



## **When governments compete against their citizens**

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With the governor's cuts in state aid to local governments the topic of the month, it's a good time to ask what local units of government are doing -- and ponder what they should be doing.

We give governments unique powers and ask them to do unique things. For example, I've been exploring some local parks, noticing the features they offer and how they differ from each other.

Yet governments sometimes act as if they are commercial enterprises. For example, some Twin Cities-area units of government operate water parks that resemble amusement parks more than the municipal pool of years gone by.

Anoka County operates Bunker Beach, which advertises itself as having "Minnesota's largest wave pool." Apple Valley's Family Aquatic Center has less extensive offerings, but you can rent it for your exclusive use after hours. Eagan's Cascade Bay has, in addition to the usual water park features, a miniature golf course. Shoreview has the Topics Indoor Water Park.

So extensive and important are government-owned water parks that of the 18 Minnesota water parks listed by the Web guide About.Com, four (or 22 percent) are owned by a government agency.

If golf is your passion, Explore Minnesota says there are 498 golf courses in the state. Roughly half of the courses I have played golf at are owned by cities or another unit of government. Some of them, such as Superior National Golf at Lutsen, receive plaudits from industry magazines such as Golf Digest. But those awards can't overcome the fact that golf may be the least essential of non-essential government services.

After all, it's not as though you have to belong to a private club to golf. Explore Minnesota says that 90 percent of the state's courses are open to the public.

When winter comes, the commercial enterprises continue. The Three Rivers Park district, an independent unit of government in the west metro area, operates Hyland Ski & Snowboard area in Bloomington.

Under the authority of a special state law, Duluth operates its own ski hill, Spirit Mountain, that receives tax subsidies from a special tourist tax. The city tried to get federal stimulus money for snow-making equipment, saying it would create jobs. (The city didn't get the money.)

What do water parks, golf courses, and ski hills have in common? Aside from offering recreational opportunities, they are examples of businesses in which governments compete against citizens in a business in which the benefits (of playing in the water, playing golf, and skiing or snowboarding) accrue largely to the people engaging in the activity.

Whether we're talking of recreation or other lines of business, government-owned enterprises enjoy several advantages. They don't pay property taxes, and they can rely on the public treasury if needed.

When government goes into business, it may offer a bargain to its customers, but it imposes costs on everyone else. First of all, it discourages private citizens from going into business for themselves. They also expose taxpayers to financial risks, particularly for capital-intensive businesses such when cities start a broadband service.

Even if they don't need explicit subsidies from the treasury, government-owned enterprises impose opportunity costs. A piece of land owned by government is money that can't be used for a business that will pay taxes and employ people.

Public enterprises can also face a conflict of interest. More than 230 cities in the state own liquor stores, which means that one of four Minnesota cities is in the business of selling hooch. The City of Apple Valley addresses the conflict on its website this way: "While the purpose for municipal sales is to promote moderation and control in the sale and use of alcohol beverages, the municipal operations can also be profitable and generate income for the community." Some residents, no doubt, are uncomfortable at the thought of profiting from the sale of alcohol.

The conflict between these two goals is most blatantly evident in one New Hampshire rest area I visited. On one side of the parking lot is the conventional rest-area building with toilets and information for tourists. On the other side is the state-owned liquor store. "Hey kids, let's stop at the rest area and buy some Old Grand-dad before we visit Grandpa!" At least we don't have that situation here in Minnesota.

Sometimes local governments compete with home-grown businesses that have become household names elsewhere. Minneapolis is home to Caribou Coffee and Saint Paul is home to Dunn Brothers Coffee. Each business now operates in 10 or more states. But the Central Library, of the Saint Paul Public Library, offers its own coffee shop, and I suspect other libraries do the same.

In the business of fitness centers, LifeTime Fitness has gone national, but the City of Eagan, among others, operates its own fitness center.

Citizens grant government powers to government because they are essential to the public good, and having private citizens provide them is problematic. Police powers, to protect us from force and fraud, are one example. So is the responsibility to provide clean drinking water.

Serving up a fancy cup o' Joe? Not so much.