

DATA DELAWARE: Monday, July 22, 2019
SUBJECT: *Ranked 48th, with every Delawarean owing nearly \$5,000!*
(Part 2 Podcast transcript)

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Dace Blaskovitz: Welcome back to Money and Politics in Delaware. Jonathan Williams, Chief Economist of the American Legislative Exchange Council, also referred to as ALEC, and okay, we wrapped up the last segment but you've got to do it again. You rank us 48th, if you're just tuning in, 48th in what, Jonathan Williams?

J. Williams: 48th in our measure of risk free unfunded liabilities per capita within the OPEB plans that we've been talking about, the promises for retiree health care for government workers that had been promised but not pre-funded to the extent that pensions have. As we've talked about Dace, these OPEB plans are pre-funded at a fraction of what pensions are pre-funded. And pensions get a lot of needed attention for how bad those unfunded liabilities are across states but this is even worse in terms of the lack of pre-funding and so when you look at it at a per capita basis, according to our preliminary numbers of our soon to be released report, nearly \$5,000 for every man, woman and child across the state of Delaware in terms of its risk free unfunded liability.

Dace Blaskovitz: And you keep saying that. To your compliment, let's make sure we go back and circle the wagons, what's risk free mean?

J. Williams: So both in our pension report and our OPEB report that we put out at ALEC, we look at the assumed rates of return as well as the risk that is involved in the investments and this is something that states I think, unfortunately, get away with is assuming a pink unicorn scenario for their investment returns and they pre-fund the OPEB plans, they pre-fund the pension plans but based on the guaranteed nature, especially of pensions. As you mention, OPEB are a little bit more flexible, where governments do take back promises occasionally, but especially with pensions. It makes so much more sense to look at it on a risk free investment returns scenario that they don't allow states, at least in our report, we don't allow states to get away with saying, "We're going to earn eight percent every single year and match that with a risk free obligation." Really, that is being promised when it comes to pensions.

J. Williams: And so that's the rub, and certainly you'd have government folks and come in and say, "Well, we've earned seven percent over the last 30 years. Why are we wrong on that?" And we can have that discussion and debate but I think it's awfully important and based on the academic literature out there, it's awfully clear that I think a best practice is that if you're going to promise something to people that you don't want to take away the promise. Don't run the risk of funding those promises with the best case scenario when it comes to market returns. That's where we leave the argument.

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- Dace Blaskovitz: You get an A plus on that one, my friend. We have been going at it non stop since we got on the air. Let's have some fun. I'm flipping TV channels, I think it was Wednesday night, guess who I saw there?
- J. Williams: Well, yeah, that's right. I was on the Liz Wheeler Show talking about the new numbers coming out of Washington that you all saw on the headlines in the mainstream media talking about this brand new \$1 trillion federal deficit number that was put out by the President's Office of Management and Budget. And talking about not only that but the scarier number at the federal level, which is the now \$22 trillion, with a T, of national debt we have accumulated. Obviously, up a big number even over the last 10 years and, according to the OMB Report, Dace, and this is where it gets even scarier is, based on their 10 year projection window, if we don't make substantive changes to the way that we tax and spend at the federal level, they expect, OMB expects, that within 10 years that federal debt number will go from 22 trillion with a T to 33 trillion with a T.
- J. Williams: And so that is really, really discouraging and so I was on TV to talk about those numbers and also give some help that's all doom and gloom. We have some really good debt management and spending control ideas that have worked at the state level that hopefully, let's just hope, that it's not just a novel concept but Washington occasionally learns something from these 50 laboratories of democracy that we have at the state level.
- Dace Blaskovitz: All right, I'll take the bait. Beyond the basic concept of paying for your bills, gee whiz, the political class sometimes cannot count to 11 with their shoes on but sarcasm aside, what are some of the success stories around the nation? Quickly.
- J. Williams: Well, there's some great ones but first point to make there is, is it not a revenue problem, it's a spending problem. As you know, Dace, we've hit all time record revenues in recent years even with recent tax cuts at the federal level. So it's clearly a spending side issue, which then points to the solutions like Colorado's Taxpayer Bill of Rights, which does not allow government to grow faster than population and inflation growth. Taking a great constitutional limitation has been phenomenal for Colorado's economy, keeping taxes in check. There's so many things like that to point to. 49 out of the 50 states have this novel concept of a balanced budget amendment where at the federal level clearly we do not. We don't even attempt to balance the budget, unfortunately, in Washington.
- J. Williams: So, once again, the states are some great case studies for policy makers in Washington, D.C. Let's just hope that they do turn their attention once in a while outside of this swamp that we have in this land of make believe in Washington.

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- Dace Blaskovitz: Wall Street Journal on Friday, the lead opinion piece on the opinion pages, the lead piece, Democrats Do Intimidation, ALEC is featured. For somebody that does not subscribe to the Wall Street Journal, when you read that, or rather I'll do it broader, share with us a recap of that piece.
- J. Williams: Well, right. It was a very important piece by Wall Street Journal columnist Kim Strassel, who is one of their most high profile columnists, as you know, and is a phenomenal defender of free markets. And she was raising awareness over the issue that you highlighted, which was ALEC and other organizations, free market organizations like American For Prosperity as well as some trade associations and other around town, received a letter on official government letterhead from Energy and Commerce Committee Chairman Frank Pallone, a Democrat from New Jersey, who sent that letter to five separate groups asking about a "covert lobbying and social media campaign" to talk about environmental rules based on the Obama auto efficiency standards. Now the Trump Administration is looking to revisit those and as our lawyer in the piece, Cleta Mitchell, pointed out, she actually sent our publicly available model policy resolution and other things that we've talked about when it comes to government regulation as well as selected tweets that our organization has sent out.
- J. Williams: There's no covert lobbying campaign happening. We have principles. They're called Free Markets Limited Government Federalism. This is a policy battle. Unfortunately, people like Chairman Pallone are trying to make this into some sort of a nefarious activity when we should be fighting about the war of ideas in the public space like we have for 45 years.
- Dace Blaskovitz: Yeah, but I'm not letting you get away that easy. Again, if you're playing along at home, Democrats Do Intimidation, Wall Street Journal. It's a must read. This is your second run in with these clowns. In 2013, you had Durbin, right?
- J. Williams: That's right. Unfortunately, Senator Durbin, who at the time chaired his subcommittee at Judiciary and was the, I believe, number two Democrat in the United States Senate, sent a letter to all of our financial supporters that he was aware of including some that weren't even financial supporters of ours and asked them, "Are you supporting ALEC financially and do you support their position on gun rights?" At the time, that was a position that ALEC had held in the past as well as other positions on the free market spectrum of things and it was a clear attempt to bully and frighten both corporations who, of course, are inherently aware of anything like this and are concerned about these type of outreaches from Senate or House leadership using their official government letterhead to approach businesses like that, or even individual contributors, which are the vast majority of ALEC contributors out there, people who believe in our cause.

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- J. Williams: And so, we just think and I was at ALEC at the time of the Durbin letter as well, this is a gross overreach of big government. And, of course, these come from the same people who utilized the IRS and weaponized the IRS to go after Conservative groups. So this is nothing new. Unfortunately, they've continued to go after people who stand up for principle.
- Dace Blaskovitz: Just so the laypeople in the audience are with me, this is a question, but what's happening is that ALEC receives donations as a think tank and these individuals, powerful people in government, are trying to witch hunt those people that might give that gift. In 30 seconds, is that fair?
- J. Williams: I think that's right and it's really modern day McCarthyism of people trying to intimidate political opponents instead of fighting about the war of ideas in the public space, which we've done for 45 years effectively. And that's why we're being targeted, is we have done it effectively and so it's a sad chapter in American history that let's hope is behind us very soon.
- Dace Blaskovitz: Jonathan Williams, fascinating guy. We'll let you know when the OPEB study becomes totally public. Again, it's the American Legislative Exchange Council. Find him online. We'll see you next week for more Money and Politics in Delaware.