchdogs to know what the DFL is attempting to impose on you in the way of tax hikes. As a member of the Taxes committee, Zellers can give you a first-hand account of the foolishness:

TAXING JOE SIX PACK'S, SIX PACK

As the Legislative Session enters its final month; I wanted to bring voters up to date on where we have been, what's left and how the Legislative Leaders in the House and Senate plan to address our budget deficit and balance the budget before the May 18th deadline.

Long before the beginning of the Legislative session in January, the Leaders in St. Paul knew we were going to face a budget deficit. Then at the end of February, we were given the bad news that the deficit would exceed \$6 billion. Governor Pawlenty had released his budget and the only question remaining was when the Democrat Leaders in St. Paul would release their plans.

This last week we finally had the bill and the details of the taxes they want to raise on Minnesotans. Up until the vote on the tax bills, they had told us they were only going to "tax the rich", or, "...make those who can most afford, it pay their fair share." After looking at this bill, I think most Minnesotans will come to same conclusion I did and would support my emphatic 'NO' vote on these massive and oppressive tax increases.

As expected, income tax increases were one of the first taxes to be raised by both the House and Senate Democrat bills. The House bill raises taxes on individuals making \$56,561 a year from an already oppressive 7% to a bone crushing 8%! And if you are a married couple filing jointly whose combined income is over \$100,000, your rates would go up to the same 8%. The proposal also creates a new, 4th bracket to tax filers over \$300,000. This bracket is almost all small business owners who file their business and personal taxes together and will effectively decimate all small business growth and expansion in Minnesota.

The Senate Democrat bill raises taxes on ALL income brackets; starting with single filers who make \$17,570 and couples filing \$25,680! They also create a new 4th bracket with a 9.25% tax rate! What happened to taxing "the rich"? What happened to tax "fairness"?

But Democrats in St. Paul didn't stop at income. The House tax bill goes after one of the most sacred deductions we all use and one that is most beneficial to young families - the ability to deduct the interest you pay for your home mortgage. Did you know that even during the Great Depression NO ONE in our government took away the taxpayers ability to deduct their mortgage interest? But the insatiable appetite for more government spending in St. Paul has lead them to believe it's a good idea to take this away from hard working Minnesota taxpayers. I believe this is fundamentally wrong and my primary reason for voting 'NO' on the bill.

But they weren't satisfied with income and mortgage deductions. The House plan takes away your ability to deduct charitable donations and if you donate an organ (yes, one of your body parts). It also raises taxes each time you or you kids download music, videos or books to your iPod. And lastly they think it's a good idea to raise taxes on Joe Six Pack's six pack, alcohol, wine and a .52 cent increase on cigarettes.

Our financial troubles are too serious to waste time and energy on taxes that will kill jobs and take more out of the family budget. Governor Pawlenty has said he will veto all of these oppressive and job killing taxes. I will stand with Governor Pawlenty and uphold any veto override attempts.

2. **The "Spectacle" Part Deux.**

The love affair between Arlen Specter and Senate Democrats lasted about a week. Democrats this week unceremoniously stripped Ol' Arlen of his seniority and put him somewhere below Amy Klobuchar on the list.

Specter's sin was not towing the Party line on a number of issues, including the budget, mortgage reform, the Al Franken-Norm Coleman race, even President Barack Obama's appointment of Dawn Johnsen to head the Justice Department's Office of Legal Counsel.

In punishing Specter, Senator Debbie Stabenow (D-MI) noted that Democrats "[were concerned about his actions.](#)" In other words, he didn't vote with the team so he was punished.

The Watchdog will wait patiently for Minnesota Democrats to rally in Specter's defense. After all, DFLers went bananas last year when six House Republicans were stripped of leadership roles after voting to override Governor Tim Pawlenty's veto of a multi-billion dollar tax increase. DFL politicians and the liberal media were quick to condemn House Minority Leader Marty Seifert's decision as "heavy handed" and an attack on the very conscience of the six who voted to override.

What's the difference? Oh, yeah. One's a Republican and one's a Democrat.

3. **Paying Employees to Loaf has Consequences.**

The news out of the Los Angeles Unified Schools was almost too much to believe. The LA Times reported that the school district is paying 160 teachers to do nothing, including one who has been doing nothing for seven years.

These teachers are sitting in limbo awaiting adjudication of disciplinary actions taken by the district. According to the union contract (agreed to by management), teachers can only teach and be assigned no other duties. Therefore, any teacher removed from the classroom cannot be forced to any other type of work. Thus, they sit around and collect a government paycheck while doing crossword puzzles and watching Oprah.

No wonder California government is broke.

Thank goodness no private sector business would agree to such stupid work rules. If it did, it would be bankrupt.

Oh, yeah. Detroit and the UAW agreed back in 1984 to a "[jobs bank](#)" that pays laid off auto workers to sit around and do nothing. Oh yeah, Detroit is broke too. Oh, yeah. Taxpayers are on the hook for that stupid decision as well.

Paying people to produce nothing is bad for business. Any kid with a lemonade stand and fourth grade education could tell you that - and probably do a better job running GM.

4. **Social Engineering Par Excellence.**

A little noticed [news item](#) in the New York Times this week encapsulated the core value of liberals in America - controlling how we live.

Oregon Governor Ted Kulongoski, while discussing cap and trade legislation, opined that Americans will have to cut back their consumption because it is hurting Mother Earth.

The insidious threat of a cap and trade system is that it touches just about every aspect of American life. The food we eat, the electricity we use, the vehicles we drive, even the house in which we live.

What liberals fail to acknowledge is that the desire to live comfortably is a natural human desire. Humans would rather live in a nice house than a cave; they would rather heat their homes with natural gas than camel dung; they would rather have a car available than walk everywhere. In short, we would all rather be rich than poor for obvious reasons.

The simple fact is that America is the wealthiest and most prosperous nation in history because our Framers understood that each person's natural desire to improve their lot in life would improve the life of others. The person who seeks to get rich developing the latest medical device improves the life of his sick neighbors. The person who wants to get rich by starting his own business improves the life of his employees and the

consumers who buy his products. The recognition and harnessing of rational self-interest has been good for America and the world.

Thus, the acolytes of "climate change" like Governor Kulongoski really despise the values that made America great, and thus America itself. When they criticize and seek to extinguish the flame of rational self-interest, they engage in a form of totalitarianism that is at odds with not only with capitalism, but freedom itself. This is because any economic regime that seeks to stamp out each person's natural desire to accumulate wealth must be heavy-handed and oppressive precisely because the desire to live comfortably is so innate and pervasive in our nature.

As Nobel economist Milton Friedman noted, capitalism and freedom are inextricably intertwined while socialism and totalitarianism are joined in the same way.

This country cannot long pursue the ideologically incompatible goals of individual freedom and the socialism required to implement cap and trade policies.

- Harold Hamilton

May 15, 2009

Friday Public Policy Commentary

In This Issue:

1. **What is compromise?**
2. **There is justice.**
3. **Will they finish on time?**
4. **Quote of the week.**

1. **What is compromise?**

The Left is enjoying themselves quite a bit this week bashing Governor Pawlenty for not "compromising" with respect to the budget crisis. Of course, the Left's idea of compromise is how much government will grow, spend, and expand.

So why is it that Pawlenty and Republicans have allowed the DFL and their co-conspirators in the media to frame the debate in this manner?

Perhaps the compromise should be about how much government will be cut? Or perhaps the compromise should be a budget that spends no more in the coming biennium than was spent in the previous biennium.

Just why is it that government is presumed to enjoy growth year after year, decade after decade? After all, the individuals and businesses that fund government don't enjoy automatic income growth year after year. When government starts living better than those who fund government, we are on the road to serfdom.

An examination of state [general fund spending since 1960](#) shows a demonstrable pattern of increased spending growth - sometimes egregious growth - almost every year, regardless of the economic circumstances in the economy at large. Only in 1983, 1986, and 2004 did the state's general fund budget actually spend less than the year before. And in every case, spending the next year increased to spending back on a path of growth that exceeded inflation and population growth.

2. **There is justice.**

The Dog couldn't help but engage in a bit of [schadenfreude](#) at the [news](#) that the Obama administration is looking at dictating how financial services executives are compensated. According to the Wall Street Journal, very few companies that would be affected were willing to speak publicly, for fear of challenging the White House. In addition to regulations regarding executive pay, the federal government is also [proposing](#) new regulations designed to subject derivative securities to federal oversight. Combined with the massive Wall Street bailout, America's financial services industry is experiencing an unprecedented level of governmental intervention. And they deserve it.

During the 2008 presidential cycle, the securities and investment industry jumped into bed with Barack Obama, donating more money to his campaign than any other. In 2008, Obama raked in nearly [\\$14.5 million](#) from the securities and investment industry.

[Major donors](#) include the political action committees and executives of:

Goldman Sachs: \$980,945

Citigroup: \$657,268

JP Morgan: \$650,758

UBS: \$522,019

Morgan Stanley: \$490,873

By contrast, the industry donated \$8.5 million to John McCain.

And it's not like there wasn't any warning that Obama would act like a socialist once in office. He campaigned on a socialist agenda throughout, which was consistent with his background as a "community organizer."

Investment professionals are trained to examine ROI (return on investment). The ROI on Obama is looking pretty miserable right now.

The bigger shame is all the collateral damage these executives brought down on regular Americans who will suffer through an administration that wants to diminish their quality of life through expensive climate change legislation, higher taxes, and a mountain of debt their kids will have to pay off.

Thanks, guys. Can't say we feel real sorry for ya.

3. **Will they finish on time?**

The legislature's time left in the regular 2009 session is now measured in hours instead of days. More and more it appears likely that the state will be headed into yet another special session. Will a deal fall into place before midnight Monday? That's the great question and the Dog is happy to offer our 2 cents.

The question needs to be analyzed through the prism of whether or not a special session is politically helpful or hurtful to the three major players - the governor, the DFL House leadership, and the DFL Senate leadership.

The DFL House is probably the easiest to game out. Speaker Margaret Anderson Kelliher is rightly concerned that a special session would harm her members and potentially lead to a loss of seats in 2010. House Republicans in 2002 increased their majority to 81 seats. After failing to get a bonding bill done in 2004, they lost 13 seats. After a government special session and partial government shutdown in 2005, the GOP lost another 19 seats and was plunged into a minority of 49, experiencing a loss of 32 seats in just two election cycles. The public has undoubtedly shown a willingness to take out House members who are perceived to be unable to do the people's work.

Most importantly, there is no upside to a special session for Kelliher. Governor Pawlenty will not sign tax increases into law, not with presidential ambitions in the equation. Moreover, there are nowhere near enough votes to override tax increase vetoes. Those hopes were dashed when the House tax bill barely passed the House floor. Therefore, the deal isn't going to get any better for Kelliher. It would be better to take whatever deal is there and get out of town. A symbolic yet fruitless attempt to override in the waning hours of session will give her team the cover they need to say "we tried" to the special interests who put them in office.

The governor faces a different calculus depending upon which way he wants to go in the future. If he plans to run for president, he has every incentive to stand firm and wait for the DFL to submit to his will regarding tax increases. Nothing would burnish his presidential bone fides more than standing up to a liberal majority in the Minnesota legislature on the issue of taxes, especially given the national mood. Pawlenty's social conservative credentials are beyond reproach, given his support for concealed handgun legislation, the repeal of the Profile of Learning, and assorted pro-life legislation.

His fiscal credentials, on the other hand, are somewhat vulnerable to attack from other GOP candidates after episodes like the "health impact fee," the Twins stadium, and runaway health and human services spending.

If Pawlenty chooses to run for a third term as governor, there is some downside risk to a special session. Voters may adopt a "throw the bums out" strategy and take Pawlenty out as well. If T-Paw goes down in 2010, the presidential dream is dashed. After all, he was re-elected by the narrowest of margins in 2006. Moreover, he would be swimming against historical tides by seeking a third term. Minnesota voters tend to frown upon politicians who seem overly ambitious or immodest. Ask Wendy Anderson.

Thus, the odds of running for re-election are slim.

In the Senate, majority leader Larry Pogemiller tends to view things through a prism of virtual hatred for the governor, almost like an Ahab versus the whale paradigm. Pogemiller may decide that an Armageddon strategy to shut things down will help harpoon Pawlenty and make things all worthwhile, even if it means losing some House seats, or even senate seats as the entire body will stand for re-election in 2010 as well. Pogemiller may be somewhat reluctant to force the issue because of concern for his own members, but that's doubtful. The DFL has controlled the state senate since the 1970s and that likely won't change, given the fractured nature of senate Republicans.

The Watchdog isn't going to whimp out. Our call is a special session that concludes before a partial government shutdown would occur (July 1st).

4. **Quote of the Week.**

"To expect the public in general to inform itself well enough to make a reasoned decision is, frankly, silly."

-

State Representative [Bill Hilty](#) on whether or not Minnesotans should decide for themselves if the ban on new nuclear power plants should be [repealed](#).

Those DFLers sure are champions of the people. Just as long as the idiots shut up and do what their legislative masters tell them.

May 22, 2009

Friday Public Policy Commentary

In This Issue:

- 1. It's all over; now for the shouting;**
- 2. Ramsey County's idea of cutting back;**
- 3. Is North Hennepin Chamber pro-business?**

- 1. It's all over; now for the shouting.**

The 2009 legislative session ended with a meek whimper at the stroke of midnight Monday night. The 2009 session was singularly defined by the debate over taxes and the response to an unprecedented \$6.4 billion budget deficit. While taxes and spending always a priority in Saint Paul, all other issues shrank in comparison this year. In the end, Governor Pawlenty and Republicans won big while the DFL and its leadership lost - in a big way. Here's why.

House Republicans.

Since the Senate GOP doesn't even have the numbers to sustain a veto, it was up to House Minority Leaders Marty Seifert and his band of 47 House members to sustain Pawlenty's vetoes of the DFL's tax onslaught. For better or worse, Seifert would be judged solely by his ability to keep all 47 members united on this defining issue. Given the numbers, the DFL would need unanimity plus 3 GOP votes to override. Moreover, any defections at all would undercut the GOP's message that it stood for low taxes and fiscal restraint in the face of a massive economic downturn.

Seifert passed the test with flying colors. He kept his team united and burnished his credentials in GOP circles as an up and coming leader.

Governor Pawlenty.

Pawlenty absolutely outflanked and faked out the DFL with his bold decision to solve the budget deficit with through his executive powers regarding line-item vetoes and unallotment. DFL Senate Majority Leader Larry Pogemiller and DFL House Speaker Margaret Kelliher were left looking for the jocks after Pawlenty head-faked them.

Pawlenty grabbed the mantle of leadership and looked like the adult in the room by declaring the he would make the tough decisions if the DFL wouldn't. By doing so, Pawlenty declared that there would be no special session or government shutdown. Pawlenty thus avoided the wrath of voters who are rightfully exasperated by special sessions while making the DFL look inept and incompetent.

The Governor will also reap the political benefits of balancing the budget without raising taxes. Voters instinctively understand that raising taxes in a recession is a bad idea. They are quite receptive to the message that government should live within its means. And by the way, GOP voters in primary states across the country are even more receptive to such leadership.

It is unlikely the governor will suffer any negative effects of "owning" the cuts since he alone will implement them. After all, they amount to only about 3% of the budget. Most taxpayers will soon realize that life in Minnesota can actually go on even though the state had to make do with a 3% cut.

Moreover, to be brutally honest, those who will complain most loudly about the cuts are folks who never supported Pawlenty anyway. The dependency class of government workers, able-bodied welfare recipients, and professional protesters would have complained regardless of what the governor did.

In short, Pawlenty and Republicans provided a clear, concise, consistent message that was easy to understand and resonated with voters: live within your means.

The DFL.

These folks lost and lost big. They made every wrong move. Let us count the ways.

First, they violated the fundamental rule of politics that you should never propose a tax that isn't implemented. They further committed a cardinal sin by proposing a bevy of unpopular tax hikes, touching a number of political "third rails" in the process.

When a politician proposes a tax that doesn't come to fruition, he wins no friends. The voters who opposed the tax will be angry that it was proposed in the first place while those who supported the tax hike will be angry that the politician failed to deliver.

Moreover, if you're going to propose tax hikes, for goodness sakes, propose the popular ones. The DFL did do that by proposing the golden oldies of taxing the rich and taxing sins like alcohol.

But the DFL went far beyond that by proposing across-the-board income tax increases, taxing music downloads, and taking away the mortgage interest deduction. And while the mortgage interest deduction issue is more complex than that, the DFL committed yet another cardinal sin by proposing something that is difficult to explain yet easy to criticize.

Thus, the DFL firmly cemented their reputation as tax increasers who can't manage a budget and are beholden to Big Government special interests.

Second, the DFL never had a coherent message. Despite the fact that everyone in Minnesota knew as far back as last fall that there was a fiscal crisis, the DFL dallied and vacillated, never giving the public a clear message or clear plan for closing the budget gap.

It all started with their refusal to acknowledge what everyone knew: they were going to propose tax increases. By refusing early on to acknowledge "revenue enhancers," they

denied themselves the time and space needed to explain why more taxes were needed and build support within and without the Capitol walls.

This fundamental failure to build support for tax increases culminated in the embarrassing House floor vote in which the DFL tax bill passed by one vote. This was the defining moment of the 2009 session and signaled clearly to the DFL that Pawlenty would win on the tax issue.

After that, it was clear that the DFL plan was to run out the clock and wait for yet another special session for a chance to redeem themselves. The chance never came.

After the House tax vote, the DFL appeared to be off message, confused, and demoralized. They compounded their errors by passing other spending bills that didn't balance - which played perfectly into GOP hands by buttressing the charge that DFLers are fiscally irresponsible spenders. The DFL made a weak attempt to cover their collective butts by passing a tax bill that balanced their spending with exactly 8 MINUTES, yes minutes, left in session.

Finally, the DFL looked plain silly responding to Pawlenty's plan to solve the budget deficit himself. Cries of "abuse of power" and the threat of lawsuits - by other people no less - isn't leadership or even a credible alternative. Nor is the prospect of another "misery tour." We've been there and done that. It is clear that Democrats have used "misery tours" as little more than an excuse for inaction. At the end of the day, the public expects leadership and decisive action. The DFL provided neither.

The story of the 2009 session is a tale of two parties. The GOP responded to the call of leadership and made the tough decisions necessary in responding to crisis.

The DFL, on the other hand, shrank from their leadership obligations by dallying, vacillating, and ultimately providing a piecemeal plan that went nowhere. When the going got tough, they punted. Town hall meetings, federal monopoly money, and special sessions are no substitute for leadership.

2. **Ramsey County's idea of cutting back.**

Proving that they they're in touch and their compassion knows no bounds, the Board of Ramsey County Commissioners this week tightened the girdle of fiscal restraint by [forgoing](#) a pay raise for next year.

Ultra-accountable commissioner [Victoria Reinhart](#) solemnly noted that the pay freeze was "the appropriate thing to do."

For 2010, the commissioners will have to find a way to get by on a meager \$82,400 annually for a part-time job. No word on whether there will be any freezing of the gold-plated insurance benefits or the defined-benefit retirement package.

Ramsey County commissioners have been a model of fiscal restraint and selfless public service throughout this decade. In 2002, this brave band of brothers (and sisters) fought off a proposed 46% pay increase. Sadly, they could only do so much and had to accept with a 20% pay raise.

Just five years later, disaster struck again when a 25% pay increase was dropped on these hard-working, humble servants of democracy.

The silver lining in this cloud of fiscal piggery is the validation of the axiom that taxpayers get the government they deserve. After the 2007 pay raise, every commissioner who ran for re-election in 2008 was returned to office. Congratulations, Ramsey County voters! You elected these bums.

3. **Is North Hennepin Chamber pro-business?**

Last week, the Minnesota Watchdog's sister publication, the Anoka County Watchdog, posted an [item](#) examining the issue of governmental organization infiltrating and influencing the MetroNorth Chamber of Commerce. With so many governmental organizations belonging to the Chamber, were these groups pushing the Chamber to support position that were harmful to private business members?

The piece generated a great deal of discussion, including the comments of a number of readers who leveled similar complaints against the [North Hennepin Chamber of Commerce](#).

A review of the [membership directory](#) reveals the following governmental members of that chamber:

- African American Action Committee
- City of Brooklyn Center
- City of Brooklyn Center Police Department
- Brooklyn Center Community Center
- Brooklyn Center High School
- Brooklyn Center School District
- City of Brooklyn Park
- Brooklyn Park Police Department
- Brooklyn Park Community Center
- Community Emergency Assistance Program
- Champlin Park High School
- Hennepin County Library
- Hennepin Tech College
- City of Maple Grove
- Maple Grove Police Department
- Maple Grove Senior High
- North Hennepin Community College
- Northwest Hennepin Community Services Council
- Osseo School District
- Osseo Police Department

Osseo Senior High
City of Osseo
Park Center High School

The Dog is certain these groups are all for tax cuts and reducing governmental regulations. Here's an idea: help solve the budget crisis by eliminating the use of tax dollars to pay for these memberships.

May 29, 2009

Friday Public Policy Commentary

In This Issue:

1. **Toe the line-item veto.**
2. **Poverty is good - for liberals.**
3. **New kid in town.**

1. **Toe the line-item veto.**

One of the oldest tricks in the legislative playbook is to roll a bunch of pork into a more serious bill to force the chief executive into a Hobbesian choice of either vetoing an otherwise good bill in its entirety or signing the pork with the meritorious.

Fortunately, Minnesota is one of the states that gives the governor [line-item](#) veto authority. This Constitutional authority gives the governor the ability to strike less meritorious items from a bill while keeping the good stuff. In Minnesota, this authority extends only to appropriations of money but it's still a valuable tool.

Recently, the governor used his line-item veto power to [strike millions](#) in state borrowing from the bonding bill that was sent to him at the end of the recently concluded session. Never mind that this is not a "bonding" year and that this is exactly the kind of government money borrowing the DFL claims to hate.

All told, the governor saved the taxpayers \$85 million in principles plus the interest paid on the bonds.

Here's what fell to the cutting room floor via the line-item veto:

- Bell Center Museum: \$24 million;
- Lake Superior Community College addition: \$11 million;
- Mesabi Range Community College carpentry shops: \$5.25 million;
- Metro State University "smart classroom": \$5.7 million;
- North Hennepin Community College technology upgrades: \$13.3 million;
- MnSCU classroom renovations system-wide: \$3.6 million;
- Money for Red Lake school district: \$5.8 million;
- Rail Service Improvement: \$3 million;
- Early Childhood Learning facilities: \$2 million;
- Mankato Civic Center expansion: \$6.5 million;
- Schubert Arts Center: \$2 million;
- St. Cloud Civic Center expansion: \$3 million.
-

Is Governor Pawlenty the only elected official who understands fiscal accountability? It sure looks like it.

2. **Poverty is good - for liberals.**

Now that President Obama has nominated Judge Sonya Sotomayor for the Supreme Court, it's interesting to see how the Left is in love with her impoverished upbringing. We've all heard hundreds of times that Sotomayor grew up in the projects of New York

City and was raised by her mother after her father passed away when Sotomayor was just nine-years-old.

Regardless of her judicial views, the Watchdog can applaud Sotomayor's rise from poverty. Having said that, the Left celebrates her poverty and seeks to make it, along with her ethnicity, a shield that prevents the Senate from properly vetting her credentials and asking tough questions about controversial statements and rulings.

Moreover, the celebration of this woman's impoverished upbringing exposes once again the hypocrisy of the Left. Consider the following biographies:

Born into abject poverty in Georgia, this man's father left when he was just two. After a house fire left his family homeless, they moved in with his grandparents. As a young boy, he worked on a farm where a strong work ethic was instilled in him.

He was the only black student in his high school. He attended college in New England, facing the culture far different from the one he knew in Georgia. While in college, he worked hard to eliminate the bigotry that infected a supposedly "enlightened" New England college campus.

This man went on to earn a law degree from Yale and pursue a very successful legal career.

The man is Clarence Thomas.

Apparently, Thomas' impoverished background didn't impress Democrats, who provided just 11 votes in support of his confirmation. 46 Democrats voted against confirmation, proving their situational empathy.

How about another?

This man immigrated to the United States from Guatemala at the age of 17 with virtually no English skills.

Nonetheless, he managed to graduate *magna cum laude* from Columbia University. He then earned a law degree from Harvard *magna cum laude*.

In 1992, he was nominated to the U.S. Court of Appeals for the DC Circuit. Democrats, unimpressed with his impoverished Guatemalan upbringing not only opposed his nomination, they filibustered it. This was the first time the filibuster had been used against a judicial nomination since 1968 and the first ever against an appellate court nominee.

This man came before the Senate with a unanimous "well qualified" rating from the American Bar Association.

There was also evidence from office of Senator Dick Durbin that Democrats and their special interest backers were afraid of this man because his ethnicity and appointment to the most influential court of appeals would put him in line to become the first Hispanic on the Supreme Court.

Apparently, Democrats only applaud liberal Hispanic nominees who come from humble origins.

The man? Miguel Estrada.

The hypocrites? Every Democrat who can't wait to tell us about Sotomayor's childhood.

3. **New Kid in Town.**

Watchdogs in Hennepin County rejoice! There's a new taxpayer watchdog site devoted to exposing governmental waste, fraud, and abuse in that jurisdiction.

The site is run by former state Representative and current Hennepin County commissioner Jeff Johnson. Here's the press release for the site:

I'm writing to invite you to take a look at the new blog that I launched earlier today: Hennepin County Taxpayer Watchdog (www.TaxpayerWatchdog.org).

As you know, I've only been on the Hennepin County Board for a few months, but in that short time I've learned a lot and have been amazed at the reach of the \$1.7 billion annual county budget (larger than several state budgets) and the sometimes curious (and sometimes outrageous) ways this money is spent. As Hennepin County government actions largely fly under the media radar screen - despite our tremendous impact on your individual and business property taxes - I felt it time to provide an insider perspective.

While the Anoka County Watchdog isn't affiliated with this web site, we're excited to see this development and wish Johnson the best of luck tracking the big spenders across the river. Moreover, we can use all the help we can get tracking the misdeeds of everyone's favorite "moderate," Meli\$\$a Hortman.

Good luck, Jeff!

June 5, 2009

Friday Public Policy Commentary

In This Issue:

1. **Who succeeds Seifert?**
2. **Who's the bigger spender: Minneapolis, Burnsville, or Blaine?**

EDITOR'S NOTE: Yes, the Watchdog acknowledges Governor Pawlenty's announcement regarding his future. Having said that, we will not join the other outlets that have engaged in premature "legacy" columns. Pawlenty has 19 months and one more legislative session to go, which is plenty of time to earn our praise or ire as the case may be.

1. Who succeeds Seifert?

While the political news of the past week has focused on the 2010 gubernatorial race and the 2012 presidential race, there is another election happening in less than three weeks that will have a major impact on the citizens of our great state.

This week, House GOP Minority Leader Marty Seifert announced that he is resigning his post in order to devote more time to exploring a run for governor (see above).

It is rather surprising the mainstream media and the blogosphere have devoted such little attention to the election to determine Seifert's successor that will take place June 24. After all, the new leader will have to navigate the 2010 session, one that will see a bonding bill, a supplemental budget bill, a host of policy initiatives, and the omnipresent threat of veto override votes. In short, the new guy (or gal) will have a full plate.

In speaking with multiple House Republicans, a few names have emerged. Here's the rumored list of those interested and what their GOP colleagues are saying about them:

Tom Emmer (Delano)

Emmer ran against Seifert last fall and came up short. Emmer is much like a controversial rock band, either liked or hated but never ignored. In other words, he's polarizing. Many like his confrontational style and his willingness to attack the DFL. Conversely, many dislike his approach and deem it too cynical and aggressive, especially for a high profile position that represents the public face of the House GOP.

Dan Severson (Sauk Rapids)

Severson served as the Minority Whip this past session and brings a wealth of leadership experience as a retired Navy officer. Many appreciate that kind of resume and Severson's upfront and candid style.

On the other hand, some wonder whether he will have the right priorities and the ability to articulately convey the caucus message to the public at large. In other words, Severson has been an outspoken opponent of gay marriage and gay rights issues. Can

he defer that issue to another day and focus on "kitchen table" economic issues? Or is he permanently typecast as the "anti-gay marriage guy?"

Kurt Zellers (Maple Grove)

With a background in public relations, Zellers knows the issues that resonate with voters and how to articulate the caucus message on those issues, say colleagues. Zellers also brings leadership experience, having served as an assistant caucus leader.

Moreover, geographic issues are in play. Members from rural Minnesota want to make sure their voice is heard. While this group usually coalesces around one of their own, Zellers has been mentioned as an attractive alternative, especially if rural candidates fall by the wayside. Zellers grew up on a farm in North Dakota and thus has some rural street cred (or dirt road cred, as the case may be).

Sarah Anderson (Plymouth)

Anderson is an up and coming legislator who also has experience as a campaign staffer for House GOP elections. The caucus (and the Party in general) need more "soccer moms" like Anderson but some think Anderson isn't quite ready for prime time, having been elected in 2006.

2. Who's the bigger spender: Minneapolis, Burnsville, or Blaine?

With cities around the state squealing over state aid cuts, the Watchdog considers it a moral obligation to educate taxpayers with respect to the fiscal tomfoolery of this new victim class.

Out of all the outrageous spending, the Dog offers three candidates for your consideration. Read the nominations and vote by sending an email to Harold@theminnesotawatchdog.com. We'll post the results and send free Watchdog t-shirts to the first 25 who vote. (Be sure to include address and t-shirt size.)

Minneapolis

On any given day, you could find multiple examples of taxpayer abuse in the Mill City. Having said that, this one is a peach since it involves a waste of federal and state money as well.

The Minneapolis council recently voted to blow \$2 million in federal "stimulus" funds on the Schubert Theater. The Schubert has been a taxpayer money vacuum for at least a decade, including \$12 million in state bonding (i.e. credit card) monies.

Read more [here](#)

Brunsville

This once-reliable GOP suburb has become more and more of a liberal enclave in recent times. And any liberal enclave needs a wasteful, needless arts facility (see above) that is justified under the always-useful "quality of life" rubric.

Proving that the "if you build it they come" philosophy is make believe, Burnsville spent \$20 million building a performing arts center (PAC) that has fallen flat on its face, having scheduled only two acts for the entire summer.

The PAC will lose \$1.2 million this year.

Typical of the governmental attitude is Jim Skelly, a city spokesman. Said Skelly, "This council made a decision to build this one. It's just a question of whether the market will deliver on the vision that the council had." Maybe the city doesn't need to pay for a spokesman.

Read more [here](#).

Blaine

Seeing that it's a great time to be in real estate, the city is about to speculate on an 80-acre parcel. The plan is to hold the parcel and then flip it for a profit. Cost? About \$2 million.

If Blaine thinks cities ought to be in the investment game, perhaps they could start a hedge fund or invest in some art.

Read more [here](#).

June 12, 2009

Friday Public Policy Commentary

In This Issue:

1. **Has New Brighton cut to the bone?**
2. **A pay freeze that's not so chilly.**
3. **Blog Roll.**

1. **Has New Brighton cut to the bone?**

Last week, the Dog examined Mounds View's budget and found hundreds of thousands of dollars in non-essential expenses the city could do without, especially in this economic environment.

This week, the Dog examines the New Brighton city budget with a reformer's eye and a sharp pencil. For many weeks, cities large and small across the state have been complaining that any reduction in state aid would visit devastating cuts to budgets already pared "to the bone."

Not surprisingly, the Dog uncovered a budget in New Brighton that looks more like [Star Jones](#) before the gastric bypass than Star Jones after the bypass.

It is interesting to note that the [2009 budget](#) was adopted by the council in December 2008, a time when the financial crisis was clearly known to every citizen, including elected officials. That the city would approve non-essential spending or increase arguably essential spending by large percentages gets to the very heart of the debate. While cities undoubtedly have taken steps to cut back spending, much more remains to be done, primarily for two reasons. First, very few citizens bother to closely examine how their city spends money. When these few are up against public employee unions and other special interests, it is usually the special interests that are more successful in pressuring city councils. Second, Minnesota's generous state aid program, known as "LGA (Local Government Aid)", decouples spending decisions from taxing decisions. In other words, since cities don't tax for LGA, their decisions to spend LGA often entail far less restraint than would otherwise be present. It's "free" money.

Parks, Recreation, and other funsies.

Of course, the first place to look for money is enterprises that are non-essential. The primary purpose of city government is to provide police, fire, and infrastructure services (e.g. sewers and streets).

Like some other cities, New Brighton owns and operates a golf course. Modern human history has amply demonstrated that the private sector can provide golfing opportunities. On page 52 of the budget, the city declares that Brightwood Hills is an enterprise operation and that "Similar to a private business, the annual profits and losses are the responsibility of the golf course fund and tax dollars are not used to subsidize the service." Yet on page 14 of the budget, there is a transfer out of the

general fund in the amount of \$390,000 for debt service for the golf course. In fact, the line item is called "Golf - subsidy for debt service."

Cost: \$390,000.

Recreation Programs.

Page 19 of the budget notes that recreation programs require a 40% taxpayer subsidy from the taxpayers. While fingerpainting and yoga classes have value, it must be asked why taxpayers should pay property taxes to subsidize someone else's leisure activities.

Cost of subsidy: \$274,640.

Family Service Center (FSC).

The FSC is New Brighton's community center. Like recreation programs, the FSC operating budget requires a 40% taxpayer subsidy, according to the 2009 budget narrative. The FSC annually hosts 1,000 birthday parties, 800 business meetings, 185 receptions and social events and over 200 community meetings. First, the private sector offers these services, thereby putting the government in direct competition with taxpaying enterprises. Second, at the minimum, the folks who have meetings and events at the FSC should be required to pay fees sufficient to cover the benefits received. In other words, the taxpayers of New Brighton shouldn't be forced to subsidize someone's business meeting or birthday bash.

Cost of subsidy: \$442,520.

Wages.

Despite the financial crisis, the city adopted the budget that included wage increases, some rather significant. For example, the FSC "regular wages" line item shows a 13.67% increase over 2008. Likewise, the Administration department's "regular wages" line item shows a 6.5% increase over 2008. All told, the city agreed to \$254,041 in wage increases for departments that are funded in whole or in part by the general fund.

Cost: \$254,041.

Overtime.

One of the first item any business cuts in a downturn is overtime authorization. Granted, a city has certain overtime exigencies that must be met to fulfill core functions. For example, a hostage situation must be resolved by law enforcement regardless of when it happens. Streets need to be plowed in a timely fashion regardless of the snowfall total. But many departments received overtime funds and even received increases in OT authorization that don't fulfill core functions. For example, the Finance department received a 54% increase in overtime authorization. The Parks department is authorized to spend nearly \$10,000 in overtime in 2009. Clearly, overtime of this type can be controlled by the city. Excluding essential functions, New Brighton authorized \$32,300 in OT.

Cost: \$32,300.

Memberships.

The Watchdog has long taken issue with the vast majority of memberships cities hold, both collectively and for the personal benefit of certain employees. An example of a

collective membership is a membership the local chamber of commerce. Another type of collective membership is one in which the city pays dues to an organization that exists to lobby other levels of government for more taxpayer money. An example of this type of membership is the North Metro Mayors Association. An example of an individual membership is a membership in the International City/County Management Association, which accrues mainly to the benefit of the city manager. As you may have guessed, New Brighton has a membership in all three organizations.

Most of the memberships are carried in the Administration department budget. In 2009, these membership cost taxpayers \$132,700.

Cost: \$132,700.

Travel, Training, Meals.

Like overtime, travel and training budgets are the among the first budget items to be trimmed when a business experiences financial difficulties. Apparently that isn't the case with government. While there may be legitimate and necessary travel and training needs, the Watchdog has learned through experience that many "training" opportunities are little more than junkets to far off locations that do not result in the type of specific, particularized training that results in a tangible benefit such as a licensure or specific professional designation. While New Brighton's budget does not offer any narrative details, the odds are plenty good that junkets are a big part of the mix.

Cost to taxpayers: \$86,700.

Computers.

Government just loves to have the latest and greatest computer technology. Last week, we uncovered a budget request for Mounds View to upgrade to Microsoft Vista. New Brighton, not surprisingly, has computer line items as well, including 10 new PCs and some new printers.

Cost to taxpayers; \$16,000.

Vehicles.

Does the police department really need a Dodge Magnum RT? Does the community service officer need a full size SUV? Must they be purchased this year?

Cost to taxpayers: \$64,600.

Fees scam.

An interesting post scrip to the New Brighton saga is the city's cheerful admission that it is using license fees to subsidize general fund operations. Page 10 of the budget report notes, "The City's License Bureau revenues exceed its operating costs. This net contribution provides an alternative revenue source to the overall General Fund budget."

While people may disagree over the semantics between a "fee" and a "tax", there is clearly a distinction here. The fees in question come from licenses to engage in specific activities, such as hunting and fishing licenses. The fees paid should be no more than necessary to cover the cost of the service provided. That people who hunt and fish, for

example, are being overcharged in order to subsidize city government should be a source of shame, not pride.

If New Brighton feels more revenues are needed for the general fund, it should have the courage to be upfront and get the money through its property tax levy and not hit licensees with a backdoor tax.

There is no doubt that the City of New Brighton could eliminate its \$400,000 budget shortfall by exercising some fiscal restraint and focusing on core functions.

2. **A pay freeze that's not so chilly.**

This week it was [announced](#) with much fanfare that the union representing Forest Lake School District teachers had settled for a "pay freeze." But that's not really the case. Because the media does a poor job explaining how teacher pay works, the Watchdog is here to help you understand the process and ask the right questions of your local school board.

Let's take a look at the three ways teachers primarily earn income. (Other payments, like coaching athletics, are excluded.)

COLAs (cost of living adjustment)

COLAs are a pay increase granted to every teacher across the board. A COLA is designed to compensate for inflationary increases to the cost of living, although COLA increases don't always reflect inflation. COLA increases are often reflected as a percentage increase that is applied to every square on the teacher pay grid.

Forest Lake teachers accepted no COLA increases for both years of the two-year agreement, as reported by the Star Tribune.

Step increases.

To better understand "steps," it may be helpful to take a quick glance at this [pay grid](#) (pages 44 and 45) from the Anoka-Hennepin school district, which is representative of most teacher pay grids. You can see that the pay grid is a box that represents the very best in Soviet industrial labor policy. While the COLA pumps up every square on the grid, teachers also increase pay by moving across and down on the grid in a race to the bottom right hand corner.

Step increases are granted for every year of service a teacher completes. In other words, teachers move down a step for every year they manage to avoid being fired. Step increases vary by school district but usually average 3-5% pay increase for every step. Step increases apply to every teacher on the grid except those at the bottom. It is common for labor agreements to give a lump sum of money to teachers who aren't eligible for step increases because of their seniority.

Under the Forest Lake contract, step increases are frozen during the first year of the contract but reinstated for the second year. Thus, headlines about a "pay freeze" are inaccurate.

Lane changes.

Lane changes are the lateral movements across the pay grid. Lane changes are granted when a teacher reaches various levels of academic accomplishment. For example, the first lane (on the far left) is for a teacher with a bachelor's degree. A teacher in this lane moves to the right if and when that teacher accrues 15 credits beyond a BA. Does the mere fact that a teacher has earned more education credits make the teacher more effective in the classroom? The point is hotly debated.

Under the Forest Lake contract, step increases are available both years of the contract. In short, while the Forest Lake agreement is noteworthy, it is misleading to call it a "pay freeze" when teachers will be eligible to increase their salaries. While the headline talks about a pay freeze, a sentence buried in the middle of the article notes that step and lane increases will boost the cost of the contract by 4.3% over the previous contract.

Moreover, Watchdogs shouldn't lose sight of other monetary outlays. For example, health insurance is a major cost center that rises every year. Who is paying for the increase? Is it the employer? Is it the employee? A combination of both?

In other words, don't be fooled into looking at just COLAs or even salaries in general. It is best to look at what the last contract cost the district and compare it to what the new contract will cost.

3. **Blog Roll.**

Taxpayers in Saint Anthony have a friend in the [Saint Anthony Village Watchdog](#). Check them out!

June 19, 2009

Friday Public Policy Commentary

In This Issue:

1. **South Saint Paul latest city to play the victim card.**
2. **"City Watch" program is here!**
3. **Pawlenty balances the budget without DFL help.**

Editor's Note: Don't forget to sign up for daily news updates from the Watchdog! Visit www.theminnesotawatchdog.com to sign up the Morning Blotter!

1. **South Saint Paul latest city to play the victim card.**

It seems nary a day passes without some city or county in Minnesota making apocalyptic predictions of anarchy should Governor Pawlenty dare reduce state aid payments.

The latest entrant in this never-ending victim parade is the Governor's hometown of South Saint Paul (SSP). While most city-as-victim pieces paint the aggrieved municipality as a sympathetic figure, this one featured an angry, cynical angle as represented by city administrator Stephen King and told by [column](#) author Jon Tevlin.

The column was filled with little-disguised hatred for the governor, mocking both his political principles as well as his allegiance to his home-town (We won't hold out breath waiting for the Strib to mock Margaret Kelliher's and Matt Entenza's frequent invocation of their rural upbringing while they live the high-brow life in the urban core).

Wrote the author:

"It also turns out that Pawlenty's memories of the pizza are about as fanciful as his notions that he's for the 'Sam's Club' working man."

"As a friend of mine who grew up with Pawlenty likes to say, the governor grew up in a blue-collar household, 'but he was kind of like Alex Keaton on Family Ties,' a character who rebelled against his liberal parents and idolized Milton Friedman and Richard Nixon'."

"He's really not a presence here."

These quotes and more give the flavor of the column and leave no doubt that readers should conclude that Pawlenty is a cake-eating phony who hates the working class.

Of course, the column also featured paragraphs and quotes devoted to South Saint Paul's "bare bones" and "Cut to the bone" budget.

City administrator King offered the following gems:

"Every department has been economizing as much as we can." And, "We're one of the state's basket cases."

Okay, let's put the passion play to the truth test. Let's take a look at South Saint Paul's [2009 adopted budget](#) to see how well the city has "economized" its spending to match economic reality.

City Administrator

City Administrator Stephen King, who was the featured mouthpiece of the column, has a rather bizzare idea of "econmizing."

This year, King will earn a salary of \$124,620. While that is a very generous salary, what is really noteworthy is that this is a 12.7% PAY RAISE over 2008. Yes, the city council raised his pay by double digits during an economic crisis.

Moreover, the city will kick in an extra \$43,000 in benefits, including insurance premiums paid and pension contributions. This brings his compensation package to over \$166,000

How many taxpayers in SSP got a pay raise this year, much less a double digit pay raise? How many get \$43,000 in benefits?

The median household income in SSP is approximately \$45,000.

City Administrator Budget

In fact, the budget for King's office is slated to increase nearly 20%. Salaries in the office are slated to rise 25%. The increase certainly can't be attributed to a job well done. The "2008 accomplishments" comment area for this office was left blank in the budget narrative.

General Fund Budget

The city's general fund plans to spend \$350,000 more dollars this year than last year. Many taxpayers and businesses are spending the same amount or less on their budgets. Taxpayers in SSP ought to be asking why their government isn't doing the same. We know where part of the increase is going (see above).

Leisure Activities

The 2009 budget will spend \$93,000 more than in 2008 for "leisure activities," a 5.5% increase. These activities include two pools operated by the city. Far from closing or curtailing this non-essential function, the city will increase pool spending in 2009. Pool spending will increase to \$150,919 this year, a nearly 7% increase over 2008. Isn't swimming pool spending what every family does in a financial crisis?

The city will also shell out \$175,000 to subsidize the local hockey arena.

Community Affairs Liason

The city spends over \$82,000 a year for this office which, among other things, provides coordination of the "Community of Promise Task Force" and the "Beutification Award Program." Another example of "economizing."

While space prevents a more thorough examination of SSP's budget, readers can definitely see that the city's definition of fiscal austerity is far different from the average taxpayer's.

Every city that has publicly complained about state aid reductions has been exposed as a big spender. Next!

2. "City Watch" program introduced!

Now that Governor Pawlenty has fulfilled his constitutional duty to balance the budget (no thanks to the DFL "leadership") and reduced state aid to cities and counties, the predictable whining and complaining from these groups has begun (see above).

The Watchdog has done its best to point out that the cries of poverty aren't very legitimate (see above, again), but we can't be everywhere at once.

That's where you, loyal Watchdog reader, come in. The Watchdog is starting the "City Watch" program. The program will highlight the most outrageous examples of wasteful government spending from around the state.

It's easy but so important. Nearly every city and county has an official web site with their latest budget posted. Take a few minutes to examine the budget and find the pork. Send it to us and we'll tell the world. What's in it for you? A fulfillment of your patriotic duty AND a sweet Minnesota Watchdog t-shirt.

We'll compile the list and release it in a future update!

You can find local government web sites [here](#).

Send results to harold@theminnesotawatchdog.com.

3. Pawlenty balances the budget without DFL help.

Let's put all the anger and venom from the DFL and allied interest groups over the unallotment in some perspective.

First, its laughable that the DFL wants to stand on the sidelines and act like bystanders in the whole affair. This group has an overwhelming majority in both houses of the legislature, and thus a responsibility to lead and make decisions.

Last November, it was clear to the world that the state budget was in crisis. The DFL responded by sitting around waiting for federal "stimulus" money that ultimately arrived but did not relieve the legislature of its duty to balance the budget.

The DFL then ran out of the Capitol during the session and engaged in a "misery tour" which turned out to be little more than an excuse to avoid hard decisions.

The DFL finally got around to passing a budget loaded with tax increases that many of their own members wouldn't support. This budget was piecemeal and didn't even balance. When the DFL was called on their phony budget, they passed a patchwork tax bill on the last day of session to cover their behinds by getting the numbers to add up.

Second, these unallotments are about a 3-4% reduction in spending. We keep hearing about the need to pay local government bureaucrats hundreds of thousands of dollars a year because of their management experience. Yet, these highly paid folks seem to be having trouble finding these small reductions. With taxpayers of all stripes making big reductions in their own budgets, there isn't much patience for folks who cry about single digit reductions.

Third, there will no doubt be a push to put health and human services (HHS) program recipients on the TV to portray the governor as cruel and heartless. The fact is that Minnesota is extremely generous with welfare healthcare spending. Moreover, the HHS budget is growing at an unsustainable rate. The DFL pretends that a tax increase this year will take care of the problem. The fact is that tax increase after tax increase will be needed to sustain the program at these levels. That's a fact.

Finally, there has been chatter that the accounting shift used to spare K-12 education will be challenged in court. While the Watchdog would prefer spending cuts instead of accounting tricks, the education lobby should be careful about what they wish for. If Pawlenty loses in court, then the money will simply be lopped off the K-12 budget.

Bottom line: It's 3%, people. Get a grip.

June 26, 2009

Friday Public Policy Commentary

In This Issue: A "City Watch" blockbuster!

- 1. City Watch Coon Rapids.**
- 2. City Watch Burnsville.**
- 3. City Watch Minneapolis.**
- 4. Summer Camp is a right, not a privilege.**

1. City Watch Coon Rapids.

The latest entrant into our Hall of Shame is Coon Rapids. The city council next week will decide, during the worst economy since the Great Depression, whether or not to spend over \$3 MILLION for detailed plans for a [community center](#).

The whole community center mania is such a bunch of bunk

First, these community centers inevitably lose money and require subsidies. In the past two weeks, the Watchdog has examined the finances of both Mounds View and New Brighton and discovered that both community centers in those locations require massive subsidies. The Coon Rapids community center would be no different.

Second, is there a lack of amenities in the area? Coon Rapids is home to both a Lifetime Fitness Center and a YMCA. A community center would put government in direct competition with the private sector.

Third, the city claims a community center is needed to keep young families in the city. No evidence has been offered to support this assertion. Frankly, it makes no sense. It's unlikely families will move out of Coon Rapids because there is no community center. As mentioned, the city already offers what the community center proposes to offer.

Fourth, it is claimed a community center will revitalize the Coon Rapids Boulevard area. Again, there is no proof businesses will flock to the street because of a community center. Coon Rapids Boulevard has lost business because traffic volume, a key to retail success, has faded as traffic moves to HWY 10. A community center won't generate nearly enough traffic to make the area attractive once again to high-end retail.

Finally, the community center is extremely expensive. With a price tag of \$60 million, many taxpayers would argue that the money would be better spent on core government functions or not spent by government at all.

What's really funny is that the city council heard taxpayer complaints that the proposed center's \$60 million price tag was too much. In an act of remarkable governmental compassion, the price tag was reduced to \$56 million. Wow. Thanks.

2. City Watch Burnsville.

The Watchdog has reported on this turd in the past, but this [white elephant](#) is worth another look.

The city fathers in this far South suburb were so self-absorbed and filled with hubris they thought building a performing arts center in a third ring suburb would transform it from a sterile, generic burgh into a flourishing, vibrant destination for the arts and croissant crowd.

Wrong.

A \$20 million coerced investment by the taxpayers has yielded little beyond a canceled George Jones gig and a few performances of Sweeny Todd. Most nights, the center sits empty, doing little beyond sucking up subsidies and spitting out losses for taxpayers to swallow.

Built with public money after private developers fell through (read: got smart), the Center was projected to lose "only" \$266,000 for all of 2009. Through April, it has lost \$277,000 and could lose as much as \$1 million for the year.

The comic relief for this act of the City Watch play was provided by Steve Peters, who heads up the outside management firm running the ill-fated center. "I think things are going well," he said after a recent meeting with the city council. Rumor has it Napoleon said the same thing at Waterloo.

3. City Watch Minneapolis.

If you haven't seen it, the Star Tribune offers a nifty web site called "[information center](#)." The site offers databases with a variety of raw data that many Watchdogs will find interesting. One of the features is a public employee salary database showing selected governmental jurisdictions, including Minneapolis.

The Watchdog has selected Minneapolis because three of Minnesota's biggest local government aid (LGA) whiners hail from that city, namely Speaker of the House Margaret Kelliher, Senate Majority Leader Larry Pogemiller, and Mayor RT Rybak.

Even though the data is from 2007, it offers an insight into what our humble public servants are paid.

A review of the information available shows that 57 city employees are paid more than \$100,000 per year.

The city has 38 employees in the "civil rights" office.
22 work in "public affairs."
A whopping 150 in "city planning."

Combined with a gold-plated retirement package and other Cadillac benefits, it's easy to see why government is running out of money.

It is truly amazing to watch certain sectors of the economy collapse under the weight of increasingly unsustainable labor costs.

First it was the airlines. Then it was the auto industry. It appears government is next, although the difference is that government can tap the taxpayers for an infusion of cash at any time. Come to think of it, the auto industry can do that as well, thanks to the White House.

4. Summer camp is a right, not a privilege.

The Dog has come across yet another article that proves that Minnesota has a spending problem, not a revenue problem.

The Star Tribune ran an [article](#) this week about a little noticed tax credit offered by the state that allows low income people to get a tax credit for sending their kids to summer camp.

How comforting to know we're teaching another generation to expect government to take care of everything. A tax credit for summer camp?

The article featured a single mother who is using the credit to send her kids to language camp and a music camp. While those experiences may be worthwhile for her kids, since when is it acceptable for government to take taxpayer money by threat of force and turn it over to people who demand that government give them a subsidy for band camp.

Perhaps the governor will unallot the Band Camp Credit.

July 3, 2009

Friday Public Policy Commentary

In This Issue:

- 1. Minnesota's Business Climate - Guest Column.**
- 2. BS economics, BS media Bias.**
- 3. A brand new tax!**

Editor's Note: Happy 4th of July Watchdogs! Take a moment this weekend to ask yourself what you are doing to preserve and defend the rights and liberties our brave Founders fought for.

1. Minnesota's Business Climate - Guest Column.

[Twin Cities North Chamber of Commerce](#) President Tim Roche has written the following column regarding economic recovery in Minnesota. The Minnesota Watchdog is pleased to print his column as we encourage watchdogs across the county to submit their thoughts. Those that make the grade will be featured in our weekly update.

It's especially refreshing to see a chamber of commerce actually taking a stand in favor of business. Over the past weeks, the Watchdog has shown how many chambers are captured by a large number of public and non-profit members who have a vested interest in higher taxes and more government spending.

REVIVE AN ECONOMY... THE ANSWER LIES WITH THE PRIVATE SECTOR

The best road to economic recovery strengthens and grows private business. The private sector, guided by the discipline of the market system, will always be the most efficient way to create the right number of productive jobs providing the products and services the economy demands. "There is no choice" states Pat Whelan, Owner of PJW Automotive; "Private sector businesses need to find a way to be profitable each and every year. There is no other funding or millions of dollars to fall back on."

There is a great debate taking place over the airwaves and around the water coolers in Minnesota about how best to create jobs and stimulate the economy. The \$700 billion federal stimulus package is having little effect on job creation. Unemployment continues to increase and the economy continues to struggle.

So, can the government revitalize the economy by creating more public sector employment? Or will the private sector be the economic engine that turns this recession around?

When the government hires a person to dig a hole, and then hires another person to fill it in, two jobs have been created. While two public-sector employees are happy, the

economic problem is that the money to pay them is taken out of the private economy through taxes and fees.

According to the Minnesota Department of Employment and Economic Development, Minnesota's largest employer is the state of Minnesota with over 75,000 employees. The average weekly salary of these state workers is \$1,044 compared to the \$885 average weekly salary of private sector employees. The state pays for these jobs with tax money the private sector would have reinvested to grow jobs and develop new products.

Unlike the public sector, the private sector creates jobs that provide products and services people want to buy. The success of the private sector is its ability to adapt and react quickly to current situations. "Businesses need to stay nimble," Marnie Ochs-Raleigh of Evolve Systems said. "If one focus is not doing so well, we are able to shift our attention to a greater need in the market place, and continue to generate revenue."

Some businesses will lose, while other businesses will win - in good times and bad. Economists found strong cleansing effects in the marketplace during the last two U.S. recessions, 1990 and 2001. This constructive destruction process has contributed to productivity growth in the United States that is higher than the rest of the world.

The Twin Cities North Chamber of Commerce is dedicated to the growth of private business in the north metro. With over 400 member businesses in Mounds View and the surrounding area, we advocate for economic development and the opportunity to create jobs that pay great wages and offer competitive benefits to area residents.

2. BS economics, BS media Bias.

An [article](#) in the Pioneer Press this week just about takes the cake for media bias and ineptitude.

The headline blared that the DFL tax increase budget would have cost fewer jobs than Governor Pawlenty's keep-a-lid-on-taxes budget plan. The article was mainstream media bovine scatology while the economics behind the testimony are bovine scatology as well.

State economist Tom Stinson testified that Pawlenty's plan would result in upwards of 4,700 job losses while a \$1 billion DFL tax increase would have resulted in only 1,000 job losses.

Geez, where do you start on this Bride of Frankenstein?

First, the comparison conducted by Stinson was not a direct comparison. He compared a \$1 billion DFL tax increase to a \$2.7 billion spending reduction by Pawlenty. Why didn't Stinson compare a \$2.7 billion tax increase to a \$2.7 billion spending reduction?

Second, the method Stinson didn't capture and quantify one of the most damaging aspects of any tax increase. While the tax itself is damaging to job creation, it is also damaging, perhaps more so, to the state's reputation and the message it sends to the marketplace. How does an economist quantify the jobs that never came to Minnesota because of the fear of high taxes? How does an economist quantify the reputation Minnesota has regarding its business climate merely because of ATTEMPTED tax increases?

Third, after reading through a few paragraphs, the important facts begin to emerge. Namely, that only 500 of the jobs projected to be lost under the Pawlenty plan are private sector jobs. You know, the ones that create wealth and all. So Pawlenty's plan will therefore shrink the government worker ranks between 2,800 to 4,200? GOOD. Government saves money when it doesn't have to pay salary, vacation, health, and retirement benefits to these workers.

The guest column above pointed out the difference between government jobs and private sector jobs. Government jobs don't create wealth; they merely take money out of the private economy and re-circulate it. And don't try to snow the Dog with claims that government workers pay taxes and help the economy. Wrong. Again, government money only takes money out of private hands and re-spends it.

And before you shed a tear for all the belt-tightening the government is undertaking, remember that the losses under Pawlenty's plan are quite small and represent a minute fraction of the state's total workforce and even a very small percentage of Minnesota's government employee workforce. Even with T-Paw's "draconian" cuts, government workers will still be far better off than their private sector counter-parts.

Rev up that chainsaw, guv! You owe us after the whole "health impact fee" thing.

3. A brand new tax!

This is what DFL rule gets us. This week, the sales tax went up once again, this time to fund bike trails, zoos, and art projects. In the worst economy since the Great Depression, at a time when taxpayers are being squeezed and core governmental programs are being scaled back, we have a tax increase to fund bike trails and monkeys.

You recall that sales tax increase voters passed into the constitution last November, don't you? If not, you'll be reminded every time you pay the sales tax.

The new sales tax will allow government to spend hundreds of millions on some very questionable projects, including \$9,000,000 for public television and \$6.75 million for "cultural resources" like the Preston Grain Elevator.

Check out more debacles [here](#).

July 10, 2009

Friday Public Policy Commentary

In This Issue:

1. **Micro Control Hosts Gubernatorial Candidate.**
2. **And the Sign Said "Expensive!"**
3. **Green Busses Belch Money.**
4. **Bachmann Gets It.**
5. **Economic Update**

Micro Control Hosts Gubernatorial Candidate.

Micro Control Company, a premier manufacturer of high-tech computer test equipment this week hosted state Representative [Marty Seifert \(R-Marshall\)](#) as he announced his bid for Minnesota governor. Micro Control just happens to be owned by Harold Hamilton, who just happens to be the Minnesota Watchdog. Over the years, Micro Control has proudly hosted elected officials and candidates from both parties in an effort to demonstrate the importance of creating a positive business climate in Minnesota. For some guests, like Rep. Seifert and President Bush, the message was well received. For some, like Senator Don Betzold, the message was less well received. Any other candidates or elected officials who want a personal tour of the facility from the Watchdog CEO are welcome. Harold Hamilton is always available to spread the gospel of free market economics. In fact, he welcomes the sinners of capitalism even more than the saints!

In other gubernatorial news, it was revealed this week that state Representative Laura Brod (R - New Prague) is experiencing an undisclosed [health issue](#) that has caused her to suspend her exploratory campaign for the time being. The Watchdog wishes Rep. Brod well as she deals with this issue.

And the Sign Said "Expensive!"

The Metropolitan Airports Commission decided this week to blow \$2.2 million on [signs](#) helping people figure out the difference between the Humphrey and Lindbergh terminals at the Minneapolis-Saint Paul International Airport (MSP). The fix will result in the terminals being labeled as "terminal 1" and "terminal 2." If some dolts can't figure out the difference between "Humphrey" and "Lindbergh," how can they tell the difference between "terminal 1" and "terminal 2?"

It's all the more galling that these were built for the tiny fraction of travelers who experienced this problem of cognitive deficiency. It is estimated that about 25,000 travelers out of 32,000,000 end up in the wrong terminal at MSP. So we blow \$2.2 million to help the minute fraction who won't be helped anyway. Where else do we see that? Our public schools?

Green Busses Belch Money.

The liberal media jumped with joy this week when it was announced that the met Council had received [\\$50 million](#) in federal "stimulus" money (financed by our Chinese sugar daddies) for all manner of transit purchases, including hybrid busses.

Here's the dirty little secret on hybrid busses - they're outrageously expensive. In fact, they cost so much more than conventional busses that the savings realized through less gasoline use will never equal the higher cost of the hybrid bus, especially with gas prices so low.

Bachmann gets it.

An [analysis](#) by the University of Minnesota has shown that Rep. Michelle Bachmann is the one of the least supportive members of Congress of the Obama agenda. Good for her. Kudos to Michele Bachmann for opposing massive governmental intrusion into our lives. In fact, only one member of Congress is less supportive. Rep. Jeff Flake of Arizona takes the title. This means that Bachmann opposed the Obama agenda even more than GOP Minority Leader John Boehner (R-OH). Sweet.

Economic Update.

The state released its July economic update this afternoon. The update shows that the state estimates it will take in \$150 million less than what was forecast in February. The shortfall stems from worse than expected income tax revenues. Income tax revenues are down \$232 million (3.2%) from the February forecast.

Some of that difference was made up by increases over forecast in other areas, including the corporate income tax.

Most Minnesota businesses do not file taxes under the corporate tax structure but rather under the individual income tax. The large shortfall in the individual income tax stems in part from the beating small businesses are taking in this economy. And the DFL proposed a tax increase on these people. Remember, you can't be "pro job" and anti-job creator.

July 17, 2009

Friday Public Policy Commentary

In This Issue:

In This Issue:

- 1. Community Center Update: The Dog was Right!**
- 2. Bonding Hall of Shame.**
- 3. City Watch: Red Wing.**

Community Center Update: The Dog was Right!

The good news is that the Dog is your trusted and accurate source for everything happening in Minnesota. The bad news is that we are always right, even on the bad news.

Such is the case with the Coon Rapids Community Center. Just last week, the Dog warned Anoka County taxpayers that the city was moving forward on the community center at a much faster pace than what has been represented. The Dog warned that the recent approval of funds for pre-design work by no means meant that the project was only in its infancy.

This week, we have incontrovertible proof that things are indeed moving forward.

In a Watchdog exclusive, we can report that the city is pursuing a \$10 million bonding request from the state towards the building of the community center. In other words, it's full steam ahead on the community center.

In a detailed three-page narrative, the city goes into great detail explaining the mega-project. For example, the city calls the project one of "regional" significance. As if people will hike down from Big Lake for aerobics.

The narrative also notes an association with the adjacent Anoka Ramsey Community College, noting that the community center has been incorporated into the college's long-term land use plan.

In addition to a swimming pool and ice arena, the community center will also serve as a "cultural center" for new residents. Yes, folks moving coming in from Blaine will certainly need to be assimilated into the Coon Rapids culture.

Another laugher is the narrative's assertion that the community center is a "critical component" of an effort to economically revive the region. The narrative focuses heavily on the "regional" component in an effort to secure state dollars. State bonding dollars are not used to fund strictly local projects. Hence, the asinine arguments that a swimming pool and ice arena complex is of regional importance.

Want one more laugh? The narrative argues that Coon Rapids Boulevard is a critical transportation corridor. Heck, it isn't even as vital to Coon Rapids itself as the Highway 10 corridor.

Watchdogs, we called this one. The city is far ahead in pushing for this project. If you don't want to end up saddled with higher property taxes for this white elephant, you better get active!

Read the narrative [here](#).

On a related note, an observant Watchdog sent an email noting that Coon Rapids City Manager Matt Fulton used to be with New Brighton, a city that has long experience with a money-losing community center. Moreover, Fulton was involved with the Disastrous Northwest Quadrant development project, which is second only to Ramsey's Town Center project in terms of the biggest boondoggle.

Bonding Hall of Shame.

In addition to the Coon Rapids community center, a number of local units of Minnesota government submitted requests for bonding projects for upcoming legislative session that will kick off in February. It is important to remember two things about these bonding projects. First, bonding projects are financed by debt that must be paid back with interest. In other words, these are things that will be put on the state's credit card to be repaid by not only ourselves, but our children and grandchildren. Second, this continues to be a very difficult economy, with high unemployment and prospect of a jobless recovery (whenever that happens).

So what have our elected officials chosen as priorities during these tough times? Here's a partial list:

Bemidji: walking trail bridge (\$1,000,000)
Big Lake: ice arena (\$1,000,000)
Carlton County: community "services" center (\$4,800,000)
Chisholm: recreation center (\$350,000)
Dassel-Cokato School District (\$1,261,000)
Dodge County: walking trail (\$2,704,000)
Duluth: children's museum (\$2,750,000)
Eveleth: Hampton Inn improvements (\$650,000)
Fergus Falls: community arena (\$4,300,000)
Granite Falls: walking bridge (\$512,000)
Hennepin County: African American Cultural Center (\$840,000)
International Falls: heritage center (\$5,672,000)
Inver Grove Heights: Heritage Village Park: (\$1,313,000)
Mankato: Civic Center expansion: (\$13,900,000)
Marshall: regional sports center: (\$4,000,000)
Minneapolis: Orchestra Hall (\$22,000,000)
Minneapolis: Target Center improvements (\$4,000,000)

Duluth Tourist Train (\$13,000,000)
Mountain Iron: Arrowhead Athletic Complex: (\$5,580,000)
Nashwauk: community building (\$500,000)
New Hope: ice arena: (\$712,000)
Ramsey County: winter recreation area (\$1,500,000)
Rochester: civic center expansion: (\$34,000,000)
Sargeant: community center (\$100,000)
St. Cloud: civic center expansion: (\$15,100,000)
St. Paul: Ordway expansion (\$17,500,000)
St. Paul: Asian Pacific Cultural Center (\$9,750,000)
St. Paul: Saints ballpark (\$25,000,000)
Two Harbors: campground expansion (\$2,000,000)

And that's just a sampling. For shame.
Read more [here](#).

City Watch: Red Wing.

The Watchdog is fully committed to calling out cities that whine and complain over state aid cuts while approving bloated budgets.

The City of Red Wing is deserving of special opprobrium for their chicken little [alarmism](#) that aid cuts will hamper the city's ability to respond to a nuclear incident at Prairie Island.

Let's take a look at the city's [budget](#) and see what kind of basic needs the city is funding:

Swimming pool: \$340,000
Flower baskets: \$40,000
Golf course: \$204,850
Community communications: \$411,685

If the core governmental obligation of public safety is lacking, here's nearly \$1 million available to cover the gap.

Red Wing should also be singled out as a city that even has a [web page](#) devoted to bitching about aid cuts.

Grow up, Red Wing.

July 24, 2009

Friday Public Policy Commentary

In This Issue:

1. **Commentary from Harold Hamilton.**
2. **MnSCU chief acknowledges bad economy.**
3. **High taxes are indeed a problem.**
4. **Bonding low lights.**

Commentary from Harold Hamilton.

By Harold E. Hamilton

We're in the worst recession since the great depression. Yet, according to the Economist Magazine, none of our PHD economists predicted the financial melt down which hit us last fall. Even the Noble Laureates in economics got it wrong. The simulations they've spent years perfecting just didn't work. So, back to the drawing board.

If the best and brightest economists can't get it right, what chance do we mere mortals have of planning our financial futures? And, plan we must. We can't put our lives on hold.

So far, most of us have survived the recession, although we may have lost a substantial part of our retirement savings and as a result may have to work longer before retirement. However, many lost their jobs and substantial numbers of businesses are now bankrupt and our federal government is in a sea of red ink.

The real question is, How do we plan for the future?

Most of the economists project that the recession will end by the end of '09. However, no one really knows. We do know that in our 200 year history all recessions have eventually ended. Here are some observations that should help us determine the most probable course of the next year.

Watch the stock market. Year to date, the market has done rather well. This would seem to predict better times in the next year. Watch corporate profits. Again, the results are positive. How are our major world trading partners doing? The results are mixed. China is doing better. Japan and Europe are struggling.

A more difficult prediction is the outlook in three to five years. The huge deficits of the Obama administration will cause problems in these out years. Expect higher inflation. Gold may be a good investment. Passage of the cap and trade legislation and universal health care will cause major problems for the economy in a few years.

How about media predictions? Since most of the media knows little about economics, you can dismiss their predictions. If our best economists can't get it right, the media has no chance.

MnSCU chief acknowledges bad economy.

Minnesota has two public university systems - the university of Minnesota system and the Minnesota State Colleges and Universities (MnSCU). The head of the MnSCU system, Chancellor James McCormick this week received a [\\$32,500 bonus](#) for his work over the past year. This bonus is in addition to his base salary of \$360,000.

Now before you go thinking that it was a greedy move for a public servant to take a \$32,500 bonus on top of \$360,000, remember that the Chancellor is a man who is well aware of the tough economic times faced by the taxpayers who fund his salary.

You see, the \$392,500 haul isn't what he could have taken. Recognizing the economic crisis, the MnSCU Board of Directors knocked down the salary bonus from \$50,000. So there you go. A public servant leads the way by taking less of a bonus than he could have. Just like all the taxpayers.

And we wonder where the money went.

High taxes indeed a problem.

For all the Minnesotans who think that government shouldn't have to tighten its belt and live with a 4% cut to general fund spending, feel free to take a look across the pond at Merry Old England to see what happens when taxes are jacked up to "pay for a better England" and support the bevy of welfare state services so many would like to here in Minnesota.

To help pay for the welfare Leviathan in England, that country has decided to raise the top income [tax rate to 50%](#) in the age-old stratagem to force job creators and the successful to "pay their fair share."

Pay attention folks, this is the economics lesson right here: when capital is punished and confiscated, it flees. Just as capital has fled Minnesota to other jurisdictions like South Dakota and Texas.

London's Centre for Economics and Business Research has predicted the following will happen should the 50% rate remain in place for any lengthy period of time:

- 25,000 business executives will leave the country, taking their intellectual capital and talents with them;
- 140,000 jobs will be lost;
- Nearly \$500 million in tax revenues will be lost as jobs are lost and business flees;
- London's GDP is expected to drop 3%.

Folks, government can't spend wealth that isn't first created in the private sector. High tax rates ultimately impede wealth creation by driving wealth away, the precise opposite of what government wants.

If a society is ultimately to be prosperous, tax rates must be reasonable and not punitive.

Bonding Low Lights.

Last week, the Dog highlighted some of the worst of what local units of government want to fund with the state's credit card. This week, we take a look at what state agencies want:

- National Volleyball Center (\$5,000,000) for additions like bio-cushioned wood floors, jump training stations, and a public address system.
- Northwest Regional Sports Center (\$4,000,000). If Moorehead wants soccer and rugby fields, go ahead and build it.
- Red Lake Schools (\$25,000,000). There is no state-wide or regional interest here. Like every other school district, this is a local matter and should be funded locally.
- Met Council (\$25,000,000) for a bus garage. That's a pretty sweet bus shack.
- Met Council (\$10,500,000) for parks. Isn't that what the sales tax increase we voted on last November is for?
- MN Historical Society (\$10,000,000) for the Oliver Kelly Farm. Really? In these tough times?
- Dept. of Natural Resources (DNR) (\$17,000,000) to introduce people to outdoors recreation.
- DNR (\$5,000,000) for local recreation grants.
- DNR (\$5,000,000) for a government-owned seed production facility.
- Office of Enterprise Technology (\$214,000,000) for a state data center building. The number alone is offensive.
- Perpich Center for the Arts (\$1,700,000) for various projects. This is a taxpayer-funded prep school which gives an elite education to a select few.
- U of M (\$6,700,000) for an American Indian Learning Center. Let's get beyond group identity politics, please.
- MN Zoo (\$33,000,000) for a "master plan" and new exhibits. Please.

Your tax dollars at work.

August 3, 2009

Public Policy Commentary

In This Issue:

**The Saga Continues.
DFL Email Fiasco.
Franken Melts Down.
They're Baaaaaaaack...**

The Saga Continues

Written by Harold Hamilton

What was the most important event of last week? The event that reveals the most about our attitudes and our various cultural differences?

Was it the encounter between Professor Gates and Sergeant Crowley of the Cambridge Police Department? While this did consume the most attention by the media, it was not the most revealing. The most revealing was President Obama's characterization of the Cambridge Police Department as acting stupidly. This tells us the President's attitude about our police. This only confirms how President Obama feels about our country. He is not proud of America and has said as much during his foreign visits. It also confirms that the President is the nation's know-it-all. He has to wade in even when he admits that he doesn't have all the facts. Are there any issues he isn't willing to comment on?

Most of us learned at an early age that mouthing off to the police is not a good idea. Is it surprising that being uncooperative with the police can end you up in handcuffs? Most of us learned at a tender age that the police should be treated with respect as they are often putting their lives on the line.

I recently attended a retreat put on by the Economics Department of George Mason University. During a Q & A session, I asked one of the professors, "What is President Obama's motivation?" His response, "To do what he thinks is best for this country." I actually asked the wrong question. I should have asked, "What does the President believe is best for our country?" The answer is obvious based on his first six months in office. The President believes that the country should be steered toward socialism. Equality of outcome is the goal and we need bigger government to accomplish this. Income redistribution is a must to accomplish this goal.

Obviously, huge government expenditures are required to meet the goal. This results in large deficits and a huge debt. Even the Chinese are having doubts about our credit worthiness.

Vice-President Biden came up with one of his famous quotes. "We have to go spend money to keep from going bankrupt." Could any comment be more ridiculous?

Huge spending has been President Obama's recipe for ending the recession. This is classic Keynesian economics. It was prescribed by John Maynard Keynes, a famous British economist, for ending the depression in the thirties. One problem - it didn't work. The depression only ended with the advent of World War II and it's never proven to work since. So why does the federal government continue to try it? It makes politicians feel good because it gives them a reason to spend lots of money on their pet projects.

The proven method for stimulating the economy is to cut taxes and spending. It worked in the sixties for President Kennedy and has worked several times since. High taxes are pure poison for business, especially during a recession.

The Heritage Foundation perhaps puts it best. "Importantly, economic growth is not the consequence of government policies or of some master economic plan. It results from millions of people individually seeking what is in their own interests by providing what is in the interests of others, and the collective consequence of their actions is to increase the number of jobs in the economy, the wages earned by workers, and the income and wealth of the nation."

DFL Email Fiasco

The Minnesota DFL, in it's hyper-partisan quest to attack Governor Pawlenty, [screwed up](#) big time this week further reinforcing the notion that the folks who control the legislature and the majority of other state and federal elective offices don't know what they 're doing.

After Pawlenty gave an address to the Republican National Committee in San Diego, the DFL unleashed what was supposed to be a fairly typical attack. Instead, the DFL's Ready! Fire! Aim! approach turned into a circular firing squad.

The attack press release featured a link that was supposed direct readers to economic data. Instead, readers were directed to a You Tube video featuring an elderly Chinese woman learning English by repeating profanities which, of course, she didn't realize were profanities. Talk about celebrating diversity!

In typical DFL fashion, no one at DFL headquarters took responsibility. Instead, an "outside" vendor was blamed.

It looks like the DFL failed to heed their own advice on this one. Aren't they the ones who claim that outsourcing leads to problems? Indeed!

Franken Melts Down.

That didn't take long. Just days after assuming office, Al Franken introduced Washington to the "Angry Al" we Minnesotans have been exposed to for the last 18 months or however long it's been since Al got an address back in the state he abandoned so he could run for office.

Minnesota's junior senator this week [got snippy](#) with financier T. Boone Pickens after a Washington luncheon for Democrats at which Pickens spoke about America's wind energy future.

Franken, being the class act that he is, got in Pickens' face afterwards over the 2004 "Swift Boat" ads which were run against John Kerry when Kerry ran for president. Pickens helped finance the ads, which were credited with helping to defeat Kerry (never mind that the candidate himself had much to do with that).

Get over it, Al. That election is ancient history. How about focusing on Minnesota and what's happening today? Moreover, Pickens has been instrumental in bringing wind energy generation to the fore. In fact, the state has been working closely with Pickens regarding economic development projects which would bring hundreds of high paying wind energy jobs to the Southwest Minnesota. Whether or not wind energy has a future, bringing private money to Minnesota to create private-sector jobs is always a good thing. Way to help, Al.

Is it 2014 yet?

Al Franken. A clown for all seasons.

They're Baaaaaaaack...

NO, we're not joking. The Minnesota Vikings are [at it again](#), pushing for a MASSIVE taxpayer subsidy for a new stadium while state government drowns in a sea of red ink induced by both the recession and years of explosive spending growth.

It's stunning, comical, and sad to read and hear the bizarre Alice in Wonderland double-speak coming from the team and their co-conspirators regarding the desperate need for a new stadium to boost Mr. Wilf's personal wealth.

On the one hand, it's all about the Vikings. It's all about the outdated dome and the desire of the team to have a facility that will enhance "revenue streams."

On the other hand, it isn't about the Vikings or even about football. It's about a year-round facility that can host events ranging from monster truck rallies to basketball tournaments to quilting bees and Star Trek conventions.

And the price for a new monster truck, er, football palace? Nearly a cool billion. Yes, BILLION. But also keep in mind that Mr. Wilf isn't without compassion for the beleaguered taxpayer. He has magnanimously offered to kick in \$250 million, leaving government (meaning you) to find a way to kick in only about \$700 million. What a bargain when you consider the 16 Sundays you can spend watching a mediocre team finish 8-8 or 7-9 and miss the playoffs.

But politicians of all stripes detect that directing \$700 million into a football stadium during these times may be more than the public is willing to stomach. Republican and

DFL officials from the Governor to the newest freshman legislator have all backed away from Wilf's proposal. For politicians, the Vikings stadium plan is about as popular as the Swine Flu. Plus, next year all 201 legislators and the governor's office are on the ballot. Not too many folks want to stand for election or re-election after having supported one of the biggest corporate welfare programs in state history.

On top of all that, there is speculation that perhaps a winning season would help the team's stadium chances. Really? T-Jack and Sage. That's all we need to say.

Good luck, Zygi. You'll need it both on and off the field.

August 10, 2009

Public Policy Commentary

In This Issue:

- 1. Off the rails;**
- 2. An economic clunker;**
- 3. Free speech.**

1. Off the rails.

The Obama Administration is in love with trains. This 19th Century technology is expensive and slow, even if "high speed" rail is taken into account.

With \$8 billion in "stimulus" pork available, states are scrambling for a chunk of the slop.

Here's an update on some of the Minnesota projects as reported by Watchdogs who have seen the data:

Chicago to Twin Cities

This is one of the "high speed" rail applications.

At a whopping projected cost of **\$1,860,000,000** (in 2006 dollars), the price tag is eye-popping to say the least.

So what kind of bullet train will we get for our billions? A trip from the Twin Cities to Chicago is expected to take 5 and ½ hours.

By comparison, a flight from the Twin Cities to Chicago takes about 1 hour. The cost? Some flights are as low as \$49 each way.

Depending upon your style, driving to Chicago takes about 7 hours and you get to leave when you want, stop when you want, and basically control your trip. The cost? A tank of gas.

Billions to save 90 minutes of drive time? A trip that's five times longer than air travel? A boondoggle in the making.

Twin Cities to Duluth

This passenger line was dumped by Amtrak in the 1980s because it was so inefficient.

Projected to cost \$520 million (in 2006 dollars), this is another "high speed" rail proposal.

A "high speed" trip on the train will take 2 hours.

The 150-mile trip to Duluth from Minneapolis can be done in just over two hours in a car anyway, given the freeway access available on Interstate 35.

And once again, car travel is less expensive and far more convenient.

If you're really pressed for time, you can fly to Duluth in about 45 minutes at a cost of \$338 dollars.

For a \$520 investment, a select few tourists can get to Duluth in 2 hours.

Commuter rail from Big Lake to Saint Cloud

This is the now-infamous "phase II" portion of Northstar commuter rail. This portion of the line was dumped by the federal government years ago because it did not meet the required cost-benefit analysis.

Nothing has changed, except that many boosters are hoping the feds dumb down the cost-benefit metrics to make this white elephant look attractive.

The cost to ride from a faceless suburb to a medium-sized regional city? A cool \$160 million.

Watchdogs should also remember that all the promised federal aid for these projects consists almost exclusively of capital asset help. In other words, the feds help build the thing, and then leave the states and local governments to fund the massive and ongoing operating subsidies required, which could easily run into the millions each and every year. Just where will those monies come from? More than likely, road and bridge funds will be raided.

2. An economic clunker.

If any issue speaks to American ignorance of basic economics, it's the ridiculous "cash for clunkers" program.

First, it doesn't help the economy because it doesn't create wealth. It's the equivalent of government using tax dollars to pay one man to dig a hole and another man to fill it. If government really created wealth, we would have zero unemployment with these billions being spent. Moreover, the staggering \$3 billion to pay for the program is financed with debt. America is broke and Obama is melting the credit card.

Second, the program is doing little more than accelerating demand that would have happened anyway. The downside will be that once the subsidy ends, demand on the backside will plummet.

Third, this program is encouraging the destruction of private assets. While older cars may have marginal value, they have value nonetheless that is being destroyed when these cars are junked, despite some value retained by recycling the cars. Why not have

a "cash for couches" program and have people burn their old couch? How about a "cash for bras" program?

Fourth, the law of unintended consequences is at work. Many charities that take old cars and repair them for less fortunate people are reporting that donations are down because people are turning in the old cars for a fat subsidy.

Finally, some may argue that the newer more fuel efficient cars replacing the clunkers help the environment. Please. The lobbyists watered down the mileage spread between the old and new cars so much that the benefit is marginal at best.

A true fraud.

3. Free speech.

Our Constitution pursuant to the First Amendment declares that Congress shall make no law abridging the right of the People to petition their government for a redress of grievances.

Nancy Pelosi and company would be well served to give the Constitution a quick scan these days.

Pelosi and company apparently don't like the fact that thousands of concerned citizens have shown up to town hall meetings with their congressional representatives to voice their concern regarding government-run health care. These concerned citizens have spoiled the dog-and-pony show she concocted for the August recess to fool us into believing the federal government could turn health care lead into gold by lowering costs, boosting quality and increasing access without rationing, mandates, and a lower standard of care for most Americans.

Americans remember that the vice of capitalism is the unequal sharing of the blessings while the virtue of socialism is the equal sharing of the misery. So it goes with nationalized, government-run health care.

While the Watchdog doesn't condone violence, we wholeheartedly support the right of taxpayers to voice their concerns whether Congress likes it or not. These political elites forget that our nation was founded by concerned patriots who were mad as hell at government. It is no understatement to say that political free speech gave birth to America and we aren't going to cede that precious right to Nancy Pelosi and President Obama.

Speaking of political elites who don't like citizens who speak up, we received a lot of feedback from last week's piece on Dan Erhart and his criticism of the Watchdog. In particular, people were angry that Erhart said the Watchdog should run for office if we want change. Well, the Watchdog believes that change comes from the outside. We believe that humble citizens acting together are the best change agents.

The essence of both the Anoka County Watchdog and the Minnesota Watchdog is to give voice to the silent majority of taxpayers who, while they don't hold office or belong to the elites, nonetheless have a fundamental right as citizens to hold their elected officials accountable. Commissioner Erhart, the day the Watchdog stops honoring this principle is the day we pack it in. We believe in government by the people, of the people, for the people.

We will continue to hold Commissioner Erhart, and all elected officials, accountable for their actions as our representatives.

August 17, 2009

Public Policy Commentary

In This Issue:

- 1. Obama's Credibility;**
- 2. Pawlenty's Report Card;**
- 3. Deadbeats.**

OBAMA'S CREDIBILITY - By Harold Hamilton

As one who runs a manufacturing company, it's obvious that credibility with the customers is important. When we tell them something it had better be the truth or we destroy our credibility. So, it is surprising that President Obama doesn't seem to realize that not telling the truth destroys his credibility. Here are a few of his recent falsehoods:

- We have AARP on board for our health care plan. Not true according to AARP.
- With our plan, you can keep your healthcare plan and your doctor. This is true if you or your employer doesn't change plans. If you change plans, you'll be on the public plan (government healthcare).
- I am not a single payer supporter. This contradicts candidate Obama's website from last year.

Unfortunately, by failing to tell the truth, President Obama destroys his credibility. Is it any surprise that people at the town hall meetings are furious and his poll numbers are plummeting?

PAWLENTY'S REPORT CARD

After getting faked out of their collective jocks last legislative session, DFLers have demonstrated a particular hatred towards Governor Pawlenty. Pawlenty's success, talents, and leadership stand in stark contrast to the talent offered by the DFL leadership under House Speaker Margaret Kelliher and Senator Larry Pogemiller. After being exposed as empty suits, these two in particular have led the liberal charge in spewing invective towards Pawlenty. The mainstream media is only too willing to provide a platform for charges that Pawlenty has ruined the state's economy and quality of life by mishandling the ship of state and in particular failing to raise the "revenues" that feed an ever-growing Leviathan of state spending.

So what the real story? Do the facts support the DFL and the media? Let's take a look. The DFL frequently offers a shrill chorus of criticism against Pawlenty's budget practices, noting that he opposes tax increases but wants to spend money anyway by borrowing, a practice that is jeopardizing the state's future.

Sorry, Larry and Marge, but the organizations that rate government budget practices don't agree. In fact, Minnesota just received a clean bill of health from these three and retained stellar ratings with respect to the state's credit standing.

Moody's, Fitch, as well as Standard and Poor all gave Minnesota excellent debt ratings. In fact, these ratings were nearly perfect. Standard and Poor gave Minnesota the highest possible rating, "AAA." Fitch did the same. Moody's rated Minnesota just one notch below perfect at "Aa1."

The state's excellent budget practices were praised by Fitch, which said, "Minnesota's 'AAA' GO rating reflects the state's excellent debt structure, broad-based economy with above-average wealth levels, and track record of management that is sensitive to changes in the state's fiscal environment, with regular reviews of revenue forecasts."

That these excellent ratings were kept during the worst economic downturn since the Great Depression is nothing short of amazing. Many states have suffered massive downgrades of the creditworthiness during this timeframe, including some that have seen their debt instruments downgraded to "junk" status. The same goes for a large number of private sector organizations as well.

How about jobs? At the start, it must be recognized that presidents and governors receive far too much credit and blame for the economy. While these chief executives certainly craft policies that influence economic prosperity, every job created or lost on their watch isn't attributable directly to their stewardship.

But if Pawlenty is going to be blamed by the DFL for job losses, he certainly should get credit from them for job creation as well.

In a Watchdog exclusive, we can report that Minnesota will be receiving some very welcome news on the jobs front this week. Because the information has not yet been released to the public, we will refrain from revealing details. Just make sure to watch the news on Thursday.

In fact, Minnesota is at or near the top of numerous statistical categories.

- First in overall quality of life
- First in Fortune 500 companies per capita
- First in home ownership
- First in percentage of residents with a high school diploma
- Out of the top 10 in taxes (which happened under Pawlenty's watch)
- First in percentage of residents with a college education

Despite all the doom and gloom fostered by the DFL and their now infamous "misery tour" last winter, Minnesota is in pretty good shape compared with our 49 counterparts. It's high time the DFL stop badmouthing Minnesota in the name of attacking a governor they hate.

Minnesota has done well under Pawlenty's watch, despite the fact that he has had to deal with a DFL majority that seems fixated on the past and obsolete economic policies that were last popular in the 1970s.

Let's see the mainstream media start calling the DFL on these facts. And it's time for the DFL to stop with the PR gimmicks like their bogus "leadership summit." Talk is cheap.

DEADBEATS

We now have proof positive that DFLers are extremely generous with money - as long as it's someone else's money. The Star Tribune [reported](#) last week that many DFL elected officials owe the Party thousands and thousands in unpaid "dues" that are assessed to help keep the Party that helped elect them financially strong.

These dues, which may be paid from campaign contributions, have been slow in coming.

Senator Amy Klobuchar owes \$40,000.

Rep. Keith Ellison owes \$35,000.

Senator Al Franken owes \$25,000.

Perhaps Ellison's campaign needs the money to pay parking tickets.

While the Watchdog wouldn't shed a tear if the fund went bankrupt, this story is a classic illustration of the fiscal conservatism practiced by liberals when it comes to their money,

August 24, 2009

Public Policy Commentary

In This Issue:

- 1. The Dittrich Record.**
 - 2. Jobs Report.**
 - 3. What is \$1,800,000,000,000?**
 - 4. Brett Favre - stadium pitch man.**
 - 5. Stossel cuts to the Chase.**
- Farewell Mark Brunswick.**

THE DITTRICH RECORD

It appears that [state Representative Denise Dittrich](#) (DFL - Champlin) is just a little sensitive to charges that she is a tax-and-spend DFLer.

In this week's letters to the editor (LTE) in the Anoka County Union, Dittrich writes a rather [lengthy missive](#) defending her tax vote record in response to a previous LTE written by one of her constituents.

In the August 7th edition of the Anoka County Union, a Dittrich constituent wrote a letter to the editor in which he argued that Rep. Dittrich supported too many tax increases. (Editor's Note: to see this letter, visit the link above and scroll down.)

What makes Dittrich's response so interesting is that she notes the rationale for her response is "the need to respond to misrepresentations in the (previous) letter." However, Dittrich's letter never tells the reader what the perceived misrepresentations are and thus never responds directly to those perceived misrepresentations.

The exchange raises an interesting question regarding Dittrich's voting record. After all, she is a DFLer representing a Republican-leaning district. For example, in 2008, the district went for John McCain, Norm Coleman, and Erik Paulsen. In 2006, the district supported Pawlenty for governor as well.

So is Rep. Dittrich a moderate DFLer who does a good job representing her Republican-leaning constituents or is she a tax-and-spender masquerading as a moderate?

As always, the Dog examines these issues by consulting the Taxpayer's League of Minnesota (TLM) legislative scorecard, the gold standard of fiscal conservatism.

Dittrich was first elected in 2004, making 2005 her first year in the Minnesota House.

2005

In her first session, Dittrich garnered a respectable (for a Democrat) 42% rating from the League. However, she voted for a tax increases on tobacco, gasoline, and Minnesota-based corporations.

2006

In the final year of her first term, Dittrich again posted a decent score, earning a 44% approval rating, for a 43% average for the term.

That session, she supported more garden variety big government by, among other things, rejecting a bill that would have required Northstar rail riders to cover the full cost of operating the line as well supporting dedicating a portion of the sales tax to bike trails and the arts.

2007

After being re-elected, it seems Dittrich felt a bit more liberated with respect to tax votes. That year, her TLM score plunged dramatically to a mere 8% approval. Dittrich that year voted to raise income taxes as well as voting for a basket of tax increases to support mass transit. She also voted to repeal welfare reforms and increase welfare spending.

2008

This year wasn't much better for Dittrich constituents concerned about higher taxes and bigger government. That year, she improved her score from the previous year by one whole percentage point, earning a pathetic approval rating of 9%. For the term, Dittrich scored an 8.5% approval rating.

That year, she voted for the \$6.6 billion transportation tax increase and the infamous veto override of that bill. She also voted a regional cap and trade bill that would raise energy taxes on every family. It's too bad that Minnesota's support of a regional cap and tax bill never received the scrutiny that the national bill has been receiving.

2009

Unfortunately, Dittrich's precipitous drop in taxpayer friendliness continued into the 2009 session. This past session, she boosted her approval rating, but only to 13%.

During the worst economy since the Great Depression, Dittrich joined the DFL majority in voting for massive tax increases and also voted in favor of veto override of those same tax increases. While Dittrich did vote against one tax increase bill, she voted for another one and also for a veto override of that bill.

Perhaps Dittrich could write another LTE explaining why she thought a \$1 billion tax increase, including a tax increase on small businesses, was a good idea. Just why exactly is it a good idea to increase taxes on small businesses, especially when the unemployment rate is so high? Are these businesses under taxed? Does increasing their tax burden somehow encourage job growth in her mind? Is it that Dittrich believes state government shouldn't bear the "burden" of living on 96% of previous revenues? The Watchdog would be happy to post Rep. Dittrich's response.

In the final analysis, the Dittrich tax record is a tale of two extremes. On the one hand, she had a respectable freshman term. On the other, she has gone downhill fast ever since. While only Dittrich knows the reasons, the Watchdog fears the latter voting record represents the true Rep. Dittrich. After voting carefully as a freshman in the minority, she seems to have felt liberated after being re-elected and now finding herself in the majority. We well remember a similar pattern with former Rep. Kathy Tingelstad. In any case, Dittrich's record of the past three years is not the record of a moderate legislator.

You can view TLM scorecards [here](#) (click the "scorecards" drop menu at the top of the page).

The Watchdog will also be tracking the claims of other legislators and comparing their words to the record.

JOBS REPORT

Last week, the Dog scooped the mainstream media and reported that the state was in for a good dose of economic news, although we refrained from revealing details per the request of our Capitol sources.

This week, the [details](#) of the Dog's story were revealed. In July, Minnesota added 10,300 jobs across a broad range of economic sectors. The state's jobless rate now stands at 8.1%, well below the national average of 9.4%. In a disturbing trend, government, which doesn't create wealth, added 2,800 bureaucrats. For the year, government in Minnesota has added 6,000 bureaucrats.

Another encouraging bit of information is that 95% of employers surveyed have no plans to reduce their payrolls for the remainder of the year.

While this report doesn't mean the end of the recession, it is another positive indicator that we may be pulling out the economic tailspin.

Again, it's time for the DFL to stop with doom and gloom. The recipe for economic health is for them to offer a real plan to reduce state spending and create incentives for private sector employers to expand and locate here. Without private wealth to underpin government spending, the DFL will be hard pressed to produce on all the goodies they promise government unions.

WHAT IS \$1,800,000,000,000?

The current federal deficit is projected to be \$1.8 trillion. It is sobering indeed to remember that the ENTIRE federal budget in 2000 was less than \$1.8 trillion. In other words, our federal deficit has ballooned to swallow what the entire budget was just 9 years ago. Can you imagine a household where the debt grew that fast relative to income? President Obama is clearly in over his head and not up to the job of President of the United States.

BRETT FAVRE - STADIUM PITCH MAN.

The Vikings still don't get it. Spending \$700 million in taxpayer funds to subsidize a private, for-profit business is a tricky political proposition under the best of circumstances. It's downright foolish, however, to do it in this kind of economy.

Then again, the Vikings have a reputation for a lack of political sophistication, especially for such a well-funded operation populated with all sorts of smart, talented employees.

A Watchdog source passed along to us this week the latest update from Minnesota Momentum, a Vikings' sponsored "Astroturf" web site that's supposed to fool us into thinking that it is really a grass roots organization of regular folks who support giving Zygi a fat subsidy.

The lead item in the latest email newsletter read:

Favre Signing Spurs Fan Support

With a sudden reversal of field, the Vikings signed Quarterback Brett Favre yesterday. The signing has generated a media storm and a wave of fan support for the Vikings.

In addition to strong ticket and merchandise sales, the signing has spurred support for the Vikings' stadium development effort. Minnesota Momentum members, like you, will continue to play a crucial role in the long term future of the team. We will need your active support going forward.

Funny, the Watchdog has yet to read of one elected official in this state agreeing with that assertion. In fact, the public statements have gone the other way.

Moreover, there are media reports that the Favre signing may not have been as dramatic as was portrayed by the team. Some speculate that Favre and Vikings had an agreement worked out all along. Both parties cooked up the "sudden reversal" scenario so Favre didn't have to attend the full training camp while the team could generate a storm of media hype over the signing. If this is proven true, it would damage the team's credibility while they try to hornswaggle the legislature into funding a new stadium.

STOSSEL CUTS TO THE CHASE

While the health care reform debate can cause even the most avid policy wonk or political junkie to fall asleep under an avalanche of acronyms and numbers, every American is rightly concerned about what health care reform might mean to them. If you don't read anything else about health care reform as proposed by Barak Obama, read this one item from John Stossel:

Medical care doesn't grow on trees. It must be produced by human and physical capital, and those resources are limited. Therefore, if demand for health care services increases -- which is Obama's point in extending health insurance -- prices must go up.

Bingo!

FAREWELL MARK BRUNSWICK

Star Tribune Capitol reporter Mark Brunswick is leaving his Capitol beat to return to headquarters in Minneapolis to assume a new beat covering military affairs. Brunswick was always a straight shooter and an honest broker of political news. The Watchdog is sorry to see Brunswick leave his post. Good luck in your new assignment!

August 31, 2009

Public Policy Commentary

In This Issue:

- 1. Worse than \$9,000,000,000,000?**
- 2. A glimpse of universal health care.**
- 3. High speed rail is a loser.**
- 4. Americans want less government.**
- 5. Smoking bandemonium.**
- 6. Harold Hamilton is your hook-up.**

1. Worse than \$9,000,000,000,000.

The White House and the Congressional Budget Office (CBO) admitted this week that the projected federal deficit over the next 10 years will be \$9,000,000,000,000, an amount greater than all previous deficits combined in the history of the United States of America.

This amount will also add to the national debt, the amount of money the federal government owes our creditors, including the Chinese. Standing at \$7.4 trillion today, the national debt is predicted to reach a staggering \$17.5 trillion by 2019 - an amount equal to 68% of the nation's entire economic output.

Do you find these numbers staggering? Have you finally started to fear for the future of your children and grandchildren? Sorry, folks, it's worse than that. The \$9 trillion number used by the White House makes some absolutely laughable assumptions that UNDERESTIMATE the true projected deficit.

The [Wall Street Journal](#) this week laid out the assumptions that the White House used and exposed the foolishness.

First, it is assumed that Congress will limit federal spending increases to no more than the amount of inflation over the next 10 years. Remember that Congress in 2009 jacked up domestic discretionary by 47% in 2009 alone.

Second, the estimates assume that Congress will cut programs like Head Start and food stamps by 1/3 or more after the stimulus expires. The CBO numbers actually assume overall federal spending will FALL between 2009-2012. Yeah, right.

Third, the CBO assumes all the Bush tax cuts will expire, increasing the federal tax take.

Fourth, the CBO also assumes that 28 million Americans will pay the Alternative Minimum Tax (ATM), something Congress has rightfully fixed each year on an ongoing basis.

Moreover, the Obama administration has offered proposals that hinder, rather than encourage, economic growth. Cap and trade, employer tax increases to cover health care mandates, and capital gains tax increases will all act as a drag on growth.

According to the Journal, more realistic assumptions add another \$1,300,000,000,000 to the deficit projection.

Have you had enough?

2. A glimpse of universal health care.

Some supporters of Obama Care make no secret of their desire to see a government-run single payer health care system. With a "public option" involved, that desire would very likely become reality. So what could we expect to see with such a health care system here in America? We could start by taking a look at one single-payer system run by federal government already - the health care we give our soldiers.

Take the case of [Walter Reed Medical Center](#), the crown jewel of the military's medical system. The Washington Post exposed the deplorable condition in which many wounded soldiers were living. Rodent feces, cockroaches, rampant mold, and unresponsive employees have been just some of the obstacles soldiers have faced as they recover from grievous wounds.

It's not just Walter Reed, either. Veterans have been exposed to HIV, hepatitis, and botched radiation treatment at VA hospitals across the country. Veterans groups have [declared](#) that the entire system is in shambles. If our soldiers face these problems, why do we think it would be any different for us?

Things aren't much better in other places where government run health care is the norm. In England, some 4,000 women this year were forced to give birth in hallways, elevators, and bathrooms because the country's vaunted health care system didn't have enough beds. Universal care leads to health care rationing. It's the law of economics plain and simple. You can't jack up demand of a product or service without that product or service becoming less available. And when that commodity is available to all, the way to address the difference between supply and demand is to ration.

The simple fact is that government doesn't do anything well. The same folk who run FEMA, the IRS, and the Post Office will now run our health care in the same way they ran cash for clunkers. Do you really trust them with your health?

3. High speed rail is a loser.

Congress has appropriated \$8 billion of the "stimulus" money for trains (\$13 billion total), thereby handing out artificial incentives for states to adopt yesteryear's mode of transportation. Never mind that our roads and bridges are crumbling and we're facing a national debt we'll never be able to repay.

Robert Samuelson this week penned a very insightful [column](#) on this subject that was featured in our Morning Blotter report.

To begin, if high speed rail was such a great idea, private investors would be lining up to put their capital at risk in the formation of a rail network.

Samuelson begins by taking stock of Amtrak's results since 1971. Since that time, the taxpayers have spent over \$35 billion with no measurable reduction in American foreign oil consumption, greenhouse gas emissions, or traffic congestion. In a nation of 140 million commuters, Amtrak moves just 78,000.

Some economists estimate the system proposed by the Obama administration would cost \$125 billion to build.

What greenhouse gas reduction? While Vice President Biden brags that the proposed rail network would take 1 million cars off the roads, this number is equivalent to less than one-half of one percent of all cars registered in the US, Samuelson notes.

Samuelson then finishes by restating what anyone who pays any attention to life already knows. Namely, that rail makes more sense in Europe and Asia because they have much higher population densities and shorter average trips.

But hey, when you're blowing America's future with reckless spending, what's \$13 billion or \$125 billion?

4. Americans want less government.

A new Rasmussen Poll finds that 62% of Americans prefer tax cuts over more government spending. Here's what Rasmussen had to say:

Sixty-two percent (62%) of Americans say it's always better to cut [taxes](#) than increase government spending because taxpayers, not bureaucrats, are the best judges of how to spend their own money.

A new Rasmussen Reports national telephone survey finds that just 20% of adults disagree, and 18% are not sure.

The new findings mark a nine-point increase in support for [taxpayers as the best judges of spending since January](#).

But then Americans by a two-to-one [margin](#) - 50% to 25% - believe that a dollar of tax cuts is always better than a dollar of public spending. One-in-four-Americans (25%), however, aren't sure.

Similarly, just 25% say public spending provides much more bang for the buck than tax cuts when it comes to economic policy and creating jobs. Fifty percent (50%) disagree

that public spending is better for the economy than tax cuts. But again 26% are undecided.

5. Smoking Bandemonium.

Our brave troops deployed to Iraq and Afghanistan are constantly exposed to enemy fire, hidden explosives, snipers, and a hostile population. They put their lives on the line in defense of our country. And the thanks they get? A possible [smoking ban](#) imposed by the Obama Administration.

That this proposal has even been floated is just plain crazy. Smoking, while admittedly not healthy, is a stress outlet for troops who face the dangers described above.

How ironic that we face a potential situation where Americans (at least for now) can enjoy a smoke while the soldiers who protect them can't.

Want to have a healthy soldier, Mr. President? Give them good training stateside, good equipment in the field, and the right kind of support when they get home. A cigarette is far less dangerous than enemy fire. Did we really have to say that? Isn't it obvious?

6. Harold Hamilton is your hook-up.

Watchdogs, you know Harold Hamilton has your back - literally. In addition to his tireless work to hold government accountable on your behalf, he's also your man during these tough economic times for some quality Watchdog swag. Our simple yet stylish t-shirts tell Minnesota that you stand for accountable, limited government. As always, the shirt is free. Harold is indeed the kind of guy who will give you the shirt off his back.

Visit www.theminnesotawatchdog.com and order yours today!

September 8, 2009

Public Policy Commentary

In This Issue:

Was Kathy Tingelstad paid off?

Hiring by Anoka County raises questions, concerns.

Minnesota's political scene blew up this week when it was announced that former state Representative [Kathy Tingelstad](#) was hired as an employee lobbyist for Anoka County. Taxpayer's League of Minnesota Phil Krinkie wrote a [column](#) suggesting the hire was payback for Tingelstad's vote to override Governor Pawlenty's veto of a \$6.6 billion transportation tax increase. The charge drew an immediate [counter-column](#) from Anoka County Commissioner Dennis Berg. The Anoka County Union also weighed in with a lengthy [article](#). The controversy even drew [remarks](#) from MN2020, Matt Entenza's liberal blog (which also serves as a rest home for laid off Star Tribune reporters).

As usual, the mainstream media and even our counterparts in the blogosphere have missed the point and done a poor job in examining this issue. As usual, the Watchdog has been far out in front of this issue and will use today's column to lay out the facts and provide a framework for you to decide whether or not there was any impropriety regarding her hiring by the County.

NO DIRECT EVIDENCE

At the outset, it must be admitted that there is no direct evidence, no "smoking gun" to prove that the Tingelstad hire was a quid pro quo payback in exchange for Tingelstad's votes as a legislator. But that's not the end of the story. Because there may not be any direct evidence known at this time, it is still possible to examine the circumstantial evidence to see if there is a preponderance of evidence to suggest that her hire was, at the minimum, a reward for carrying the county's water at the Capitol.

COUNTY SHILL

That Tingelstad frequently did the County's bidding as a state legislator cannot be denied. In fact, Tingelstad played a central role in two high-profile issues strongly supported by the County: Northstar commuter rail and tax increases for transportation.

Tingelstad was Northstar rail's biggest cheerleader in the Minnesota House, where she served as the chief author of the Northstar legislation. In her role as chief author, Tingelstad chose to side with Anoka County against the political party that helped her get and stay elected. The Minnesota GOP at every level from the state on down to her own local party unit adopted a formal position against Northstar rail. Tingelstad ignored their pleas and pushed for commuter rail until she was ultimately successful.

Of course, Tingelstad's legislative career will forever be defined by the role she played in 2008 in passing a transportation tax bill that raised taxes by billions. Tingelstad will long be remembered as one of the "override six," the six GOP House members who voted to override the governor's veto of the bill.

Anoka County had strongly lobbied for transportation tax increases. Watchdogs will remember that the legislature unsuccessfully attempted to override a veto of transportation tax increases in 2007, one year prior to the infamous and successful 2008 override vote. In 2007, Anoka County Commissioner Dan Erhart was allowed to roam the floor of the Minnesota House to personally lobby Anoka County legislators to override the governor when the override vote was under consideration in the waning moments of that session.

In sum, we know that Tingelstad took enormous political risks to help out Anoka County at the legislature. In fact, her vote to override the governor made it doubtful she would have received the GOP endorsement for re-election and contributed to her decision not to seek re-election.

OUT OF POLITICS, IN NEED OF MONEY

In late March of 2008, shortly after the override vote, Tingelstad announced she would not seek re-election. According to an article in the [Anoka County Union](#), Tingelstad chose not to run again because she was in need of a better paying job. Tingelstad was quoted as saying, "My focus for the next several years will be on paying college tuition costs for my sons," she said in her statement. "After 12 years in the Minnesota House of Representatives, my responsibility toward my sons' education means that the modest legislative salary prevents me from contributing to our family's financial well-being."

We know that in March of 2008, Tingelstad publicly announced that she was looking for work and was in need of money to cover college tuition costs.

POLITICS ENDS, COUNTY EMPLOYMENT QUIETLY BEGINS

Tingelstad's final term as a state legislator ended in early January of 2009 and her job search presumably began in earnest.

Through County sources, the Watchdog learned in mid-March of that year that Tingelstad had been hired by the County to work in their Public Health Department. To the Dog's knowledge, no other media outlet reported this news and the Watchdog once again scooped the Minnesota media establishment with our March 20 [email update](#).

This hire was curious to say the least and raised a number of questions. First, the County never publicized the hire like they did for her hiring as a county lobbyist. A search of the County press release archives reveals no press release announcing the hire.

Second, there is nothing in Tingelstad's resume that would suggest she was an ideal candidate to hold a high-ranking position in the Public Health Department. She has no formal education, training, or professional experience in the field to speak of.

Was this job opening posted to the general public or was this another closed-door hire like the lobbyist position?

Moreover, sources within the County told an interesting story regarding the hire. Sources told the Watchdog that the County knew at this time that County lobbyist Lona Schreiber would retire that summer. According to these sources, some members of the County Board wanted to hire Tingelstad at that time as a lobbyist but ultimately held off because they didn't want to be seen hiring another employee lobbyist during a severe economic downturn while they were also publicly complaining about state aid cuts.

The sources went on to note that they were surprised when Tingelstad surfaced in the Public Health Department.

We know from this sequence that Tingelstad was hired by the County within weeks of her departure from the legislature and put in a high profile job that didn't appear to suit her skill set very well. We also know that the County did not publicize that hiring like they have for the lobbying job Tingelstad will assume.

Moreover, reliable sources told the Watchdog as far back as March that the County sought to hire Tingelstad as a lobbyist.

Given what we know and the timing of the lobbying hire, it appears that the Public Health job was little more than a soft landing for Tingelstad until the lobbying job formally opened and the County could her into the job.

NO POSTING, NO TRANSPARENCY

The news that Tingelstad has been hired as an employee lobbyist touched off a public difference of opinion among County Board members.

Commissioners Rhonda Sivarajah and Robyn West both voted against the hire and decried the [lack of transparency](#) in the County's hiring process.

While both stated that they felt Tingelstad qualified, they were disappointed that the County did not publicly post the job opening and give other candidates an opportunity to be considered. Moreover, West remarked that she was not consulted regarding the hire and instead was simply told of the hire.

With unemployment at a high-water mark, why wouldn't the County post this job and cast a wide applicant net? One would think that given the inevitable controversy surrounding the hiring of Tingelstad, the County would have at least posted the job and gone through the pretence of a job search process to deflect the very charges they're

fighting today. Was it arrogance? Incompetence? Both? In any case, this is yet another example of a ham-handed effort by the Good Ol' Boys.

QUESTIONS RAISED

What we know of Kathy Tingelstad's employment with Anoka County raises troubling questions that must be answered if the County and Tingelstad wish to dispel what is certainly a dark cloud hanging over their collective heads. While we may never know why the County hired Tingelstad or if there was indeed a quid pro quo deal, there is nonetheless the appearance that Tingelstad enjoyed certain privileges with respect to her employment relationship with the County that were unavailable to average citizens who may have been interested in either job.

First, Tingelstad was hired by the County within weeks of leaving the legislature.

Second, Tingelstad was hired into a position in the Public Health Department for which she was less than an ideal candidate. Why?

Third, the hiring of a former veteran legislator should have generated publicity on the part of the County. The County kept the hiring quiet for this job but not for the lobbying hire. Why?

Fourth, the lobbying job for which she was hired was never publicly posted to allow other applicants to express interest and be interviewed. Apparently, neither was the Public Health job. Why was she hired into two jobs for which she was not subjected to competition?

The Watchdog calls upon Kathy Tingelstad to answer, in writing, the following questions:

1. When did you first talk to County officials regarding the possibility of employment with the County's Public Health Department?
2. When did the County formally offer you the position with the Public Health Department?
3. When did you accept that position? What was your official date of hire?
4. When did you begin conversations with the County regarding a lobbyist position?
5. When was a formal offer of employment for the lobbying position offered?
6. When did you accept the offer?
7. Was the Public Health position merely a temporary position for you until the lobbying position formally opened? What discussions did you have with the County in this

regard? Were you hired as a permanent, full-time employee in this position? If not, what was the nature of your employment status in this position?

8. Did you ever discuss with County officials exchanging your vote for either employment or the possibility of employment?

9. Did County officials ever promise, explicitly or implicitly, that voting a particular way would result in County employment or the possibility of employment?

10. Did you ever vote a particular way in order to gain employment or other private benefit from the County?

Until these questions are answered, controversy will continue to swirl, despite the mainstream media's lack of interest and coverage. The County's reputation for arrogance and backroom dealing has been further enforced with this controversy.

Was there a quid pro quo deal? Was this payback of any kind? Or was it a legitimate hire based upon qualifications alone?

You decide.

September 14, 2009

Public Policy Commentary

In This Issue:

- 1. Tingelstad follow up.**
- 2. Who had the real jobs summit?**
- 3. ANOTHER tax increase?**
- 4. One reason we don't have money for roads?**

TINGELSTAD FOLLOW UP

The Watchdog has received wide praise for our summary and chronology of Kathy Tingelstad's employment relationship with Anoka County. As we mentioned, no one in the mainstream media seems to have caught onto the fact that her relationship goes well beyond her current position as an employee lobbyist.

In addition, the media seems to be fixated on the issue of whether or not her vote to override the governor's veto of a \$6.6 billion tax increase will negatively impact her ability to influence Republicans, including Governor Pawlenty.

Many months ago, the Anoka County Watchdog addressed this issue in an email update but the analysis bears repeating, especially in light of what has transpired.

To start, the Watchdog has spoken with a number of Republicans and other political observers at the Capitol regarding Tingelstad's perceived effectiveness.

Admittedly, Republicans at the Capitol are not a monolithic group who march lockstep on any issue, much less this issue. Some will likely keep an open door to her and many will no doubt refuse to give her the time of day, given her record as a Republican legislator.

One of the mistakes the media make, however, is to examine the relationship through the prism of the override vote alone. The override vote, while important and emotional for Republicans, by itself has not permanently damaged relationships, at least for most Republicans. For example, Rep. Rod Hamilton of Mountain Lake voted in favor of the override but was recently named to a leadership post with the House GOP.

The real issue for many Republicans is Tingelstad's perceived lack of team work and selfishness. The example most often cited comes from a normally nondescript procedural vote from 2005. After the 2004 elections, Republicans held a lunder 68-66 majority in the House. During the 2005 session, a transportation bill to raise the gas tax was on the House floor. House GOP leadership desired a recess to discuss the bill in private and formally moved a motion to recess. Tingelstad was one of only two GOP members to vote against the motion, which failed. That left then Majority Whip Marty Seifert to uncork at 40-minute filibuster speech while Republicans conferred. To

outsiders, this may seem inconsequential but it isn't. An unspoken rule among both DFL and GOP caucuses is that you always support the team on procedural votes. Thus, Tingelstad's vote that day is seen by many Republicans as indicative of her true feelings towards the former colleagues she will now attempt to influence. In other words, Tingelstad crapped on her GOP colleagues with that vote and it is one that will not be soon forgotten, at least for many of those with whom the Watchdog spoke.

On top of that, no one should expect that all is forgotten in the Governor's office either. The override vote was without question a blow to the governor and his staff. Tingelstad has nothing the office needs and she is just another lobbyist trying to wriggle in the door to get something.

Good luck with all that, Kathy.

WHO HAD THE REAL JOBS SUMMIT?

September 8 was a big day for the media. Legislative DFLers and Governor Pawlenty held dueling job summits to discuss how government can facilitate job growth and wealth creation in the state. The Watchdog believes both summits were an excellent indication of what the respective participants believe about the role of government in our lives, particularly our economic lives.

The DFLers held their summit at the seat of government and closed the event to the press, at least until they discovered that the governor's summit was open to the press. Not a single job creator was invited to participate in the DFL-led summit, leading to an echo chamber in which a laundry list of washed-up politicians all shouted for tax increases that held only a fig leaf of bi-partisanship but unanimity of opinion for more government. The fact is that those assembled, whether Republican or Democrat, were all political leaders who, during their reign, supported tax increases and an expansion of the current unaffordable, unsustainable welfare state. Yes, former GOP governors Arne Carlson and Al Quie both supported tax increases and grew government on their watch. Until the Pawlenty administration, the average rate of state government growth in each two-year budget cycle averaged 19%. And we wonder why we're broke.

A bunch of has-been politicians telling each other which taxes ought to be raised isn't a recipe for job growth and prosperity. It's the same moldy, left-over tripe that has slowly bankrupted us for the last 40 years.

Republicans, on the other hand, went to where the jobs are located. Held at Eaton Corporation in Eden Prairie, the GOP summit focused not on politicians but on private-sector job creators. Instead of cooking up ways to push new job-killing tax increases, the governor and GOP leaders asked business leaders what the obstacles were to job creation and how government could remove those obstacles. Good for Pawlenty for attending an event that was more than a press event for politicians to appear to be doing something.

The DFL wants it both ways. They want to be seen as pro-job but they're political patrons support policies that are inherently anti-job growth. You can't be pro-job but anti-job creator. It works as well as being anti-chicken but pro-egg.

ANOTHER TAX INCREASE?

Speaking of more DFL solutions to problems, state Senator [Jim Carlson](#) of Eagan this week came out in favor of yet another tax increase for transportation. Carlson called for an increase in the [gasoline tax](#). Apparently, the \$6.6 billion transportation tax increase from 2008 isn't enough for him. Let's also not forget the constitutional amendment that was passed in 2006 to dedicate the motor vehicle sales tax (MVST) to transit and roads.

These politicians are just junkies. If they can get just one more tax fix, they'll be okay. We were told the MVST would fix the problem. We were told the veto override to implement the transportation tax would fix things. Now here we are a short time removed from this madness and there's another call for yet another transportation tax increase. By the way, these transportation tax increases are all regressive, hitting the poor especially hard.

Is it 2010 yet?

ONE REASON WE DON'T HAVE MONEY FOR ROADS?

One reason we may need money for roads is the expensive and often-ignored cost of paying for operating subsidies for light and commuter rail. Both modes of transportation require significant subsidies from taxpayers, often at the expense of other modes of transportation.

And even though Northstar commuter rail has yet to move a single passenger, a controversy has arisen over the operating subsidies.

According a Capitol source, some rural legislators are starting to question whether or not Northstar is draining funds away from the Greater Minnesota Transit Account, a funding source used to pay for things like bus service outside the Metro area.

Under the Northstar rail operating agreement, local units of government, which operate as the Northstar Corridor Development Authority (NCDA), are required to pay 50% of the operating subsidies for the train. The Metropolitan Council has agreed to pay for the local share for those local governments in the Metro area. One county, Sherburne, is outside the Metro. Sherburne County's 8% share of the operating subsidy will be paid out of the Greater MN Transit Account noted above. Hence, some legislators want to know the connection, if any, between cuts to their local bus service and the Sherburne County subsidy. Sources tell the Watchdog that the subsidy for Sherburne is about \$1 million.

While we can't say at this time if Northstar is draining money away from rural Minnesota bus service, we do know that these rail lines require massive subsidies year after year. In any case, these subsidy costs compete with other transportation needs for

government money. The lesson is that we need to think long and hard about the long-term costs of these rail lines and stop the short-term pursuit of federal dollars to build the lines. Thinking about paying to build the line but not about the future operating costs is foolish indeed.

September 21, 2009

Public Policy Commentary

In This Issue:

- 1. Classroom cuts craziness.**
- 2. Bonus boner.**

CLASSROOM CUTS CRAZINESS

The Pioneer Press this week featured an [article](#) explaining all the cuts that were taking place in our schools allegedly because of a lack of "revenues" (AKA tax increases). Further, the article displayed the increasing lack of professionalism in journalism today by showing a table of terminated positions in certain school districts.

The table displayed doesn't answer key questions. First, are the positions cut classroom teachers or other positions like diversity counselors? Second, what percentage of the district's workforce has been cut? Is it a lot or a little? Nice job, guys.

According to Education Minnesota union president Tom Doohar, it's all a matter of getting more money, as if that equals a better education.

Perhaps the problem is that labor costs are out of control, much like the problem faced in other legacy industries like airlines and auto manufacturers.

Most of the costs of running a school district tied up in pay for employees. There are surprisingly few capital costs involved. Because districts often pony large salary and benefit increases to teachers, there is little left over to hire more. In other words, if districts practiced some discipline, there would be more money available to hire more teachers and keep class sizes under control. Then again, there's nothing to get parents to support a tax increase like the threat of putting their kid in a class with 35 other kids. It makes for a great visual, which the Pioneer Press was more than happy to provide for this article.

So, when your district complains of necessary cuts, surprise them by asking the tough questions about labor costs.

First, ask when the teachers in the district last took a pay freeze. You might also want to get bold and ask when they last took a pay cut. Recessions have hit Minnesota in 2007-2009, after the September 11th attacks, in the 1990s, and certainly during the early 1980s. During those times, many private-sector employees took pay cuts or had pay frozen. Odds are your teachers didn't.

Second, and this is the important part, make sure your district is talking about ALL teacher pay. Districts and teacher unions love to talk about only a portion of teacher salary and here's where you need to be an informed taxpayer.

There are three different areas that comprise teacher pay: cost of living, steps, and lane changes. Make sure you ask about increases or decreases in all three.

The cost of living increase (also called "COLA") seeks to keep teacher pay consistent with inflationary increases in the economy. Teachers are awarded COLAs across the board regardless of seniority or other measures. The COLA is area that teachers and media usually talk about. For example, if the COLA increase is 1%, teacher unions and the media will often report that teachers took a 1% raise.

But that's not the whole story.

Teachers also get "step" increases to their salary. Teachers are paid on an old Soviet style pay grid where teachers move up and across the grid, receiving pay increases for each step across and up the grid. The COLA boosts the entire grid while teachers either passively or actively move across and up the grid. COLAs usually run anywhere from 1-4 % each year.

The passive action up the grid is called a step increase. It is a passive action because a teacher need only avoid getting fired from her job each year to earn a step increase. The increase is given each year a teacher avoids getting fired. Critics of this type of pay call it "seat time" because the pay raise is given for no other reason than the teacher has hung around the district for a year. Teachers to reach the top of the grid in about 10 years (depending upon the district) and therefore are no longer eligible for a step increase. However, lest you weep for a teacher at the top of the grid, a lump sum payment is usually negotiated each year for teachers at the top. Sometimes, an additional "longevity step" is also negotiated into the package.

This form of pay is in no way based on merit. As mentioned, all that is needed is to hang around for a year without being canned. With tenure, that's an easy hurdle to clear.

Step increases usually average 3-5% in pay.

The active action a teacher can take to boost pay is called a "lane" change, the movement laterally across the pay grid. Lanes are defined by the level of education a teacher has amassed, thus requiring active participation by the teacher to obtain a higher of level of education. Lanes usually start with a bachelor's degree and move through the master's degree level and then college credits obtained beyond a master's degree.

There is scant scientific data to demonstrate a link between teacher quality and the level of education. While a basic level of training is no doubt needed, it has not been proven

that a teacher with a master's degree is inherently more effective than one with a bachelor's degree.

Most teachers do move across lanes to a certain extent, but it is not required.

Lane changes usually average 3-5%.

So when your district talks about teacher salary, make sure you ask what the district is paying for 1) COLAs; 2) step increases; and 3) lane changes. While some districts may settle on for no COLA, they almost always continue to grant step and lane increases.

As you can see, if all three forms of pay boosted, a teacher could be looking at a double digit salary increase in one year.

Another area of compensation to examine is health insurance benefits. Districts tend to offer extremely generous packages that are unavailable to many taxpayers. For example, many districts pick up 100% of premium payments for the teacher while also paying a huge chunk of the premium for dependents. Co-pays and deductibles also tend to be generous. Make sure you ask your district about not only these payments, but also how much these costs have risen and how much of the increase the employer will be picking up as opposed to the employee.

Some districts will mask the true cost of a teacher contract settlement by agreeing to rather modest salary increases but huge concessions in the area of health care benefits. Remember to ask your district for the cost of the ENTIRE teacher contract settlement, not just the salary costs.

Finally, ask your district about pension payments and liabilities. Most teachers in Minnesota are in a state administered retirement program but the district pays into the fund. Ask your district about pension contributions and also ask them how healthy the retirement program (called TRA) is with respect to future projected liabilities. Many public employee pensions have projected deficits. Readers will recall that Minneapolis teachers used to have their pension program that was folded into the state system because it was nearly bankrupt.

In sum, if you take the time to ask the right questions and examine your district's pay policies in detail, you will see that one of the reasons that districts frequently struggle to balance budgets is because they agree to contract settlements they really can't afford, much like Detroit's management did for years until the day of reckoning arrived this year.

It's even worse for school districts because most school board members were elected with the help of the local teachers' union. The same union that shows up on the other side of the bargaining table soon after. Under those circumstances, it's easy to see why the contracts get so fat. The school board is often in a conflict of interest because the

fiduciary obligation to represent the taxpayers is in conflict with debt owed by the school board member to the union who helped in a successful election.

BONUES BONER

It looks like Minnesota's college and university system (MnSCU) doesn't have a money problem. This week, the Star Tribune [reported](#) that the MnSCU Board kicked out \$287,500 in bonuses to its highest paid employees, including Chancellor Jim McCormick, who enjoys a base salary of \$360,000.

Shelling out bonuses in this kind of economy while students struggle with tuition increases is not only bad policy, it's dumb politics. MnSCU receives a good chunk of aid from the state. Look for the DFL to take a hard look at these bonuses next legislative session.

The public employee unions who support the DFL are outraged by these bonuses. And for once, the Watchdog agrees.

September 28, 2009

Public Policy Commentary

In This Issue:

- 1. LGA Lunacy.**
- 2. Minnesota Isn't Broken; it's Only Broke.**
- 3. Blog Roll Call.**
- 4. Peak Oil is a Myth.**

LGA LUNACY

Here we go again. A special interest group called the [Coalition of Greater Minnesota Cities](#) has unveiled an ad attempting to blame Governor Pawlenty for property tax increases. Of course, the real blame belongs with the city councils themselves - folks who often seem incapable of taking any responsibility.

The Coalition unveiled the "blame Pawlenty" campaign this week with an angry and hysterical press conference that opened with the mayor Wadena (where's that?) declaring that "Minnesotans have had it. We are standing here today because our citizens are demanding answers." Yeah, the answer they want is regarding why their councils are out of control.

First, let's remember what LGA is. Local government aid (LGA) is essentially welfare for cities. It's a formula-based state subsidy given to many cities that comes in a no-strings attached format. It's free money to be spent as cities see fit. Some cities receive little LGA while some have 50% or more of the operating budgets filled by LGA. Like many government programs, LGA started small and grew larger. The original intent was to help cities that had a small tax base that made the provision of basic services like police and fire difficult. Over the years, the program flew out of control and now funds non-essential functions like flower beds in front of city hall (yes, one mayor actually admitted this!).

Yes, LGA is out of control. Moreover, if a city is so poor that it can't provide essential services, it doesn't need LGA. Instead, it needs to un-incorporate and turn those functions over to the county. Where is it written that a city has a right to exist? Where is it written that the 800-plus cities in Minnesota can never change?

Second, as Governor Pawlenty pointed out on his radio show Friday, the cities that have been complaining the loudest have been using LGA cuts as a smokescreen to deflect criticism away from their runaway tax-and-spend policies. Yes, there have been cuts to LGA in recent times. However, many cities have raised taxes far beyond what was needed merely to cover the shortfall. For example, one city has raised its property taxes by 70% in recent times while the LGA loss was 20%. What is going on with the other 50%? It's extra spending!

Also, let's remember what the Coalition of Greater Minnesota Cities stands for. It's a super-sized special interest group that is paid with taxpayer funds in form of dues paid by member cities.

From 2003-2008, the coalition spend nearly [\\$4 million](#) lobbying the legislature - the most of any local government or local government lobbying association. In fact, lobbying expenditures by local units of Minnesota government have doubled in the past 10 years to a whopping [\\$8.5 million in 2008](#). In fact, the increase from 2007 to 2008 was 9.1%. Even in a time of severe economic distress local government found a way to jack up lobbying expenses by nearly double digits. That's \$8.5 million of your money!

In short, this campaign is nothing more than a special interest propaganda campaign designed to cover the butts of local officials who can't control their own budgets. If these cities are looking to save money, they can start by firing their lobbyists!

MINNESOTA ISN'T BROKEN, IT'S ONLY BROKE

Another aspect of the "blame Pawlenty" campaign is to claim that the Governor's refusal to jack up taxes has somehow caused the state to circle the drain and become a "cold (insert name of maligned southern state here)". In fact, ultra-wealthy DFL gubernatorial candidate Matt Entenza's slogan is "making Minnesota work again."

Of course, this doom and gloom attitude ignores the fact that there is no such thing as a perfect world, even under Democrat rule (see Washington under Obama, for example).

But the claim also ignores the simple reality that things in Minnesota, despite the economy, are doing quite well.

Two examples were brought to the fore recently. First, it was reported a couple of weeks ago that Minnesota is experiencing our lowest [crime rate](#) in 40, yes 40, years. This is especially noteworthy because crime tends to trend upwards during times of economic distress.

Since Pawlenty took office, crime in Minnesota has fallen nearly 12 percent.

Second, former Missouri governor Matt Blunt authored a column in the Wall Street Journal in which he bragged up efforts to reign in junk lawsuits under his watch in Missouri. He was especially proud that the Show Me state had risen to 31st in the U.S. Chamber of Commerce's annual lawsuit rankings.

The better news is that Minnesota was ranked 11th in the same [survey](#).

So what's up with the DFL pessimism? Is it that they can't see that Minnesota isn't falling into the ocean? Or is it that they can't bring themselves to ever give Tim Pawlenty an iota of credit? We think the latter.

BLOG ROLL CALL

Another taxpayer watchdog group has contacted the Watchdog looking for a plug. The [Saint Anthony Village Watchdog](#) is out there looking out for the best interests of taxpayers in that area. Check them out and get involved! According to the group the Saint Anthony schools have been a focus of the group of late. This group looks like they have their act together with good facts and research.

PEAK OIL IS A MYTH

It wasn't that long ago that gasoline was hovering around \$4 a gallon and the petroleum chicken littles were crying that the sky was falling with respect to oil. This mentality was embodied in "peak oil" theory. This theory posits that the world has essentially found all the oil we ever will and thus we will experience a decline, even a precipitous one, in oil output. This theory in many respects is a little cousin to the climate change mania. Both featured the idea that humans are fouling the world in an irreparable way and we all need to adopt radical lifestyle changes if catastrophe is to be avoided.

How interesting, then, that 2009 is shaping up to be a blockbuster year with respect to [oil discovery](#). In the first half of this year alone, some 10 billion barrels of new oil have been discovered. These new finds span 5 continents in countries ranging from traditional major oil producers like Iraq and Norway to smaller producers like Israel and Ghana. In fact, a major discovery was made right here in the good old USA in California, which promises to be the [biggest find](#) in California in 35 years.

What the peak oil folks ignore is the effect of price and technology on any commodity, be it oil or any other.

For example, technology does two things for oil. First, it expands known oil reserve by discovering new fields that were previously unknown inaccessible. Second, new technology can extend the life of older fields by enhancing productivity through new recovery techniques or technology to make poorer grades of oil easier to refine, like the old found in the Alberta oil sands. Third, technology will likely reduce the amount of oil we per capita and could even make oil obsolete with some type of breakthrough discovery (more on that in a moment).

Second, price acts as a signal in free markets. When oil prices spiked, it was a signal to the market that more dollars for oil exploration were needed in the market. The extra billions that were allocated to exploration and research and development have begun to pay off.

Of course, lower oil prices and new discoveries shouldn't be an excuse to ignore the need to pursue oil independence or new ways to reduce pollution. While the world will never truly run out of oil, the price may get so high for the remaining amounts that major disruptions of markets and economies could result. It is better for society to be proactive in this regard, especially in a country like America that relies heavily on imported oil.

This has happened in the past. In the 19th Century, whale oil was a widely used commodity. As whales were hunted into lower and lower numbers, whale oil became extremely expensive, eating into the disposable income of families. As the price rose, it became worthwhile for companies to invest in alternatives to whale oil. The result was kerosene, which rendered whale obsolete.

Is there something out there that will make oil as obsolete as whale oil? While we certainly don't know the answer, it is far more likely that technological breakthroughs will emerge long before peak oil becomes something we ought to worry about.

When it comes to the media, scary predictions of doom and gloom always sell better than predictions of safety and security. Don't believe the hype.

October 5, 2009

Public Policy Commentary

In This Issue:

- 1. The Death of Silicon Valley.**
- 2. European Socialism is a Tough Sell.**
- 3. DFL "Idea" Factory.**
- 4. Pulled Poll?**

THE DEATH OF SILICON VALLEY

By Harold Hamilton, President and CEO of Micro Control Company (Fridley, MN)

Micro Control is a manufacturing company found in 1972. During our 37 years of existence, our primary market has been the semiconductor industry. The majority of these companies are located in Silicon Valley. (just south of San Francisco) Lately it's becoming obvious that most of the semiconductor companies in Silicon Valley are moving to Asia. As one of our customers in that area told us last week, "Most of the semiconductor manufacturers in this area will have moved to Asia and will only leave a sales office behind."

During the last 45 years, the semiconductor industry has been a leading edge technology for our country's growth. The new technology ranges from the invention of the transistor (Bell Labs) to the invention of the integrated circuit (Fairchild and Texas Instruments). This has fueled a huge growth in semiconductor manufacturing in our country. Now they're moving out.

What's caused this sorry state of affairs? Governor Engler, the ex-Governor of Michigan, now heads up the National Association of Manufacturers (NAM). He describes it best by pointing out that the United States has the second highest tax rate in the world. In fact, we're only slightly behind Japan. Is it any wonder that Taiwan, Malaysia, Singapore, Korea and China are more competitive than the United States in semiconductor manufacturing? Their educating systems (k through 12) are also superior.

Will the United States people ever wake up and admit that we live in a global market place? The outlook for us doesn't look promising for manufacturing (including semiconductor).

Write your Congressman. Demand lower taxes and less regulation on businesses, including manufacturing.

EUROPEAN SOCIALISM IS A TOUGH SELL

While Barak Obama is embracing abject socialism here at home, socialism is a tough sell in the cradle of socialism.

Despite a bitter economic downturn and corporate scandals galore, Euro-lefties aren't finding a ready market for the nanny state.

Take the recent German elections. Not only was a center-right pro-capitalism coalition victorious, the Social Democratic Party captured just 23%, its worst showing since World War II.

Even France, a true bastion of socialism, has seen a marked turning away from statism. Socialists in France haven't won the presidency since 1988. In 2007, Socialist presidential candidate Segolene Royal was trounced by 6 points by Nicolas Sarkozy.

Italy is another European country where socialism is on the wane, thanks to the popularity of Silvio Berlusconi, an ardent nationalist.

While socialists no doubt still enjoy a measure of popularity across Europe, it appears that socialists have little hope of regaining the popular majority they once enjoyed. It seems that mainstream European political opinion has grown tired of the inevitable high taxes and government bloat that accompanies socialist policies. Of course, that's not to say that big government is on the outs in Europe. Instead, it seems that both the right and the small left movements like the Greens are moving towards a middle ground that adopts welfare state policies but impellents them with a focus on efficiency.

If that's the case, Europe may prove to be more capitalist than America in three years thanks to the crew in charge in Washington.

DFL "Idea" Factory

The announced DFL candidates for governor are tripping over each other to be the first to get to a microphone and call for tax increases. The usual target is ill-defined bogeyman they call "the rich."

The tax increase pitch starts with the claim that Governor Pawlenty and Republicans' "no new taxes" philosophy has starved government of too much revenue, forcing program cuts that go beyond the fat and into bone.

The DFL must be dumb or think we are. Since 2003, there has been a tobacco tax increase (the infamous "health impact fee"), a gas tax increase, two sales tax increases, a sales tax increase in Hennepin County for a stadium, property tax increases everywhere, and a host of other local taxes like the famed "wheelgag" tax. Oh, yeah. How about over \$400 million in fee increases. Since 2003, every budget at every level of government has increased. Where do you think the money comes from? On a positive note, the state fiscal year 2010 budget will actually spend less than FY 2009, a first in modern Minnesota history.

After claiming government hasn't enjoyed a raise, the DFL moves onto arguing that the ill-defined "rich" haven't paid their "fair share." They set up a straw man argument that the "rich" are getting a free or subsidized ride from the middle class and need to pay more in the interest of "fairness."

Is this true? Of course not.

Start with the income tax. Minnesota has a three tier progressive structure, meaning that those in the wealthiest bracket pay a higher rate than the stiffs in the lowest bracket. Those in the lowest bracket experience a tax rate of 5.35% while the folks in the top bracket pay 7.85%.

According to the non-partisan 2009 [Minnesota Tax Incidence Study](#), The wealthiest 10% of Minnesotans paid 56.6 percent of the individual income tax, 29.2 percent of the consumer sales tax, 27.3 percent of the gross homeowner property tax, and 29.2 percent of business taxes. So, the top 10% pay nearly 60% of the income tax and they're not paying their fair share? Moreover, over 90% of Minnesota businesses pay their taxes as personal income taxes, not as corporate taxes (called "pass through"). Thus, when we talk about individual income taxes, were also talking about business taxes - namely small businesses. When the DFL wants to raise the income tax, they're raising taxes on main street businesses, the very folks we count on for job creation. You can't be pro-job and anti-job creator!

Speaking of the corporate tax rate, Minnesota is yet again uncompetitive, with a corporate rate of 9.8%. Pennsylvania is the only state with a higher corporate rate. Even California is lower. The real kicker is that corporate taxes aren't really borne by "big business." Instead, those taxes are passed onto employees in the form of lower wages and benefits, passed onto investors in the form of lower dividends, and passed onto consumers in the form of higher prices.

Moreover, Minnesota levies a punitive state-wide property tax on commercial and industrial (C&I) property. This tax has a higher rate than other types of property subject to the tax, leading to a disparity whereby C&I pays nearly 31% of property taxes despite being only 13% of the market value.

If Minnesota is to compete for jobs, we can't afford politicians who promise to make our state more hostile to job creators.

PULLED POLL?

Last week, the Star Tribune published a [poll](#) that showed a majority of Minnesotans don't want him to run for president. What has created a stir in GOP circles is not what was published in the poll but what wasn't. Many Republicans insiders find it strange that the poll didn't include a head-to-head match up between Pawlenty and Obama, which would seem to be a natural extension of the Pawlenty question. In fact, Watchdog sources claim that the question of a head-to-head match up has been posed to Star Tribune employees who avoid the question. This talk of a pulled poll was

circulating in some circles at last week's GOP state convention. Is it possible that the question was polled but not published? Developing...

October 12, 2009

Public Policy Commentary

In This Issue:

- 1. Star Tribune - Biased Again.**
- 2. How Much is Enough?**
- 3. Public Employment - A Pretty Good Deal.**
- 4. Keeping Track of Obamacare.**

STAR TRIBUNE - BIASED AGAIN

Okay, so is it really news when the Star Tribune demonstrates a bias against conservatives in general and Republican candidates in particular? Not really, but last week's [editorial](#) bashing GOP gubernatorial candidates have taken things to a new level of bias and hypocrisy.

The cake eaters at the crumbling empire on Portland avenue are aghast that the GOP candidates for governor would actually propose that state government live within its means and avoid tax increases. Apparently, a failure to endorse tax increases is a call to move Minnesota "sharply" to right. Of course, this language is always couched in a nostalgic appeal to Minnesota's past and time where Republicans enthusiastically embraced a "me too" approach to DFL tax hikes and ever-expanding government.

The editorial laments, as they always seem to do, that the modern GOP doesn't seem to have room for the deified "moderates" who helped create the unsustainable, unaffordable welfare-state Leviathan that threatens to smother our society and any chance our children have to inherit a government they can actually afford.

What's ironic is that these tone-deaf elites seem to be grossly out of touch with reality. They apparently don't grasp the fact that we're in the grips of a nasty recession that has put millions out of work. There isn't an economist worth a damn who would advocate tax increases during a recession. Taxes kill jobs, plain and simple.

Moreover, the editorial board seems to think taxes don't matter. They think that we live in an under-taxed state where businesses will ignore their obligations to shareholders and willingly suffer crushing taxes in order to experience - what? The simple fact is that we live in a hyper-mobile global economy where it has never been easier for capital - human and otherwise - to re-deploy to regions where job creators are welcome and not reviled.

A recent [Tax Foundation study](#) concluded that Minnesota is again ranked in the bottom 10 for business competitiveness. Number 1? South Dakota. Without question, our taxes are already too high.

So what's so extreme about asking government to live within its means, just like family or business? What's so extreme about noting that we have a government we can't ever afford, no matter how well the economy recovers? What's so unreasonable about decrying the fact that Minnesota government has grown by an average of 19% every budget cycle since 1960?

Of course, the Star Tribune fails to point out that every DFL candidate for governor has spoken in favor of tax increases. Yet the Star Tribune never wonders where the conservative Democrats have gone. They only talk of the moderate Republicans who are missing from the political scene. It wasn't that long ago that Democrats, led by John F. Kennedy, saw the salutary benefits of tax cuts. Talk about good old days.

Here's a challenge for the Star Tribune editorial board potentates. Give us a plan to balance Minnesota's budget. Tell us exactly what tax increases and spending cuts (if any) you propose to cover Minnesota's budget gap. As mentioned, we have a government we can't afford, no matter how high you raise taxes. School us, please.

Perhaps these are the last, angry gasps of the big government crowd.

HOW MUCH IS ENOUGH?

By Harold E. Hamilton

Last week I had an interesting discussion with state [Representative Mindy Greiling](#) from Roseville. She informed me that 49 cents of every dollar of gross income is not enough for our company to be paying the government. She said, "It's a fairness issue." I told her that since over half of our business is in Asia, we have considered moving our company to Singapore where the taxes and fees would be 17%. She was unimpressed. According to Representative Greiling, small businesses never move. One relevant question would seem to be, Why is South Dakota continuing to advertise here in Minnesota about what a great place South Dakota is for business, low taxes, good workers, etc? One can only assume it pays. Businesses are moving out of Minnesota.

One of Governor Pawlenty's concerns when he first took office as governor was the number of Minnesota businesses expanding in other states as well as the lack of businesses moving to Minnesota.

We can't create a meaningful number of jobs here in Minnesota when we continue to be one of the [highest taxed states](#) in the nation. California should serve as an example. Businesses are moving out. Why should we follow their lead? We should not.

Public Employment - A Pretty Good Deal

The Pioneer Press this week released a [comprehensive, easy to use database](#) listing the salary and other employment data regarding thousands of Minnesota public servants. This searchable database is exactly the kind of tool watchdogs and other interested citizens need to educate not only ourselves but our neighbors with respect just how large and uncontrollable government has become. It's about time the major

newspapers did something valuable to contribute to the public discourse regarding the size and scope of government.

Editor's note: The most recent data is from 2008.

You would be amazed at the number of bureaucrats who makes more than \$100,000 per year. Or for that matter, how many make more than \$300,000 per year.

With big salaries, Cadillac health plans and defined-benefit retirements, no wonder we're in trouble. It's easy to see that government is fast approaching a day of fiscal reckoning, just like the airlines, the auto makers, and other old-line industries experienced. Government's labor cost structure is unsustainable, even with big, job-killing tax hikes. Just take a look at California if you want an example of governmental collapse. Even with big tax hikes, major cuts and accounting gimmicks, that state is facing a budget deficit that may equal fully 1/3rd of the total budget. Recession or not, we have government institutions who are spending money faster than taxpayer ability to pay. At some point Atlas will shrug.

KEEPING TRACK OF OBAMACARE

The big game in Washington these days is the health care "reform" bill moving in the Senate Finance committee. Here are some of the bigger points in the always-evolving health care debate:

Tort Reform

Utah Senator Orrin Hatch asked the Congressional Budget Office (CBO) to study whether or not capping certain medical malpractice awards would reduce health care costs.

The CBO [reported back](#) this week that instituting modest tort reform would trim the federal budget deficit by \$54 billion over 10 years and save .5% off the cost of health care in America, primarily by reducing the number of procedures doctors order to insulate themselves against frivolous lawsuits (called "defensive medicine").

Don't hold your breath waiting for Obama, who was backed by the trail lawyers to the hilt), to support reform anytime soon.

Medicaid Expansion

The Baucus plan in the Senate Finance committee would expand access to health care by expanding access to Medicaid, a federal health welfare program in which states share costs. In typical Washington fashion, the Baucus bill masks costs by front-loading federal aid that then disappears in the out years.

Watchdog sources tell us that Minnesota government would show healthcare savings in the short-term but then face massive burdens in the out years of many hundreds of millions of dollars as Washington expands eligibility but then sticks states with the tab in the long term.

Taxes

The Baucus bill seeks to impose all manner of taxes on insurance companies, insurance plans, medical devices and all manner of other productive activity. Of course, these taxes will merely be passed along to consumers of health care in the form of higher prices.

Of course, many senators who think health care "reform" is good believe it is good for others and not themselves.

Wall Street Journal reporter Kim Strassel penned an excellent [column](#) this week that examined how power Senators such as Chuck Schumer of New York and Harry Reid of Nevada have carved out exceptions from health care mandates for their own states.

If it comes from Washington, it must be bad.

October 19, 2009

Public Policy Commentary

In This Issue:

- 1. Dude, where's my bus?**
- 2. We don't need no stinkin' bonding bill.**
- 3. Boogie Shoes.**
- 4. Pawlenty beats Obama - again.**
- 5. Is it me or is cold as hell out here?**

DUDE, WHERE'S MY BUS?

Man, we swear we hate to tell you "we told you so," but it's happened yet again.

We've been telling the world ever since we began this publication that Northstar commuter rail was going to be a money sop that would do little to nothing to relieve traffic congestion.

Beyond a \$320 million cost just to get the thing up and running (a near 100% cost overrun from the original estimate of \$165 million), the Dog warned taxpayers of the crushing operating subsidy that would be needed because the fare box recovery wouldn't be enough to cover the expense of running trains.

The Dog predicted long ago that the heavy operating subsidies would cause government to rob other pots of money to pay Northstar operating costs. We just didn't predict the theft start happening before the first train even lumbered down the tracks.

This week, in testimony before the [House Transportation Policy Committee](#), it was revealed that \$2 MILLION was siphoned from the Greater Minnesota Transit Account to help cover the operating subsidy for Northstar.

The Greater Minnesota Transit Account is the primary way bus service is funded in out state Minnesota communities like Mankato, Moorehead, and Saint Cloud. Many legislators representing these areas were surprised to learn that a metro transit project was peeling money away from their districts.

The Watchdog can't help but note the poetic justice of a project many rural legislators voted to cram down the throats of skeptical Metro legislators coming back to bite them. Moreover, many of these rural routes have small ridership numbers and shouldn't be in service anyway. Nonetheless, it has been fun to watch the scrum.

And with all the rail projects Minnesota is pursuing, don't think this issue is going to go away. In fact, it's going to get worse, as there is no comprehensive plan to address the

source of operating subsidies. The state's "plan" apparently is to find a way to build rail projects and worry about funding later.

Stay tuned.

WE DON'T NEED NO STINKIN' BONDING BILL

Even though the 2010 legislative session doesn't start until early February of next year, it isn't too early to get out a 55 gallon drum of bulls**t spray and prepare for the inevitable DFL song and dance about how government spending will magically create jobs and lift us out of the recession. After all, look at how well Obama's \$787 billion in deficit spending has served America. Remember how it was needed in order to keep unemployment below 8%? We now stand a hair below 10% unemployment nationwide.

The even-year legislative session is all about passing a "bonding" bill. As Watchdogs well know, "bonding" is just another way of saying debt. A bonding bill is nothing more than a giant bill to authorize the issuance of debt (bonds) to pay for all manner of projects, from the meritorious to the most egregious examples of pork.

The DFL will undoubtedly pass a bonding bill well in excess of \$1 billion and claim it is needed to create jobs, lift us out of the recession, yada yada yada (sound familiar?).

Of course, this is all a bunch of bunk and here's why.

First, government spending doesn't "create" anything except debt to be repaid our Chinese creditors by our children and grandchildren. If government spending created jobs and wealth, government could pay one man to go around breaking windows and then pay another man to go around and fix them. Instead, government spending only steals a dollar from the private economy and puts it into the public economy, with a chunk of overhead skimmed off the top to pay for the bureaucratic inefficiencies.

Truth be told, state government has no method to even try to capture the fiction of government wealth creation. When the DFL talks about bonding being a "job creating" enterprise, they have utterly no way to even begin to measure their own fiction.

Second, bonding bills don't spend money immediately. There is rightfully a deliberate process of carefully scrutinized bidding and other due diligence that happens before the state spends millions on any particular project. In fact, there is currently over \$1.5 BILLION in previously authorized bonding authority that has been encumbered. So even if there isn't a bonding bill in 2010, there is still \$1.5 billion in bonding in the pipeline.

Third, the state is already in violation of its own bonding debt limit. Since days of Rudy Perpich, the state has had a policy of limiting debt payments for bonding to no more than 3% of the state's budget.

That policy held firm for decades until November of 2008, when the 3% threshold was breached. The legislature then passed a bonding bill in the spring of 2009 which

pushed the state further beyond the debt limit. Thus, if the state is to honor our own policy regarding debt, there should be no bonding bill this year. The 3% limit has served the state well through GOP and DFL rule. With the ceiling now violated there could be no end to the kind of debt the DFL could ring up, hence the Dog's fear of a \$1 billion or higher bonding bill.

In sum, there is no reason to have a bonding bill this year. Government spending doesn't create jobs, we already have \$1.5 billion in bonds in the pipeline, and we are over the 3% limit already.

And if we're not going to have a bonding bill, there is no reason to have a session at all. You see, until the early 1970s, the Minnesota legislature only met once every two years. The legislature started meeting every year ostensibly to pass a bonding bill in the even number years. Keep Minnesota safe and sound - keep the legislature home in 2010!

BOOGIE SHOES

The Star Tribune published a rather humorous [piece](#) this week regarding the political tightrope Michele Bachmann's two DFL rivals are walking on the health care debate. Running in the conservative 6th Congressional District, these two will certainly need to find a way to appeal to their liberal base while hiding their commitments from the mainstream of district voters.

It will be especially interesting to watch state Senator [Tarryl Clark](#) tap dance around her liberal worldview and attempt to soft shoe her way to Congress.

The [Taxpayers League of Minnesota](#) gave Clark a 7% approval rating for the 2009 session. For her career, Clark has an 8% approval rating.

The state's leading pro-life group, [Minnesota Citizens Concerned for Life](#), notes that Clark has cast just one, exactly one, pro-life vote in her state Senate career. In fact, MCCCL has called Clark "radically anti-life."

Regarding Second Amendment rights, Clark has earned an "[F](#)" from the National Rifle Association.

So we have a radical anti-growth, anti-life, anti-gun candidate for Congress in the most conservative district in the state. Good luck with that one, Tarryl. If Bachman survived the wave of '08 (even with an incompetent DFL candidate), you have a hill to climb.

And by the way, stop sending campaign email to state employee accounts. We're on to that one, too.

PAWLENTY BEATS OBAMA - AGAIN

Did you see this week that the state's unemployment rate is 7.3%? the national average stands at 9.8%. Minnesota under Pawlenty's leadership is 2.5 points below the national unemployment average.

Moreover, Minnesota has a balanced budget. Obama ended the current federal fiscal year with a deficit of \$1.4 trillion. The deficit to GDP ratio stands at nearly 10%, the highest it has ever been outside of World War II. Economists all agree that a ratio above 3% is unhealthy.

IS IT ME OR IS IT COLD AS HELL OUT HERE?

The first half of October was the coldest in Minnesota history. Where all are all the global warming nuts? This news comes on the heels of a non-partisan Congressional Budget Office report that cap and trade legislation will heap a \$1,700 tax on the average family and will kill jobs. Another slick move on the part of Obama and Democrats. You guys are on a roll!

October 26, 2009

Public Policy Commentary

In This Issue:

- 1. Dollars for Dishwashers.**
- 2. Ol' King Coal.**
- 3. Small Business Caucus Doomed.**
- 4. Stimulating Helmets.**
- 5. An Open Letter to Rep. Greiling.**
- 6. You Won't be Missed.**

DOLLARS FOR DISHWASHERS

Once you bailout one industry, the rest come calling. This, loyal readers, is what we call corporate welfare.

Now that "cash for clunkers" is in the books, the federal government has decided to reinforce failure with a similar ["dollars for dishwashers"](#) program.

Of course, cash for clunkers did nothing to help the auto industry because the program did little more than accelerate existing demand. The proof is in September and October auto sales, which were way below expectations, even in this economy.

In short, the federal government drives us billion deeper into debt to give some favored taxpayers a benefit to induce behavior (buying a car) that they would have likely done any way.

More than that, these programs demand the destruction of useful assets. In the case of cash for clunkers, it was older cars. In this case, its appliances. Even if these assets are older and perhaps less efficient, you cannot increase wealth and grow the economy by using tax dollars to destroy useful assets.

These programs are no different than having government go around burning down garages and then paying someone to build new ones.

This is economic fools gold, financed by you, to be repaid by your kids and grandkids.

OL' KING COAL

A study by state officials [released this week](#) found that Minnesota will likely need a new 500-mega watt coal-fired plant to keep up with the state's growing demand. The study, ironically, comes on the heels of a new problem for Big Stone II, a coal-fired power plant project in eastern South Dakota. A prominent financing partner in that deal has withdrawn.

What the environmentalists don't want to admit is that coal is cheap and abundant. It helps reduce our demand for foreign energy. On top of that, there's that little inconvenient fact that global warming is BS.

The problem with wind, solar, and other renewable energy sources is that they do not contribute to "baseload" power. Baseload power comes from generating sources we can control. Wind and sun show up when Mother Nature decides. Natural gas, coal, and nuclear energy are generated when we decide. If Minnesota is to avoid rolling blackouts, power rationing, and other problems California is experiencing, it's time for enviro-weenies to get with the program and at least admit that coal and nuclear energy are a part of the solution.

SMALL BUSINESS CAUCUS DOOMED

Now that it's an election year, it's time for DFL legislators to go through the shopworn charade of pretending to be a friend of business, especially small business.

This year, however, the pretending has been taken to new heights as two DFL House members have created a [Small Business Caucus](#) to ostensibly listen to the needs of those main street businesses that create 7 out of 10 jobs in our economy. Never mind that the DFL hasn't listened to the voice of small business ever since they took control in 2006. Of course, part of the blame belongs to the National Federation of Independent Business (NFIB), which continues to have incompetent representation at the Capitol.

The Caucus is chaired by Reps. Maria Ruud (DFL - Minnetonka) and our very own Denise Dittrich (DFL -Champlin).

If this is the best the DFL has to offer in the way of small business support, our main street businesses had better pack it up and head to Sioux Falls.

In 2008, the [NFIB legislative scorecard](#) gave Dittrich an unremarkable 33% approval. For Ruud, the score was 44%. In short, neither one of these two voted with small business even half the time. Thanks for the help, ladies. Moreover, the NFIB scorecard is infamous for being somewhat tame.

Rest assured, however, these two legislators who represent suburban districts will plaster their campaign literature with "small business caucus" slogans.

For a better look at how these two co-chairs view capitalism and small business, take a look at the Taxpayers League of Minnesota 2009 [scorecard](#). Dittrich scored an abysmal 13% approval for 2009 and has a lifetime 22% approval rating. Ruud is no better, having an identical 13% approval for 2009 and a slightly better lifetime score of 26%.

If Dittrich and Ruud want credibility with the small business community, they can start by voting against tax increases.

STIMULATING HELMETS

The Watchdog has always had a great deal of respect for the [Hennepin County Watchdog](#), an unaffiliated blog run by current Hennepin County Commissioner and former state legislator [Jeff Johnson](#).

Despite being an elected official, Jeff is always upfront and honest, unafraid to challenge the status quo and take on political battles others might avoid.

Jeff had a great [piece](#) on his blog this week about Hennepin County applying for stimulus funds for bike helmets, subsidized bikes, and walking shoes. We're not joking.

Check out Jeff's blog and give him thanks. He's one politician willing to fight the good fight.

AN OPEN LETTER TO REP. GREILING

October 13, 2009

Representative Mindy Greiling

2495 Marion Street

Roseville, MN 55113

Dear Representative Greiling,

If you recall, we met at a Twin Cities North breakfast last week. My question for you was, "Why shouldn't our company move to Singapore since the taxes are 17% instead of the 49% we pay now?" I wrote a piece for the Minnesota Watch Dog that was published on Monday and gets e-mailed to several thousand people. I have included a copy. I'm still curious as to why you don't seem to have a reason for us not moving our company.

I've also included a copy of an article from Finance and Commerce that describes the opening of a Singapore International Headquarters by Medtronic. Perhaps you have a good reason why Medtronic should not have done this. It appears obvious to me that the duty of every company is to maximize profits. This is exactly what Medtronic is doing.

It's sad that the Democrats in St. Paul don't realize that high taxes are driving companies out of Minnesota and the resulting job losses are tragic.

Regards,

Harold Hamilton

President and CEO

YOU WON'T BE MISSED

Sherburne County announced this week that non-union employees will be furloughed for 5 days next year. While this is a positive development, only government would begin to react to the recession now that we appear to be pulling out of it.

Every level of government should be engaging in furloughs. Odds are that taxpayers won't notice one bit. Remember the 44 day bus driver strike? We thought so.

November 2, 2009

Public Policy Commentary

In This Issue:

- 1. Election Day.**
- 2. Stimulus Job Fiasco.**
- 3. Escape from New York.**
- 4. City Watch - Red Wing.**

ELECTION DAY

Election Day 2009 is upon us, Watchdogs. Tomorrow it will be your patriotic duty to get to the polls and cast your vote. On the national level, there are three "bellwether" races that will captivate the nation's attention. While our local races won't make CNN or Fox News, there are nonetheless important elections regarding our schools and local government. With low expected turnout numbers, your vote will be amplified. Here's everything you need to know about Election Day.

WHERE TO VOTE

You can find your polling location by visiting the Minnesota Secretary of State's web site [here](#).

THE ISSUES

You can also find information about ballot issues and contests here:

[Star Tribune](#)

[ABC Newspapers](#)

[Anoka County Watchdog](#)

NATIONAL ELECTIONS

Perhaps the most closely watched off-year race will be in Virginia, where Republican Bob McDonnell is facing Creigh Deeds for the governor's office, which is an open seat because the incumbent is term-limited.

This race is being watched closely because it is a true bellwether race that may well foreshadow the 2010 elections. Virginia has become a "purple" state that is no longer reliably Republican, given that the northern Virginia suburbs of Washington, D.C. have trended Democratic because of younger voters who are not native to the area. This trend was most pronounced in 2008, when Barak Hussein Obama became the first Democrat to carry Virginia since 1964.

The polls indicate that this race will go to the GOP. McDonnell is up by double digits in every poll. Most telling, independents are flocking to the GOP, concerned by runaway

spending under Democratic rule and feeling the need for some balance. Moreover, many of the first time voters who turned out for Obama in 2008 have gone back to their Playstations and Cheetos and will likely stay home while many previously disaffected Republicans are indicating that they will come off the sidelines to support their party.

Put this one in the GOP column. This race could be the canary in the coal mine for Democrats.

The other major gubernatorial race is in New Jersey where incumbent Democrat Jon Corzine faces Republican prosecutor Chris Christie and independent Chris Daggett, a former Republican.

This bitter race has been neck and neck between Corzine and Christie for weeks, as Corzine's negative ads and voters' flirtation with Daggett eroded a healthy lead Christie had enjoyed over the summer months.

If Republican Christie ends up winning, it will raise alarm bells at Democratic HQ in Washington. New Jersey is a reliable Democrat state where registered Democrats vastly outnumber registered Republicans. Moreover, Obama has invested heavily in New Jersey, stumping for the embattled Corzine multiple times right up to Election Day.

It will be interesting to watch two things in this race. First, how will undecideds and Daggett voters break? As the independent, Daggett will lose voters as some who were supporting him will feel they are wasting their vote and return to one of the two major party candidates. Second, voter turnout will be another key factor, as Democratic voter numbers will match up against the intensity of GOP voters. Will Democrats turnout? Are GOP voters truly motivated to turn out in large percentages?

Finally, it will be interesting to watch exit polls and what voters say about Corzine's risky strategy to make Christie's weight an issue. The svelte Corzine unleashed a series of negative ads at the end of the campaign that drew not-so-subtle references to the overweight Christie's large physique. With most Americans overweight, it was perhaps a bad move for Corzine to attack by proxy every corpulent New Jersey voter.

Finally, the eyes of the country will be on New York congressional district 23, an upstate district that has been in GOP hands for over a century. An open seat created by the appointment of incumbent John McHugh as Army Secretary caused a serious rift in the GOP when party bosses selected Dede Scozzafava as their standard bearer. A Tinglestad-like moderate, Scozzafava immediately panned by many party faithful, who turned to Doug Hoffman, who was running on the Conservative ticket. The schism laid bear the competing philosophies of the GOP between choosing "electable" candidates versus "pure" candidates.

The rhetoric was turned up a few degrees as national money and endorsements flowed into the race. Sarah Palin, Fred Thompson and our own T-Paw endorsed Hoffman while Newt back Scozzafava.

This issue was mooted when Scozzafava dropped out over the weekend. Having said that, this rave perhaps foreshadows the confrontations that will take place within the GOP over the next few months as moderates battle conservatives for the soul of the party.

STIMULUS JOB FIASCO

It looks like "you lie!" applies to more than the health care debate. For months, Team Obama has been attempting to portray the massive, debt-financed government intervention in our economy as a positive venture that has "created" or saved thousands of jobs.

Just this week, states were required to send in reports with respect to these numbers. Surprise, surprise, the numbers are a jumble of fuzzy math that has overstated the number of jobs saved or created by many thousands.

An [independent analysis](#) by the Associated Press found that in many cases, jobs were overstated. For example:

- A company reported that stimulus money created or saved more than 4,000 jobs when the actual number was closer to 1,000;
- A Georgia community college reported 280 jobs when the actual number was zero;
- Another company blew the stimulus money on pay raises instead of hiring workers or saving existing jobs.

Overall, the White House has claimed that the stimulus has saved or created over 640,000 jobs. Sounds impressive.

However, the White House [can't even tell us](#) how many jobs were "saved" and how many were "created."

Moreover, half of the total, 325,000 jobs, were "saved" in the education sector, which points to another problem. Creating or saving government jobs does nothing to generate wealth or promote wealth creation. Government jobs merely suck money out of the private economy. Every government job saved or created is financed by taxing the private sector.

Also, by the government's own math, each job saved or created cost the taxpayer over \$92,000. However, the White House based that number by dividing \$159 billion by 640,000. But the \$159 billion figure only counts dollars given to entities that were required to report. All told, \$340 billion, not \$159 billion, has been obligated thus far. If the \$340 billion figure is used, that more than doubles the cost to create and save jobs, most of them government jobs anyway.

The bottom line is that we have once again created an expensive, massively corrupt government boondoggle. Just wait until the reports start flowing regarding the waste, fraud and abuse of this program.

The stimulus fiasco is starting to look a lot like the Katrina fiasco.

ESCAPE FROM NEW YORK

New York has consistently jacked up taxes on the wealthy, arrogantly believing that regardless of the tax rate, New York's job creators would stick around and absorb the beating inflicted by New York's confiscatory tax rates.

Now the [evidence](#) is in and New York is the loser. According to a study by the Empire Center, over 1.5 million New Yorkers fled the state from 2000 - 2008, the biggest out-migration in the country.

What's worse those who came in behind the departed earned substantially less. Those who fled earned on average over \$93,000 per year while newcomers earned \$72,000 on average. This gap amounts to a loss of over \$4.3 billion in tax revenue.

The [evidence](#) of the rich forsaking the Empire State is abundant. Buffalo Sabres owner BT Golisano, Donald Trump, and Rush Limabugh have all reduced their New Your tax exposure - and with good reason. The state's richest 1% pay 41% of state's income taxes, and that was before the latest round of soakings out of Albany.

So far this year, just half of the expected \$1 billion in revenue from the 100 richest New Yorkers has materialized. Overall, expected tax increase revenues are 20% behind projections.

If you tax the rich to a punitive level, they're going to go elsewhere.

CITY WATCH - RED WING

Here we go again. The unholy alliance of the Star Tribune, liberal stalwart columnist Lori Sturdevant and (insert name of whiny city here) Red Wing have come together to allow Sturdevant to write yet another [dirge](#) to Minnesota that once was. In this case, it's a Minnesota that forked over hundreds of millions of dollars in unaccountable state aid called local government aid (LGA).

Red Wing isn't the first city to join up with Lori and the Strib but Red Wing ups the rhetorical ante by claiming that a failure to give them state aid jeopardizes the state. You see, Red Wing is apparently our first, last, and only line of defense against a disaster occurring at the local nuke plant, Prairie Island. Apparently Red Wing's LGA and the 10 cops it funds are our only hope should Prairie Island start to glow.

First, we don't believe the hype. The odds of a catastrophic disaster at the plant at are exponentially larger than your odds of dying in a car crash or even in a plane crash. If this has you worried, see your shrink.

Second, the Red Wing cops aren't the center of defense on this one. Not by a long shot. We've got the National Guard, Department of Homeland Security, MN Dept. of Public Safety, and a host of other state and federal agencies that are far ahead of little ol' Red Wing on this one.

But most importantly, if Red Wing is so concerned about their budget, they can stop the following spending:

Municipal pool: \$304,000

Golf course rental: \$204,000

Trails: \$91,000

Flower baskets: \$40,000

There's \$600,000 in savings right there.

November 9, 2009

Public Policy Commentary

In This Issue:

- 1. Governor Race Update: Brian Sullivan.**
- 2. Arne Carlson Running?**
- 3. RT Enters the Race Backa\$\$wards.**
- 4. Sen. Bakk Gives Preview of Dumb Ideas.**
- 5. Pawlenty Proposes Common Sense Budgeting - DFL Goes Nuts.**

GOVERNOR RACE UPDATE: BRIAN SULLIVAN

Multiple Watchdog sources are hearing the same thing others are reporting with respect to Brian Sullivan joining the already crowded GOP gubernatorial field. The conventional wisdom is that the current field lacks a "star power" candidate.

Assuming for a moment that the claim of a lack of star power in the current field is true, is Brian Sullivan himself the rock star candidate some activists seek? The Watchdog says no.

Sure, Sullivan is rich and thus able to self-finance. It's also true that he almost captured the GOP endorsement in 2002 after an epic battle with Tim Pawlenty.

But what about the downside?

First, Brian Sullivan is hardly a household name, even among Republicans. He may be well known to few GOP insiders, but he would need to spend a great deal of time and money introducing himself to voters in the same manner current GOP hopefuls would. Sullivan certainly has done little in the past 7 years to keep any kind of a public profile.

Second, Sullivan hasn't shown that he has overcome the personal faults that plagued him in 2002. He appears stiff and awkward while speaking in front of large groups. In small groups, he comes off as an egotistical, elitist snob. Multiple GOP activists have recounted tales of being snubbed by Sullivan or turned off by his demeanor.

One GOP delegate recounts a private dinner early in the 2002 campaign where Sullivan described his love of windsurfing and squash. The delegate immediately pulled out a dictionary when he got home to see what squash was.

A former GOP legislator recounts asking Sullivan for a meeting for the express purpose of receiving a campaign contribution from him, to which Sullivan agreed. After the legislator drove a long distance to meet near Sullivan's office, Sullivan kept him waiting for over an hour. After the meeting, Sullivan walked off without making a contribution and later ignored follow-up contribution requests.

A well-known GOP delegate and major fund raiser who supported Sullivan in 2002 would not support him in 2010 after Sullivan on two occasions insulted the delegate by turning and walking off while the two were engaged in a conversation.

In sum, the Watchdog fails to see any real substance behind a potential Sullivan candidacy. He's no better known than the current candidates and he has burned many bridges with delegates. Moreover, he has done nothing to raise his public profile and prove he is any better on the stump than in 2002.

ARNE CARLSON RUNNING?

A reliable Watchdog source reports that Arne Carlson is thinking of getting into the race for governor - either as an independent or a Democrat! At least the charade of being a Republican appears to be over. This same source reports that Carlson supporters are running polling to determine Arne's viability. Uh, Arne, it's time to leave the stage. Your 15 minutes of fame was up over a decade ago.

Speaking of being a Republican, it appears Ol' Arne, if he still considers himself a Republican, has violated Reagan's 11th Commandment admonishing Republicans to refrain from speaking ill of fellow Republicans. A Watchdog source reports that Carlson spouted off in a private meeting this week that Governor Pawlenty "should be strung up in the village square" for refusing to raise taxes to solve the state's budget crisis. The Watchdog can think of a former GOP governor who ought to be strung up for building up the current bloated welfare state that is the source of our budget problems. It's the spending, stupid!

RT ENTERS THE RACE BACKA\$\$WARDS.

RT Rybak has officially entered the race for governor - and he's already screwed up. RT was really too cute by half, trying to run for governor without declaring he was doing so, but the Minnesota Campaign Finance Board was on to him.

Rybak's mayoral campaign commissioned a survey that it claimed was only for the purpose of helping his re-election campaign for mayor. Thus, Rybak didn't have to register a campaign for governor or pay for the survey with funds from a gubernatorial campaign account.

The Campaign Finance Board ruled that the survey was clearly for a gubernatorial campaign.

First, the survey targeted people outside the Minneapolis area. Why do this if you're only running to be re-elected in Minneapolis?

Second, the survey asked if the respondent intended to vote in the 2010 election. However, the Minneapolis mayor's race is in 2009.

Third, the survey asked what respondents thought of four current DFL candidates for governor.

Finally, some of the questions that were asked had little to do with Minneapolis but were clearly of state-wide significance.

The [report](#) concluded:

The Board concludes that the primary purpose of the survey was to gather information on how respondents reacted to the campaign platform of a gubernatorial candidate, and to provide feedback on which statements about Mayor Rybak gathered the most favorable response from voters who are likely to vote in the 2010 state elections. Therefore, the Board concludes that the \$26,500 expenditure for the survey was for the purpose of supporting Mayor Rybak's nomination or election as Governor.

Nice try, RT. It looks like you're running your campaign as effectively as you've managed Minneapolis.

SEN. BAKK GIVES PREVIEW OF DUMB IDEAS

Another DFL gubernatorial hopeful, state Senator Tom Bakk, was [in the news](#) this week proposing that Governor Pawlenty call a special session of the legislature (complete with per diem payments, no doubt) to put a cool billion on the state's credit card with a massive bonding bill. Apparently Bakk is down with the idea that government spending creates wealth.

First, there is no need for a special session of the legislature. The gang will be here soon enough in a mere 90 days. Even if the legislature moved at light speed, it would be at least mid-December before a bill could be signed into law, gaining just 45 days. Oh, yeah, we're also in the middle of winter at that time making just a tad tough to build.

Second, the DFL would have us taxpayers believe that these projects will just fly out the door, curing the economy, cancer, war, famine, and everything else they believe government spending can cure. But that's hardly the case. In fact, there are right now some \$2.3 billion in previously authorized bonding projects going back to 2000 that are still unspent in the pipeline. The Watchdog is going to go out on a limb and propose the nutty idea of clearing out this backlog before issuing any more debt-financed projects. Crazy!

Third, as mentioned, this is simply credit card debt the state can't afford. Last November, the state busted through its debt ceiling limit - the first time that's happened since the ceiling was put in place in the 1970s. Behind health care spending, payments for debt service are the fastest growing expenditure area in state government. Credit may be cheap right now but it's not free.

Fourth, recent events have proven what economists have known all along. Namely, government can't spend out of economic trouble. Obama passed \$787 billion in debt-financed "stimulus" and all we have to show for it is 10.2% unemployment and a mountain of "IOUs" to the Chinese. What makes Bakk think a \$1 billion mini-mini-mini-"stimulus" is going to help? All this does is take money out of the private economy and put it in the public expenditure realm. You don't create wealth by having government pay one guy to dig a hole and another to fill it.

If this is Bakk's idea of good government, he's doesn't have a shot at being governor.

PAWLENTY PROPOSES COMMON SENSE BUDGETING - DFL GOES NUTS.

If the DFL goes nuts over something, it must be a good idea. No, a great idea. This week, Governor Pawlenty unveiled a simple budgeting plan that has put collective [DFL undies in a bundle.](#)

Under T paw's plan, the state couldn't spend any more in a budget cycle than was brought in revenues in the previous budget cycle.

For example, say that in fiscal years 2009 -2010 (don't forget the state runs a two-year budget cycle) the state brought in a total of \$35 billion in revenue. For the fiscal year 2011-2012 budget cycle, the state could not spend more than \$35 billion. If revenues fell below \$35 billion, the state could raise taxes to cover the shortfall. Conversely, if revenues exceed \$35 billion, the state could refund the money, put it in a budget reserve, or even spend it on one-time expenditures. The state simply couldn't spend it on items that are built into future budgets.

Why is this needed? On average, state budgets have increased by an average of 21% each budget cycle. Yes, 21%! This is because our state budgets on guesswork about what the legislature might want to spend in the future instead of taking a look at what it has in revenues.

Take a household example. If a family brought in \$50,000 in income in 2009, they wouldn't plan on spending \$60,000 in 2010 because that's what they want to spend. A prudent family would plan a budget based on \$50,000 because that's what they earned.

Spending no more than you bring in is s dose of common sense the DFL is allergic to after 40 years of 21% spending increases.

November 16, 2009

Public Policy Commentary

In This Issue:

- 1. DFL Set to Use Tax Dollars to Fund Partisan Legal Activities.**
- 2. DFL Admires Another Issue.**
- 3. The Welfare Sky Isn't Falling.**
- 4. Harold Hamilton in the News.**
- 5. Take the Survey!**

DFL SET TO USE TAX DOLLARS TO FUND PARTISAN LEGAL ACTIVITIES

Although it may seem like a bit of "inside political baseball", every Watchdog reader should be aware of what the House DFL majority is attempting to pull off this morning. Since taking the majority after the 2006 elections, this gang has pulled a number of embarrassing stunts, but this one may take the cake.

[At 8 AM in the State Office Building](#), the House [Rules Committee](#), led by DFL Majority Leader [Tony Sertich](#), will vote on a [resolution](#) that would direct non-partisan staff researchers to draft a "friend of the court" legal brief as a part of the lawsuit against Governor Pawlenty's action to balance the budget through un-allotment. The arrogance of such a move is appalling.

First, and most importantly, the DFL would use taxpayer-financed employees and resources to engage in legal advocacy on behalf of the DFL. If the DFL wants a lawyer, they ought to use their own damn money and go hire a lawyer. While abusing the taxpayer is nothing new to the DFL, this takes things to a new level. Come to think of it, the DFL is filled with lawyer-politicians. Perhaps one of them could step up on a pro bono basis. Maybe the [general counsel](#) over at John's Auto Parts could find a moment out of her busy day to help out.

Second, the employees in question belong to the non-partisan House Research Department. This Department has a well-earned reputation for non-partisan service to legislators of both parties and to the public at large. These folks are seen by all Capitol players as honest brokers who provide exceptional research and public policy advice in a neutral, un-biased fashion. To direct these dedicated public servants to engage in legal advocacy would destroy the Department's reputation of non-partisanship.

Of course, this lawsuit was filed by a constituent special interest group of the DFL. Look for GOP members of the committee to ask about the nature of the relationship of this group to the DFL and what promises might have been made by the DFL with respect to support.

Tell the DFL to stop using your tax dollars to fund their lawsuits [here](#).

DFL ADMIRES ANOTHER ISSUE

Do you get the feeling the DFL really has no answers or plans? Despite overwhelming majorities in the legislature, this crew seems short on answers and long on "blue ribbon" panels, task forces, listening sessions, and summits.

Whether it's the Legislative Commission on Planning and Fiscal Policy, the Legislative Commission to End Poverty in Minnesota by 2020, the Legislative Electric Energy Task Force, the Green Jobs Task Force, the plain-old Jobs Task Force, the now infamous "misery" listening tour, or one of the other [myriad groups](#) created to admire problems while collecting per diem, this DFL has perfected the art of appearing to do something while actually doing nothing.

So it was really no surprise when DFL Speaker Margaret Kelliher [suggested](#) this past week that a "purple ribbon" commission be established to admire the Vikings stadium issue. Never mind the fact that numerous stadium panels have been convened in the recent past to discuss a stadium for the local gridiron club.

The DFL is truly bereft of any meaningful ideas. All they really know how to do is keep the status quo and add some tax increases. "Reform" is a foreign word.

The Watchdog has convened its own stadium panel. After 5 minutes and a cup of coffee, the panel recommends that Zygi Wilf build his own stadium just like many other NFL teams have done. Problem solved.

THE WELFARE SKY ISN'T FALLING

Speaking of being long on criticism and short on solutions, the DFL has certainly expressed a great deal of outrage and hyperbole over the Governor's decision to end General Assistance Medical Care (GAMC), one of Minnesota's welfare healthcare programs.

Primarily designed for adults without children, this welfare program represents one of THREE state-subsidized health care programs.

Now, the DFL would have you believe that once this program ends in March of 2010, these folks will be living under bridges without any help. Nonsense.

Over 90% of those on this program will be transferred to MinnesotaCare, one of the state's two other welfare health care programs.

Ending the ultra-generous GAMC program was the right thing to do. Program costs were growing exponentially in this unaffordable program. The state will save nearly \$1 billion per year by nixing this program.

What the liberals don't want you to know is that Minnesota is the only state that has THREE welfare healthcare programs, GAMC, MnCare, and Medical Assistance (MA). Only 12 other states have two programs while the rest only have one. In March of 2010, Minnesota will join the 12 other states that have two levels of state-subsidized

health care. In other words, a double safety net will be there. In fact, the Dog would argue there is a triple safety net, since private charity should be counted as well (remember that quaint concept?).

HAROLD HAMILTON IN THE NEWS

Watchdog founder Harold Hamilton appeared on the "David Strom Show" last Saturday to talk about his web sites, politics, and the business climate. You can catch a podcast [here](#).

TAKE THE SURVEY!

Some weeks ago, the Anoka County Watchdog reported that the House DFL had created a "Small Business Caucus" in a bid to fool unsuspecting taxpayers into believing that the DFL actually cared about small business in Minnesota. Remember what we said about creating groups to admire issues yet do nothing? This is a classic example. The House DFL pretends to care and at the same time gets to put "SMALL BUSINESS CAUCUS" on their campaign literature.

Never mind the billions in tax increases this majority has attempted to foist on job creators in Minnesota. Never mind the anti-business rhetoric that is spewed in the name of pleasing Big Labor. Never mind the fact that many of these DFL legislators have never held a private sector job much less ever met a payroll.

If you want to see how DFL legislators feel about job creators in Minnesota, don't listen to words. Take a look at actions, namely their voting records.

[National Federation of Independent Business.](#)

[Minnesota Chamber of Commerce.](#)

[Taxpayers League of Minnesota.](#)

That's quite a crew committed to small business and job creation, isn't it?

As a part of the propaganda, the House DFL invites you to take an online survey regarding Minnesota's business climate. Be sure to weigh in! Take the survey [here](#).

November 23, 2009

Public Policy Commentary

In This Issue:

- 1. Minnesota Government - Keep em' Accountable!**
- 2. What costs \$158.5 million per second?**
- 3. Minnesota's 27th Congressional District Prospers.**
- 4. Pawlenty Driving up Property Taxes?**

Minnesota Government - Keep em' Accountable!

Besides their irrational hatred of Governor Pawlenty in general, the DFL has gotten all atwitter of late with his legislative proposals to do all sorts of "crazy" things like allowing people the freedom to buy health insurance from other states or balancing the state's budget because the overwhelming DFL legislative majorities were unwilling to put forward a balanced budget themselves.

The latest "outrageous" proposal from the Governor has really got the DFL twisted like a pretzel because it goes to the heart of what they treasure most - spending money. Specifically, T-Paw proposes that a constitutional amendment be put to the people in November that would simply limit spending to what the state takes receives in tax revenue. In other words, the state would look at the taxes collected in the previous biennium and limit expenditures to that amount. So, if the 2010-2011 budget period brought in \$31 billion in tax revenue, the state couldn't spend more than \$31 billion in the next biennium. What a radical idea!

You see, the reasons the state lurches from budget "crisis" to budget "crisis" is because the state bases its future budgets on what it thinks it will SPEND, instead of basing its budget on what it RECEIVES.

Take the current biennium, which once again is the fiscal year 2010-2011 budget. The state is projected to spend about \$31 billion from the general fund. In 2012-2013, the projected spending figure is \$38 billion, a \$7 billion increase! This is where the DFL comes around talking about a \$7 billion deficit. Why \$38 billion? Because our state budget forecasters think this is what the state will want to spend, with no consideration given to what we actually have to spend.

Does any household or business act this way? For example, say a family has an annual income of \$50,000. Does the family base its budget on \$50,000 or does it base it on \$75,000 because that's what they think they want to spend in the coming year? Of course, the family will base its budget on what it HAS, not what it WANTS.

Government, as usual, has it backwards.

Check out this statistic. Since 1960, the state's budget has increased an average of 21% each budget cycle. 21%! That bears repeating: The state's budget since 1960

has increased an average of 21% each budget cycle. That's way above inflation and population growth.

So what can we do about it? The Dog wants you to check out a web site dedicated to promoting the Governor's proposal. The web site offers opportunities to get involved and make a difference. Sick of all the spending? Then click [HERE!](#)

What costs \$158.5 million per second?

Here's another hint: It's 19th Century technology and has no identified funding source for its massive required operating subsidies. It will also do virtually nothing to reduce traffic congestion.

If you said Northstar commuter rail, you're a winner and likely a Watchdog.

In a little noticed [news story](#), Minnesota Public Radio delivered a backhanded indictment of "Minnesota's Newest Star" when the station sent a car north to Big Lake to race Northstar back to Minneapolis.

The car left Big Lake at 7:19 AM. The train departed Big Lake at the same time. The Train arrived in Minneapolis at 8:30 AM. The car? It arrived in Minneapolis at 8:32 AM, a difference of ONLY 2 MINUTES! Yep, we spent \$317 million so a precious few commuters could get a heavily-subsidized trip into Minneapolis that saved them a whole two minutes.

Northstar rail is a joke, a very expensive joke.

Minnesota's 27th Congressional District Prospers.

And the same holds true in Minnesota's 57th, 9th, and 22nd. In fact, all 19 of Minnesota's congressional districts are doing well when it comes to saving and creating jobs thanks to federal stimulus money. The problem, of course, is that government has no way to really track jobs saved or created.

Oh, yeah. There's one other teensy problem. Minnesota doesn't have 19 congressional districts. The 9th, 22nd, 27th, and 57th don't exist.

Yet this is what the federal government is reporting on its much-ballyhooed accountability web site [recovery.org](#) (no link will be provided because it would waste your valuable time).

This "accountability" site is a mess and a total sham. For example, the site shows 35 jobs being created in the 57th and \$606,000 federal dollars spent there. In the 9th, 22nd, and 27th, a total of \$5.5 million was spent to create 3.3 jobs.

This is one more nail in the Obama Administration's political coffin. It's further confirmation that these guys can't get anything right. Bailouts to Wall Street, stimulus money we can't track, wars without strategy, crap and trade energy taxes, sky high

unemployment. Do you get the feeling they're all in over their heads at the White House?

In what has to be the quote that sums up the Obama Administration, a bureaucrat from the Administration responded to a letter from Congress by noting, "Your letter specifically asks if I am able to certify that the number of jobs reported as created/saved on Recovery.gov is accurate and auditable. No, I am not able to make this certification."

Do you really want your health care and your doctor-patient relationship managed by this crew?

The only good news is that Harold Hamilton today announces his candidacy to represent the good people of Minnesota District 57 in Congress. He promises smaller government, lower taxes, and a faithful adherence to free market principles. In November, vote Hamilton for Congress, right here in District 57!

Pawlenty Driving up Property Taxes?

We all hear the familiar refrain that any property tax increase is Pawlenty's fault because he's cutting aid to cities. The Watchdog has many times in the past exposed this myth. First, the property tax is a local tax. The response to any aid reduction shouldn't be a knee-jerk reaction to raise taxes to cover any loss. Second, most property taxes increases are well beyond what was needed to cover state aid losses. Never mind the fact that many cities don't get aid at all.

Now comes some curious and welcome data from the Department of Revenue. This year, property taxes are estimated to rise 3.5% statewide. That compares to an average of 6.9% over the previous three years.

Now some of this is due to a bad economy. And some of it is due to the state imposing a levy cap that prevents property taxes from being raised rapidly. And because the Dog always gives credit where credit is due, some of that is due to city councils and county boards being frugal.

Let's give kudos to some of the fiscally conservative kids on the block:

| | |
|--------------------|--------|
| Plymouth | -0.55% |
| Blaine | -0.02% |
| Burnsville | 0.03% |
| Coon Rapids | 0.69% |
| St. Cloud | 1.17% |

Now let's highlight the big spenders who apparently haven't heard about the recession:

| | |
|--------------------|--------|
| Minneapolis | 12% |
| Duluth | 11.26% |

| | |
|----------------------|-------|
| Brooklyn Park | 9.16% |
| Rochester | 6.78% |
| St. Paul | 6% |

Who's the mayor of Minneapolis? Oh yeah, the same guy who wants to bring this kind of fiscal management to the governor's office. For Minneapolis, a 12% increase probably is modest compared to what they've done in the past.

Duluth? DFL city. Brooklyn Park? DFL city. Saint Paul? DFL city. Rochester. Becoming more and more of a DFL city.

November 30, 2009

Public Policy Commentary

In This Issue:

- 1. The Myth of Government Charity.**
- 2. November Forecast is Bleak.**

The Myth of Government Charity.

The worst economy since the Great Depression has finally forced government to face the cold, hard reality that it has been living beyond its means for many, many years. The economy has finally exposed the unsustainable level of government spending that was masked for so long by a roaring economy that itself was built on the shaky foundation of easy credit and enormous asset bubbles that have burst.

STATE GOVERNMENT SPENDING IS UNSUSTAINABLE

Being frequently in the hands of DFL leadership, Minnesota is among the big government spenders now taking the long hard fall into economic reality. Since 1960, Minnesota government spending has increased an average of 21% each and every two-year budget cycle. Is it any surprise that we have lurched from budget crisis to budget crisis every time the economy dips.

In addition to exposing an unsustainable spending model, this downturn has also exposed the inability of the DFL to lead. Despite overwhelming majorities in both chambers of the legislature, the DFL has been unwilling to show the leadership necessary to bring about a truly reformed state government that aligns spending with economic reality. The DFL, afraid to confront a special interest constituency dependent upon profligate government entitlements, offers nothing in the way of public policy ideas beyond the status quo plus a tax increase. Moreover, "listening sessions" "leadership summits" and "task forces" have become nothing more than an excuse for inaction and lame cover for DFL leaders to push off hard decisions as they wring their hands while Minnesota burns.

This DFL inaction has forced Governor Pawlenty to fulfill Minnesota's constitutional obligation for a balanced budget through unilateral executive action known as "unallotment." As the fastest growing and one of the largest programs in the state budget, health and human services was a necessary area of reduction. In fact, health and human services spending growth threatens to consume the entire state budget within the next decade.

Of course, Pawlenty's actions have elicited a chorus of hysterical complaint from the usual suspects, which isn't surprising. What is surprising to some extent is the invocation of religion and the name of Jesus in particular to justify their criticism. To a great extent, these critics seek to co-opt the name of Jesus in this political debate.

And while the Watchdog normally avoids any discussion religion, it has become quite necessary to call out these malcontents who buttress their calls for big government with [appeals](#) to the Bible.

GOVERNMENT PROGRAMS ARE NOT CHARITY

Essentially, the critics argue that Jesus would speak out against budget cuts to welfare programs. Put another way, the claim is that any reduction in government spending in these areas is immoral, with the unstated conclusion that any elected official who makes these cuts is therefore acting immorally and contrary to the teachings of Jesus.

While the Watchdog staff will never claim to be stocked with theologians, our research of the New Testament finds no support for the claim that Jesus ever advocated for government social programs. Jesus never called upon the Romans to enlarge the safety net or called for higher taxes to effectuate the feeding of the hungry or the clothing of the naked.

This is because there is no such thing as government charity. An act of charity is defined as a voluntary sharing of one's resources to assist others. The defining characteristic of charity is its voluntary nature. The giver is under no obligation to share but does so freely without any expectation of anything in return.

By contrast, the taxes we pay to fund welfare programs are most definitely not charity. Government collects taxes by threat of force and the deprivation of liberty. Monies are collected at the point of a gun with no possibility of appeals to the sovereign for mercy or leniency. The Minnesota Department of Revenue and the IRS demand that taxes are due by April 15th, no exceptions. Fines, penalties, interest payments, jail time, and the seizure of your private property are some of the possible outcomes for anyone who fails to pay their tax liability on time and in full.

Another feature of a true act of charity is the ability to choose the beneficiaries of our charity. This is hardly a feature of government programs, where recipients of charity are often non-profit groups with whom we disagree but are the favorite of a particular politician or bureaucrat, which allows them to be generous with someone else's money.

It also interesting to note that many of those who self-righteously call for more government spending in the name of welfare demand that government seek more money from others besides themselves. They never miss an opportunity to appear before a microphone to call for their neighbors to suffer a tax increase but not themselves. Perhaps these folks should set the example by writing a check to the government out of their own pockets before demanding that someone else's wealth be subject to seizure.

THE DEATH OF PRIVATE CHARITY

Of course, any increase in taxes is a transfer of wealth from the private economy to the public economy. In other words, more money in government coffers means less money for people to contribute to private charity, not to mention less money for the family budget in general.

Another very troubling aspect of the trend in American charitable giving is the death of private charity. Years ago, there was a very bright line between private charitable organizations and government welfare programs. Today, that line has become blurred to a large extent.

It is distressing to see the number of churches and non-profit charities that testify against any cuts to social welfare programs. They do this in part because they themselves receive government funds in the form of grants which they administer on behalf of government. In short, these organizations have become a constituency of government and thus dependent on government spending. In fairness, it must be noted that the GOP has been guilty of supporting this type of arrangement in the name of "faith-based" programs. In addition to making non-profits dependent on government, these arrangements also blur the line between church and state separation.

Government monies flowing into these non-profits also serve as a type of Trojan horse that leads to more governmental control. In addition to being dependent upon the money, these organizations must also adhere to governmental rules regarding which populations must be served and the way in which they are served, meaning that the non-profit must abandon some beliefs if it is to receive funds.

In sum, the difference between private and public charity is enormous. The rise in government "charity" threatens our freedom and erodes the independence of private charitable organizations while further tipping the balance of power between the citizen and the state in favor of the state.

November Forecast is Bleak.

This coming Wednesday, the state will release the latest budget forecast. Watchdog sources report that the forecast will show a current bi-ennium deficit in excess of \$1 billion.

This deficit can be resolved in three ways. First, the governor can unallot, as he was forced to do this summer. Second, the legislature and the governor can agree on a supplemental budget that resolves the deficit. Third, the legislature and governor could punt, leaving the issue for the next governor and legislature to decide after the 2010 elections. Technically, the Minnesota constitution requires that the budget be balanced at the end of the bi-ennium, which is June 30, 2011. This last course of action is highly unlikely for two reasons. First, Governor Pawlenty would likely not walk out the door in early 2011 leaving a budget deficit. Second, each day that passes means more money is spent by the state, leaving less available for any budget fix.

December 7, 2009

Public Policy Commentary

In This Issue:

- 1. It's Rally Time!**
- 2. Vikings Rally Shows True Interest in New Stadium.**
- 3. State has No Money - Lesson Learned?**
- 4. How About a New Train?**
- 5. Teachers and School Districts Ignore Economy.**

IT'S RALLY TIME!

Loyal readers, this is a call to action! Tomorrow, the Capitol in Saint Paul will come alive for a rally in support of the Governor's proposed constitutional amendment to limit government spending! As reported in an earlier edition, Governor Pawlenty has proposed a constitutional amendment to put government on a diet and limit the outrageous spending increases that have our great state on a path to fiscal ruin, just like California.

Want proof? Since 1960, Minnesota's AVERAGE spending increase per every 2-year budget cycle has been a whopping 21%!

It's time for action!

The rally will be headlined by Congresswoman Michele Bachmann!

What: A rally in favor of limiting government spending

When: Monday, December 7th, 9:00 AM

Where: The Capitol rotunda

After the rally, the Governor's proposal will be heard in the Senate Tax Committee. All rally attendees are invited to head down to the hearing and observe their government in action.

So you have to work Monday? The Watchdog has no sympathy. This is your government and your obligation to stand against ruinous liberal spending. It's a good thing the Founding Fathers weren't too busy to create America. It's a good thing Americans weren't too busy to fight World War II. Take a couple hours off work and join the cause. You've probably taken time off for the dentist or vacation. Don't you think your freedom is just a bit more important?

Be there!

Details on this important event can be found [here](#).

VIKINGS RALLY SHOWS TRUE INTEREST IN NEW STADIUM.

What if the Vikings threw a rally and no one gave a s**t? That's exactly what happened on Thursday of last week when a group called Save the Vikes held a rally on the steps of the Capitol. The Watchdog attended and counted no more than 50 goofballs who showed up and proved they are the football equivalent of Star Wars fans and Star Trek nerds. In other words, they appear dateless, classless, and clueless.

These guys appear dateless because of their obvious lack of physical fitness and sartorial discretion. If you were wondering whatever happened to purple Zubas, we have your answer. The remaining pairs belong to Save the Vikes geeks, along with the expected fake swords, face paint, and faux horns. The Dog could picture these guys wooing their romantic partners. C'mon, baby, I washed this jersey just last month. The pizza stains add character. Sweet! I look just like Pat Williams in this Speedo!

They're also clueless because they held a rally to ask for a \$750 million taxpayer funded stadium just one day after the state announced a \$1.2 billion budget deficit. Could there be a worse time for Zygi to ask all of us to make him richer?

The Watchdog's only regret is not taking some video of these characters. No problem, just tune in to any home game to see these guys in their alcohol-induced glory.

If you guys want a new stadium, write Zygi a check and leave us out of it.

STATE HAS NO MONEY - LESSON LEARNED?

Well, we've finally reached the breaking point. Just like California and New York, Minnesota found out this week that it once again is facing a massive deficit with no prospect of having a roaring economy cover up the problem.

Minnesota is facing a \$1.2 billion budget deficit in this biennium and a \$5.4 billion deficit in the 2012-2013 biennium (the "out" biennium). And the cause is plain to see - massive and unchecked spending. Since 1960, state spending has increased an average of 21% every two year budget cycle. That kind of obscene spending growth exponentially outpaced all inflation and population growth. And now we're paying the price.

The DFL, contrary to their vapid rhetoric, knows that tax increases can't possibly cover the hole. There aren't enough wealthy people left in Minnesota. They've been chased away by the state's high taxes and cold climate. It's common knowledge in the estate planning field that no wealthy Minnesotan will be caught dead - literally - in Minnesota.

That Minnesota is heading towards a fiscal cliff isn't a political opinion. It's a mathematical reality.

HOW ABOUT A NEW TRAIN?

Last week, we reported on the inauspicious opening of the Northstar rail train, the mass transit project that came in almost 100% overbudget and 50% shorter in distance.

Northstar managed to shave a whole 2 minutes off the commute between Big Lake and Minneapolis, all for a measly \$317 million. Oh well, government has a bunch of extra money these days, right?

Now meet Northstar's ugly bridesmaid. The Dog has also reported multiple times on the proposed tourist train to Duluth. You remember this route as the one that was such a money loser Amtrak dumped it in 1985.

Now Anoka County and partners seek to resurrect it, apparently unaware that there's now a freeway called I-35 that carries people up to Duluth quickly, efficiently, cheaply, and conveniently. Anoka County also is apparently unaware that once a train dumps you off in Duluth there is no easy way to get around.

But that doesn't matter. It's all about hiring lobbyists, wining and dining, and visiting Washington, DC to act like a big shot.

Taxpayers got a giant dose of sticker shock this week when MnDOT estimated the cost of the line to be an obscene \$990 million dollars - more than 3 times the cost of Northstar!

The paid consultants had estimated the line to be some 2/3rds of that cost, \$615 million. Almost \$1 billion for a train to Duluth is simply obscene.

TEACHERS AND SCHOOL DISTRICTS IGNORE ECONOMY.

Didn't we just write about local government ignoring the economic reality of this downturn? Since we're Minnesota's leading conservative news source, let us amaze you with some evidence of what we're talking about that no other media outlet will report.

Below are some teacher contract settlement amounts and the date the contract was settled. The price increase reflects the increase in the total cost of the contract, including wages and benefits

Brooklyn Center (7.06%) 9/14/09

Clinton-Graceville-Beardsley (5%) 10/21/09

Glencoe-silver Lake (5.86%) 6/29/09

Lanesboro (9.39%) 6/4/09

Littlefork-Big Falls (6.11%) 9/16/09

Minnetonka (5.4%) 10/1/09

Mounds View (6.91%) 9/22/09

Randolph (5.56%) 4/20/09

Rushford-Peterson (5.73%) 10/13/09

Swanville (5.7%) 10/13/09

Wayzata (6.8%) 9/14/09

Westonka (5.6%) 9/14/09

Yes, our under-funded public schools, indeed! At a time when many taxpayers have lost jobs and taken wage cuts, these public employees are enjoying increases to salaries and benefits. We need a levy!!!!

December 14, 2009

Public Policy Commentary

In This Issue:

- 1. Spending Amendment Rally a Resounding Success!**
- 2. The Hysteria over GAMC.**
- 3. Federal Bureaucrats Living Large.**
- 4. Conservatives and Racino.**

SPENDING AMENDMENT RALLY A RESOUNDING SUCCESS!

Monday's rally to support Governor Pawlenty's [Spending Accountability Amendment](#) was a resounding success! The Capitol Rotunda was filled with throngs of enthusiastic supporters who heard from Rep. Paul Kohls, Sen. Amy Koch, GOP Chairman Tony Sutton, and headline speaker Congresswoman Michele Bachmann.

The crowd then moved down to Capitol Room 15 where the Senate Tax Committee held a hearing on the Amendment. The Amendment was presented by Senator Koch as well as Pawlenty Administration official Tom Hanson, Phil Krinkie from the Taxpayers League of Minnesota, Josh Culling from the National Taxpayers Union, and Kelly Cobb from Americans for Tax Reform. All five did a magnificent job telling the Democrats on the committee why it made sense for the state not to spend more money than it takes in. It shouldn't take 5 people to speak to such a common sense proposal but it gives you an idea of who's running government in Saint Paul these days.

It was noteworthy that Pawlenty's amendment brought in two testifiers from national tax reform groups based in Washington, DC. Obviously, national conservative groups think highly of the proposal.

In opposition to the amendment were the usual suspects, a collection of local government representatives, liberal think tank nerds, and "Common folk" pimped by their unions to talk about how awful it would be if Minnesota lived within its means.

The Dog won't get into details of the opponent's inane arguments but the classic quote of the year belongs to Dane Smith of Minnesota Growth and Justice. Smith, who used to be an "objective" reporter with the Star Tribune, is now the think tank's president. Smith testified that **"Minnesota's government workforce has been dangerously downsized."** That's rich! Government is the largest employer in Minnesota and creates no wealth. Zero. Zilch. Nada. Nothing. The Watchdog staff laughed about that one for days. In fact, we're laughing right now. Priceless!

Dane, Minnesota's state government budget has grown an average of 21% each two-year budget cycle since 1960. It's the spending, stupid.

THE HYSTERIA OVER GAMC

Democrats in Saint Paul held a [press conference](#) this week in which they laid out a plan to "reform" General Assistance Medical Care (GAMC), a state-funded welfare program that pays for healthcare for the "less fortunate." Governor Pawlenty has set GAMC on a path to be terminated March 1, 2010 through his power to unallot state government expenditures.

Before analyzing the DFL "reform" plan, let's remember exactly what Minnesota offers by way of welfare healthcare lest we fall for the DFL mantra of people being "kicked off" health care and left to die in the streets (like the cuts Obama proposes for Medicare will do).

First, GAMC is an ultra-expensive healthcare program that offers an incredibly rich and retroactive benefit set. So, let's you choose not to buy healthcare and end up falling and breaking your arm after a night of binging on meth. You go the ER, get your arm fixed and then the state picks up the tab retroactively. GAMC requires absolutely no co-pays or other commitment, however small, on the part of the recipient.

Moreover, the program is outrageously expensive, with cost increases in the double digits year after year. GAMC cost increases were eating into the general fund in a serious way, crowding out other priorities like schools and prisons.

Second, Minnesota is the only state in the nation with three, yes three, welfare healthcare programs. GAMC, MnCARE, and Medical Assistance all serve the underserved here in the Gopher state. Only 12 states have two welfare healthcare programs while the other states only have one.

Third, when GAMC ends, over 90% of enrollees will be eligible for MnCare, one of the other two welfare healthcare programs. MnCARE does differ from GAMC in that it offers a cap on expenditures and features modest (\$5 per month) co-pays.

Thus, even when GAMC ends, Minnesota will still have the kind of Cadillac welfare healthcare benefits that draw the indolent from other states.

Now to the plan, which was short on specifics but offered up some reliable DFL funding staples.

First, the plan relies on a "surcharge" for hospitals and HMOs that would raise \$160 million. Now most people would call this a tax. Regardless of semantics, it will be a cost that is passed on to people who have health insurance in the form of higher costs.

Second, the plan would foist nearly \$30 million in unfunded mandates on counties, which would very likely be passed on in the form of higher property taxes. Of course, that's not necessarily true, but the Dog just can't see Anoka County, for example eating the costs. That, of course, would eat into Dan Erhart's eating on the taxpayer dime at restaurants across America.

Third, the plan relies on a Tom Petters-like Ponzi scheme whereby the \$160 million "surcharge" leverages extra federal Medicaid monies but then the \$160 million would be refunded to the hospitals and HMOs while the state keeps the extra federal aid money. Capitol sources tell the Watchdog that the federal government, while stupid, isn't that stupid. Schemes like this have been uncovered in other states and disallowed by the feds.

Thus, regardless of the plan, the \$160 million surcharge is shaping up to be the heart of an unworkable plan.

When it comes to this welfare program, don't believe the hype.

FEDERAL BUREAUCRATS LIVING LARGE

Here's more "change" you can believe in. While most of us are licking our financial wounds and dealing with pay cuts, benefit cuts and outright layoffs, our fearless public servants in Washington are living the highlife.

According to a disgusting [article](#) in USA Today, the number of federal employees making more than \$100,000 has exploded since the recession started.

The percentage of federal employees making more than \$100,000 jumped from 14% to 19% during the recession's first 18 months.

In the Department of Defense, the number of employees making more than \$150,000 went from 1,858 in December of 2007 to 10,100 in June 2009.

Over at the Department of Transportation, only one employee was making more than \$170,000 when the recession started. It's now 1,690.

Wow. The Dog never suspected that one aspect of "change" would be to make bureaucrats rich.

Can the Community Organizer in Chief get anything right?

CONSERVATIVES AND RACINO

The Capitol was all abuzz this week with the [news](#) that Senator Dick Day (R-Owatonna) was going to walk through the revolving door and go from Senator on January 7th to lobbyist on January 8th when he resigns to become a lobbyist for expanded gambling in Minnesota.

The Watchdog, being conservative/libertarian, doesn't really give a rip if people want to be dumb enough to pay that voluntary tax we call gambling. Go for it but just don't blame the casino for your problem when you lose the house and the kid's college fund.

In fact, the Dog encourages the expansion of gambling with one very, very important proviso.

Any expansion of gambling must be REVENUE NEUTRAL. This is a term of art that means any new taxes brought in by expanding gambling must be offset by tax cuts in another area, like income taxes. If we can replace involuntary taxes on productivity with voluntary taxes paid by gamblers, it's a "go" as far as the Dog is concerned.

But if this is just another scheme to feed the beast and get more money into the hands of the politicians in Saint Paul, we'll have none of it. Minnesota government spends about \$60 billion every bi-ennium (\$31 billion general fund). There's enough money in the system.

Go get em' Dick! Just as long as we're cutting taxes somewhere else.

December 21, 2009

Public Policy Commentary

MERRY CHRISTMAS EDITION!

In This Issue:

- 1. DFLer Punished for Opposing Tax Increases.**
- 2. Minneapolis has Plenty of Money.**
- 3. DFL Math.**
- 4. Al Franken is a Jackass.**

DFLer PUNISHED FOR OPPOSING TAX INCREASES.

State Representative [Gene Pelowski](#) (DFL - Winona) has attracted a DFL challenger for his legislative seat in District 31A.

That Pelowski has attracted a challenger from his own party is curious to say the least. Pelowski is a veteran legislator who by all accounts has served his district and his party well. Pelowski has been returned to the Capitol by his constituents 12 times in his legislative career and is highly respected around the Capitol as a thoughtful and talented public servant.

So why the challenge? Pelowski is apparently being punished for voting against the massive tax increases the DFL passed in the last legislative session that were vetoed by Governor Pawlenty. As a side note, it should be pointed out that Pelowski was hardly the only DFLer to oppose the multi-billion tax increases. In fact, the tax increase bill passed the House by the bare majority of 68 votes even though there are 87 DFLers in that body.

Pelowski also failed to vote to override Pawlenty's vetoes, voting with Republicans to uphold the veto.

Debbie White, The DFL challenger, said as much in an [interview](#). Said White, "He undercuts the DFL Party in the legislature."

It appears the fix is in against Pelowski, as evidenced by one of Minnesota's largest public employee unions voting to endorse White. AFSCME has endorsed challenger White. In their [press release](#), the union specifically noted Pelowski's failure to support massive tax increases as a reason for the White endorsement.

One of the real laughs in the press release was a statement from Eliot Seide, union clown-in-chief regarding Pelowski's seniority. Seide announced that one reason the union was opposing Pelowski was because he has been in office too long (24 years).

Really? The Watchdog looks forward to AFSCME then opposing the re-election efforts of the following DFL House members:

Lynn Carlson (38 years)
Phyllis Kahn (38 years)
Mary Murphy (34 years)
Karen Clark (30 years)
Loren Solberg (28 years)

We say [the fix](#) is in because the union apparently didn't even invite Pelowski to screen with them. Moreover, AFSCME endorsed White even before she announced her candidacy!

But here's the real reason the Watchdog brings this issue to light, as we're not real big fans of Pelowski. The real reason is the blatant hypocrisy of the media in this whole affair.

Remember the infamous "override six?" They were the six House Republicans who voted to override Governor Pawlenty's veto of a \$6.6 billion transportation tax increase.

When these six were held to account by their caucus and their party, the media engaged in feigned collective outrage, accusing the GOP of demanding "purity" and a blind adherence to party ideology. The Override Six were praised for their "courage" "independence" and willingness to "vote their conscience." To be blunt, the media martyred these six and used the vote to portray the GOP as a small tent party that demands lockstep votes from their endorsed legislators.

Where's the outrage now that a well-respected DFLer is being held to account in the same manner? Where are the Star Tribune OpEd pieces praising Rep. Pelowski's independence and bravery? Where are the editorials blasting the DFL for demanding blind adherence to a high-tax orthodoxy? You can bet your last dollar that if it was a Republican who voted FOR tax increases and FOR an override of a Pawlenty veto, that legislator would be put on a media pedestal, with the requisite homage paid by the usual suspects like Nick Coleman and Lori Sturdevant.

But since it's a DFLer and because the subject is tax increases, the media will do their liberal duty and turn a blind eye as the DFL and their union henchmen walk Gene Pelowski to the political gallows for committing the capital offense of opposing a multi-billion dollar tax increase and failing to toe the party orthodoxy of bigger government through ever bigger tax increases.

Hypocrites one and all.

MINNEAPOLIS HAS PLENTY OF MONEY.

There certainly has been an abundance of whining and a "can't do" attitude coming from Minnesota's cities and counties regarding local government aid (LGA) (we call it local government welfare) cuts coming from Saint Paul.

Consistent with that whining are the usual threats to cut the most sensitive and basic functions of local government like police, fire and snow plowing to create the appearance that local governments have "cut to the bone" and must raise taxes to protect the most basic services. Of course, this exercise is a bunch of hogwash as most cities and counties are outright lying about the state of their budgets. Most local governments simply don't want to adapt to the new economic reality and would prefer to keep the money spigot wide open, regardless of the financial situation of those who pay the taxes.

The Watchdog has spent much time exposing this charade through an examination of budgets in Red Wing, Coon Rapids, Mounds View, and other cities.

To be honest, this exercise is akin to fishing with dynamite, as the waste and bloat in government is omnipresent and easy to find. We really just occasionally pull out some darts and pitch them at a map of Minnesota to find our targets. Hours of basic research later, viola! We have uncovered waste and bloat!

Other times, we simply open the newspaper and have the bloat served up like a fat fastball right down the middle, ripe to knock out of the park.

Last Friday, the City of Minneapolis served up a meatball we will now blast into the upper deck and watch as loyal Watchdogs everywhere walk away disgusted and further convinced that government has a serious spending addiction.

The Star Tribune [reported](#) that the Minneapolis City Council voted to keep its car allowance, give itself a pay raise, and also raise the pay of mayor-cum-gubernatorial candidate RT Rybak.

For council members, they will be keeping a \$400 per month auto allowance, which, if all 13 claim the full amount, is \$62,400 annually

Council members will now earn \$78,394 annually while Rybak will earn \$102,993 as he does little more than raise property taxes, lay off cops, and run for governor.

The pay raise and automobile goodie package comes just days after the city bemoaned the "unavoidable" layoff of 25 police officers. The media dutifully bought into the city's sob story with the obligatory biography pieces of the soon to be laid off cops and what losing their badge would mean to them as well as solemn, self-righteous editorials announcing that Pawlenty would have blood on his hands because of local aid cuts that now meant fewer cops on the street.

What a bunch of pure, unadulterated arrogance for these council members to jack up property taxes, claim that government is as lean as can be, and then vote themselves a car allowance and a pay raise in the worst economy since the 1930s.

The good news for Watchdogs is that these clowns are their own worst enemies. Rest assured, the governor and the legislature (at least the Republicans) will remember these antics when it comes time to trim the state budget next year to erase a \$1.2 billion state budget deficit.

Local government aid will be first on the chopping block and the expected chorus of complaint will be met with cold indifference and the reply that any city with money for car allowances and pay raise certainly can make do with less LGA, or perhaps none at all.

Thanks, Minneapolis! Your pay raises will yield positive results for watchdogs way beyond the borders of your high-tax, high crime metropolis. We will all happily point to Minneapolis when we're asked to pony up more dough for "better government" as we say "no sale!"

DFL MATH

The folks leading state government down at the legislature gave the world a glimpse of their leadership prowess last week when two powerful DFL lawmakers unveiled their much ballyhooed plan to save General Assistance Medical Care (GAMC), one of three welfare health care programs the state runs.

For months, the DFL has proclaimed that saving this soon-to-be-bankrupt program is their top legislative priority.

If that's true, you would think they would have taken the time to make sure the math added up before they [went public](#).

Weeks after the unveiling, no one seems to be able to add up the math. House DFL Rep. Tom Huntley claims the cost of the package is \$292 million while state DFL Senator Linda Berglin claims the package has a cost of \$221 million.

Oh well, what's \$71 million when it's taxpayer money? That's a drop in the bucket when you consider that our Democrat president and his buddies in Congress are racking up deficits in the billions.

One DFL staffer said it all when he noted, "These are fuzzy numbers right now."

Way to be right on top of things with a sharp pencil, DFLers!

AL FRANKEN IS A JACKASS

Let the Watchdog just come out and say what every normal Minnesotan is thinking, with the exception of the hard core lefties who actually think Franken and Keith Ellison provide quality leadership in Washington. Al Franken is a jackass.

Despite having taken office only a few short months ago, Franken has already proven beyond a shadow of a doubt that he lacks the temperament needed to serve in the U.S. Senate and is thus unfit for office.

The latest moment of shame erupted when Franken, presiding over the Senate floor, [shut down](#) Senator Joe Lieberman when Lieberman asked for a moment to extend his remarks, a courtesy that is granted on a regular basis.

Remember when Franken [went postal](#) on T. Boone Pickens at a Democrat fundraising luncheon over the long-forgotten Swift Boats ads?

How about Franken's [meltdown](#) over a column written by Tennessee senators Lamar Alexander and Bob Corker that took issue with a piece of Franken's legislation? Franken confronted Corker on the floor of the Senate, losing his temper, as usual.

That's not enough, you say? Then how about Angry Al's [dissing](#) of South Dakota Senator John Thune?

Oh, yeah. And there's also Franken's [ranting and raving](#) about Governor Pawlenty to state employees.

For a man who won his senate seat by 312 votes in a blue state in the best election for Democrats since Watergate, Franken sure talks a lot smack.

Moreover, the U.S. Senate places a great deal of emphasis on civility, cooperation, and seniority. A jackass who ranks last in seniority won't get much done for Minnesota.

Like Mark Dayton, this guy will be a one-termer and we can move on to someone who can at least serve without embarrassment.

Check out some more Al Franken "classics" right [here](#).

December 28, 2009

Public Policy Commentary

In This Issue:

SPECIAL EDITION: 2009 YEAR IN REVIEW

Well, Watchdogs, it's been a watershed year for politics. The Minnesota Watchdog couldn't have picked a more propitious time to join the fray.

As we finish our first year and look ahead to 2010, we'll dedicate this week's update to a recap of the biggest Minnesota political news stories of the year that was.

Before we get to the Minnesota stories, we must acknowledge the momentous decisions of our federal government and the impact those decisions will have on our way of life. Whether it's the crushing federal debt, the massive government bailouts, the "stimulus" bills or the government takeover of health care, Obama and the Pelosi are attempting to set our great nation on a new course towards true statism and socialism. There can be no doubt that Democrats in Washington believe that government intervention in every aspect of our lives is good and proper.

Will the American people follow? Only time will tell, but it looks doubtful. Election results from Virginia and New Jersey as well as consistent polling all point to a vast majority opposed to this radical turn to the left. Let us hope so. We are truly at a crossroads in history.

Alright, let's get down to the top 5, in reverse order.

STORY #5: GOVERNOR PAWLENTY.

While particular aspects of Pawlenty's agenda and dealings with the legislature are stories, the overall view of his governorship is a stand-alone story. The most conservative governor of Minnesota's modern era, Pawlenty has stood as a bulwark against DFL overreach time and again. While the Governor has certainly disappointed us at times (e.g. Northstar rail, the Twins stadium), he has single-handedly prevented untold suffering at the hands of the DFL. Moreover, his possible run for the presidency has put Minnesota in the national limelight and deflected the negative publicity from Al Franken.

Here's what we said about T-Paw on August 17th:

After getting faked out of their collective jocks last legislative session, DFLers have demonstrated a particular hatred towards Governor Pawlenty. Pawlenty's success, talents, and leadership stand in stark contrast to the talent offered by the DFL leadership under House Speaker Margaret Kelliher and Senator Larry Pogemiller. After being exposed as empty suits, these two in particular have led the liberal charge in spewing invective towards Pawlenty. The mainstream media is only too willing to provide a platform for charges that Pawlenty has ruined

the state's economy and quality of life by mishandling the ship of state and in particular failing to raise the "revenues" that feed an ever-growing Leviathan of state spending.

So what the real story? Do the facts support the DFL and the media? Let's take a look. The DFL frequently offers a shrill chorus of criticism against Pawlenty's budget practices, noting that he opposes tax increases but wants to spend money anyway by borrowing, a practice that is jeopardizing the state's future.

Sorry, Larry and Marge, but the organizations that rate government budget practices don't agree. In fact, Minnesota just received a clean bill of health from these three and retained stellar ratings with respect to the state's credit standing.

Moody's, Fitch, as well as Standard and Poor all gave Minnesota excellent debt ratings. In fact, these ratings were nearly perfect. Standard and Poor gave Minnesota the highest possible rating, "AAA." Fitch did the same. Moody's rated Minnesota just one notch below perfect at "Aa1."

The state's excellent budget practices were praised by Fitch, which said, "Minnesota's 'AAA' GO rating reflects the state's excellent debt structure, broad-based economy with above-average wealth levels, and track record of management that is sensitive to changes in the state's fiscal environment, with regular reviews of revenue forecasts."

That these excellent ratings were kept during the worst economic downturn since the Great Depression is nothing short of amazing. Many states have suffered massive downgrades of the creditworthiness during this timeframe, including some that have seen their debt instruments downgraded to "junk" status. The same goes for a large number of private sector organizations as well.

How about jobs? At the start, it must be recognized that presidents and governors receive far too much credit and blame for the economy. While these chief executives certainly craft policies that influence economic prosperity, every job created or lost on their watch isn't attributable directly to their stewardship.

But if Pawlenty is going to be blamed by the DFL for job losses, he certainly should get credit from them for job creation as well.

In a Watchdog exclusive, we can report that Minnesota will be receiving some very welcome news on the jobs front this week. Because the information has not yet been released to the public, we will refrain from revealing details. Just make sure to watch the news on Thursday. In fact, Minnesota is at or near the top of numerous statistical categories.

- First in overall quality of life
- First in Fortune 500 companies per capita
- First in home ownership
- First in percentage of residents with a high school diploma
- Out of the top 10 in taxes (which happened under Pawlenty's watch)
- First in percentage of residents with a college education

Despite all the doom and gloom fostered by the DFL and their now infamous "misery tour" last winter, Minnesota is in pretty good shape compared with our 49 counterparts. It's high time the DFL stop badmouthing Minnesota in the name of attacking a governor they hate.

Minnesota has done well under Pawlenty's watch, despite the fact that he has had to deal with a DFL majority that seems fixated on the past and obsolete economic policies that were last popular in the 1970s.

Let's see the mainstream media start calling the DFL on these facts. And it's time for the DFL to stop with the PR gimmicks like their bogus "leadership summit." Talk is cheap.

STORY #4: TEACHER PAY AND THE BUDGET CRISIS

The economic downturn has slammed taxpayers hard, which in turn has impacted government budgets at all levels. While taxpayers face layoffs and pay reductions, the same hasn't always been true with government employees, especially teachers. As school districts settle new contracts with local teacher unions, it's important for Watchdogs to understand how teacher pay works in order to keep your school board accountable.

On September 21st, we showed you how:

So, when your district complains of necessary cuts, surprise them by asking the tough questions about labor costs.

First, ask when the teachers in the district last took a pay freeze. You might also want to get bold and ask when they last took a pay cut. Recessions have hit Minnesota in 2007-2009, after the September 11th attacks, in the 1990s, and certainly during the early 1980s. During those times, many private-sector employees took pay cuts or had pay frozen. Odds are your teachers didn't.

Second, and this is the important part, make sure your district is talking about ALL teacher pay. Districts and teacher unions love to talk about only a portion of teacher salary and here's where you need to be an informed taxpayer.

There are three different areas that comprise teacher pay: cost of living, steps, and lane changes. Make sure you ask about increases or decreases in all three.

The cost of living increase (also called "COLA") seeks to keep teacher pay consistent with inflationary increases in the economy. Teachers are awarded COLAs across the board regardless of seniority or other measures. The COLA is area that teachers and media usually talk about. For example, if the COLA increase is 1%, teacher unions and the media will often report that teachers took a 1% raise.

But that's not the whole story.

Teachers also get "step" increases to their salary. Teachers are paid on an old Soviet style pay grid where teachers move up and across the grid, receiving pay increases for each step across and

up the grid. The COLA boosts the entire grid while teachers either passively or actively move across and up the grid. COLAs usually run anywhere from 1-4 % each year.

The passive action up the grid is called a step increase. It is a passive action because a teacher need only avoid getting fired from her job each year to earn a step increase. The increase is given each year a teacher avoids getting fired. Critics of this type of pay call it "seat time" because the pay raise is given for no other reason than the teacher has hung around the district for a year. Teachers to reach the top of the grid in about 10 years (depending upon the district) and therefore are no longer eligible for a step increase. However, lest you weep for a teacher at the top of the grid, a lump sum payment is usually negotiated each year for teachers at the top. Sometimes, an additional "longevity step" is also negotiated into the package.

This form of pay is in no way based on merit. As mentioned, all that is needed is to hang around for a year without being canned. With tenure, that's an easy hurdle to clear.

Step increases usually average 3-5% in pay.

The active action a teacher can take to boost pay is called a "lane" change, the movement laterally across the pay grid. Lanes are defined by the level of education a teacher has amassed, thus requiring active participation by the teacher to obtain a higher of level of education. Lanes usually start with a bachelor's degree and move through the master's degree level and then college credits obtained beyond a master's degree.

There is scant scientific data to demonstrate a link between teacher quality and the level of education. While a basic level of training is no doubt needed, it has not been proven that a teacher with a master's degree is inherently more effective than one with a bachelor's degree.

Most teachers do move across lanes to a certain extent, but it is not required.

Lane changes usually average 3-5%.

So when your district talks about teacher salary, make sure you ask what the district is paying for 1) COLAs; 2) step increases; and 3) lane changes. While some districts may settle on for no COLA, they almost always continue to grant step and lane increases.

As you can see, if all three forms of pay boosted, a teacher could be looking at a double digit salary increase in one year.

Another area of compensation to examine is health insurance benefits. Districts tend to offer extremely generous packages that are unavailable to many taxpayers. For example, many districts pick up 100% of premium payments for the teacher while also paying a huge chunk of the premium for dependents. Co-pays and deductibles also tend to be generous. Make sure you ask your district about not only these payments, but also how much these costs have risen and how much of the increase the employer will be picking up as opposed to the employee.

Some districts will mask the true cost of a teacher contract settlement by agreeing to rather modest salary increases but huge concessions in the area of health care benefits. Remember to ask your district for the cost of the ENTIRE teacher contract settlement, not just the salary costs.

Finally, ask your district about pension payments and liabilities. Most teachers in Minnesota are in a state administered retirement program but the district pays into the fund. Ask your district about pension contributions and also ask them how healthy the retirement program (called TRA) is with respect to future projected liabilities. Many public employee pensions have projected deficits. Readers will recall that Minneapolis teachers used to have their pension program that was folded into the state system because it was nearly bankrupt.

In sum, if you take the time to ask the right questions and examine your district's pay policies in detail, you will see that one of the reasons that districts frequently struggle to balance budgets is because they agree to contract settlements they really can't afford, much like Detroit's management did for years until the day of reckoning arrived this year.

It's even worse for school districts because most school board members were elected with the help of the local teachers' union. The same union that shows up on the other side of the bargaining table soon after. Under those circumstances, it's easy to see why the contracts get so fat. The school board is often in a conflict of interest because the fiduciary obligation to represent the taxpayers is in conflict with debt owed by the school board member to the union who helped in a successful election.

STORY #3: CITIES AND COUNTIES DETACHED FROM REALITY

Like school districts, cities and counties have done their best to ignore the fiscal situation facing the country and instead have adopted a "business as usual" approach. Instead of finding ways to make do with lower tax revenue, they have resorted to thinly veiled threats to cut vital services and engaged the typical rhetorical devices such as the all-too-familiar "cut to the bone" mantra.

In order to keep them honest, the Watchdog has been tracking city spending, especially amongst the big complainers like Minneapolis and Red Wing.

Here's a sample of our work from June 19th:

It seems nary a day passes without some city or county in Minnesota making apocalyptic predictions of anarchy should Governor Pawlenty dare reduce state aid payments.

The latest entrant in this never-ending victim parade is the Governor's hometown of South Saint Paul (SSP). While most city-as-victim pieces paint the aggrieved municipality as a sympathetic figure, this one featured an angry, cynical angle as represented by city administrator Stephen King and told by [column](#) author Jon Tevlin.

The column was filled with little-disguised hatred for the governor, mocking both his political principles as well as his allegiance to his home-town (We won't hold our breath waiting for the Strib to mock Margaret Kelliher's and Matt Entenza's frequent invocation of their rural upbringing while they live the high-brow life in the urban core).

Wrote the author:

"It also turns out that Pawlenty's memories of the pizza are about as fanciful as his notions that he's for the 'Sam's Club' working man."

"As a friend of mine who grew up with Pawlenty likes to say, the governor grew up in a blue-collar household, 'but he was kind of like Alex Keaton on Family Ties,' a character who rebelled against his liberal parents and idolized Milton Friedman and Richard Nixon'."

"He's really not a presence here."

These quotes and more give the flavor of the column and leave no doubt that readers should conclude that Pawlenty is a cake-eating phony who hates the working class.

Of course, the column also featured paragraphs and quotes devoted to South Saint Paul's "bare bones" and "Cut to the bone" budget.

City administrator King offered the following gems:

"Every department has been economizing as much as we can." And, "We're one of the state's basket cases."

Okay, let's put the passion play to the truth test. Let's take a look at South Saint Paul's [2009 adopted budget](#) to see how well the city has "economized" its spending to match economic reality.

City Administrator

City Administrator Stephen King, who was the featured mouthpiece of the column, has a rather bizarre idea of "economizing."

This year, King will earn a salary of \$124,620. While that is a very generous salary, what is really noteworthy is that this is a 12.7% PAY RAISE over 2008. Yes, the city council raised his pay by double digits during an economic crisis.

Moreover, the city will kick in an extra \$43,000 in benefits, including insurance premiums paid and pension contributions. This brings his compensation package to over \$166,000

How many taxpayers in SSP got a pay raise this year, much less a double digit pay raise? How many get \$43,000 in benefits?

The median household income in SSP is approximately \$45,000.

City Administrator Budget

In fact, the budget for King's office is slated to increase nearly 20%. Salaries in the office are slated to rise 25%. The increase certainly can't be attributed to a job well done. The "2008 accomplishments" comment area for this office was left blank in the budget narrative.

General Fund Budget

The city's general fund plans to spend \$350,000 more dollars this year than last year. Many taxpayers and businesses are spending the same amount or less on their budgets. Taxpayers in SSP ought to be asking why their government isn't doing the same. We know where part of the increase is going (see above).

Leisure Activities

The 2009 budget will spend \$93,000 more than in 2008 for "leisure activities," a 5.5% increase. These activities include two pools operated by the city. Far from closing or curtailing this non-essential function, the city will increase pool spending in 2009. Pool spending will increase to \$150,919 this year, a nearly 7% increase over 2008. Isn't swimming pool spending what every family does in a financial crisis?

The city will also shell out \$175,000 to subsidize the local hockey arena.

The city spends over \$82,000 a year for this office which, among other things, provides coordination of the "Community of Promise Task Force" and the "Beatification Award Program." Another example of "economizing."

While space prevents a more thorough examination of SSP's budget, readers can definitely see that the city's definition of fiscal austerity is far different from the average taxpayer's.

Every city that has publicly complained about state aid reductions has been exposed as a big spender. Next!

STORY #2: DFL DITHERS, THEN TAXES

The DFL majority in the legislature showed nothing but paralysis and ineptitude during the economic downturn. Faced with a massive budget deficit, they sat on their hands and then passed a patchwork budget filled with billions in tax increases.

Here's what we said of their failed leadership back in May:

These folks lost and lost big. They made every wrong move. Let us count the ways.

First, they violated the fundamental rule of politics that you should never propose a tax that isn't implemented. They further committed a cardinal sin by proposing a bevy of unpopular tax hikes, touching a number of political "third rails" in the process.

When a politician proposes a tax that doesn't come to fruition, he wins no friends. The voters who opposed the tax will be angry that it was proposed in the first place while those who supported the tax hike will be angry that the politician failed to deliver.

Moreover, if you're going to propose tax hikes, for goodness sakes, propose the popular ones. The DFL did do that by proposing the golden oldies of taxing the rich and taxing sins like alcohol.

But the DFL went far beyond that by proposing across-the-board income tax increases, taxing music downloads, and taking away the mortgage interest deduction. And while the mortgage interest deduction issue is more complex than that, the DFL committed yet another cardinal sin by proposing something that is difficult to explain yet easy to criticize.

Thus, the DFL firmly cemented their reputation as tax increasers who can't manage a budget and are beholden to Big Government special interests.

Second, the DFL never had a coherent message. Despite the fact that everyone in Minnesota knew as far back as last fall that there was a fiscal crisis, the DFL dallied and vacillated, never giving the public a clear message or clear plan for closing the budget gap.

It all started with their refusal to acknowledge what everyone knew: they were going to propose tax increases. By refusing early on to acknowledge "revenue enhancers," they denied themselves the time and space needed to explain why more taxes were needed and build support within and without the Capitol walls.

This fundamental failure to build support for tax increases culminated in the embarrassing House floor vote in which the DFL tax bill passed by one vote. This was the defining moment of the 2009 session and signaled clearly to the DFL that Pawlenty would win on the tax issue.

After that, it was clear that the DFL plan was to run out the clock and wait for yet another special session for a chance to redeem themselves. The chance never came.

After the House tax vote, the DFL appeared to be off message, confused, and demoralized. They compounded their errors by passing other spending bills that didn't balance - which played perfectly into GOP hands by buttressing the charge that DFLers are fiscally irresponsible spenders. The DFL made a weak attempt to cover their collective butts by passing a tax bill that balanced their spending with exactly 8 MINUTES, yes minutes, left in session.

Finally, the DFL looked plain silly responding to Pawlenty's plan to solve the budget deficit himself. Cries of "abuse of power" and the threat of lawsuits - by other people no less - isn't leadership or even a credible alternative. Nor is the prospect of another "misery tour." We've been there and done that. It is clear that Democrats have used "misery tours" as little more than an excuse for inaction. At the end of the day, the public expects leadership and decisive action. The DFL provided neither.

The story of the 2009 session is a tale of two parties. The GOP responded to the call of leadership and made the tough decisions necessary in responding to crisis.

The DFL, on the other hand, shrank from their leadership obligations by dallying, vacillating, and ultimately providing a piecemeal plan that went nowhere. When the going got tough, they punted. Town hall meetings, federal monopoly money, and special sessions are no substitute for leadership.

STORY #1: PAWLENTY OUTFLANKS DFL WITH UNALLOTMENT

Without a doubt, this is the biggest story in Minnesota politics this year. Prior to this year, the word "unallotment" was an unknown to 99% of taxpayers. After the Governor resorted to unallotment to resolve the deficit, it entered the political vocabulary in the same way "subprime" and "public option" did. In short, Pawlenty totally outmaneuvered the DFL and eliminated the deficit in his way, further bolstering his public stature.

Here's what we said on May 22nd about T-Paw's performance during the 2009 session: Pawlenty absolutely outflanked and faked out the DFL with his bold decision to solve the budget deficit with through his executive powers regarding line-item vetoes and unallotment. DFL Senate Majority Leader Larry Pogemiller and DFL House Speaker Margaret Kelliher were left looking for the jocks after Pawlenty head-faked them.

Pawlenty grabbed the mantle of leadership and looked like the adult in the room by declaring the he would make the tough decisions if the DFL wouldn't. By doing so, Pawlenty declared that there would be no special session or government shutdown. Pawlenty thus avoided the wrath of voters who are rightfully exasperated by special sessions while making the DFL look inept and incompetent.

The Governor will also reap the political benefits of balancing the budget without raising taxes. Voters instinctively understand that raising taxes in a recession is a bad idea. They are quite receptive to the message that government should live within its means. And by the way, GOP voters in primary states across the country are even more receptive to such leadership.

It is unlikely the governor will suffer any negative effects of "owning" the cuts since he alone will implement them. After all, they amount to only about 3% of the budget. Most taxpayers will soon realize that life in Minnesota can actually go on even though the state had to make do with a 3% cut.

Moreover, to be brutally honest, those who will complain most loudly about the cuts are folks who never supported Pawlenty anyway. The dependency class of government workers, able-bodied welfare recipients, and professional protesters would have complained regardless of what the governor did.

In short, Pawlenty and Republicans provided a clear, concise, consistent message that was easy to understand and resonated with voters: live within your means.