



Lawsuit Filed Against Teamsters For Extra Fee Imposed On Right-to-Work Employees

BY TOM GANTERT

The Mackinac Center Legal Foundation filed a lawsuit on behalf of four former Teamsters union workers who say charging them a fee to file a grievance because they opted out of paying dues is in violation of the right-to-work law passed in December.

Teamsters Local 214 in the city of Dearborn said effective July 1, it would charge \$150 to employees who opted out of paying union dues to file a grievance, according to the lawsuit. The

four workers being represented by the Mackinac Center Legal Foundation are city of Dearborn employees.

“I was waiting for [right-to-work] for a long time,” said Fred Armstrong, one of the plaintiffs in the case. “I was happy when it happened. I was the first one out of the union.

“They really weren’t helping me much,” Armstrong added. “Things they said they could do, I wound up doing myself.”

See “Lawsuit Filed,” Page 8



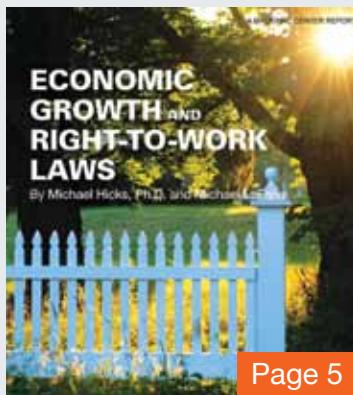
From left to right: Shawn Koskyn, Maria Santiago-Powell, Greg Andrews

INSIDE THIS ISSUE

Back Page



A sampling of proposed state laws



Page 5

Detroit Bankruptcy

It should never have come to pass

BY MICHAEL D. LAFAYE

The city of Detroit filed for bankruptcy. Gov. Rick Snyder approved move. It is a sad day in the long decline of a once powerful city.

It did not need to come to this. Warning signs were everywhere and only increased in intensity in recent years. As early as 2000 this author published an entire issue of the Mackinac Center’s flagship publication Michigan Privatization Report dedicated to Detroit’s fiscal problems and related solutions.

I warned city leaders that “If Detroit’s future expenditures were relatively stable, this financial snapshot still would be cause for concern. But the city is looking at two new outlays of monstrous proportions: funding the pension

obligations of current and future city employees, which could cost up to \$3 billion, and fulfilling requirements under several federal environmental acts, which will cost billions more.”

In other words, the Center gave Detroit officials a 13-year heads up on the cost of their future pension obligations and the difficulty the city may have in funding them. Today those obligations probably contributed to the decision to seek federal bankruptcy status.

The handful of ideas presented for reform in 2000 would have saved Detroit \$207 million annually, generated a windfall of at least \$2.4 billion from the sale of assets and netted an additional \$15 million annually from the sale of just two properties. The

Michigan Privatization Report issue recommended selling both Belle Isle (\$370 million) and Cobo Arena (\$50 million). Both of those are conservative figures.

In 2005, I wrote an op-ed in The Detroit News titled, “Detroit Can’t Postpone Reforms: Here are five ways the city can restore prosperity and avoid state receivership.”

Instead of aggressively facing their problems and fixing the city’s mismanagement issues, city officials continued to ignore and delay reforms until a consent agreement, an emergency manager and a bankruptcy filing were needed. ■

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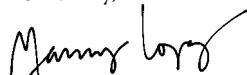
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The Detroit Narrative Will Shape the Nation



BY JOSEPH G. LEHMAN

One might say the Mackinac Center's biggest failure is Detroit. I'm hard pressed to name an issue on which we've spilled more ink and had less actual impact. But Detroit's collapse positions us to have greater influence on cities nationwide than we ever had in Motown.

That's because Detroit's bankruptcy, America's biggest-ever municipal bankruptcy, will not proceed in isolation from the urban policies in every state and the nation. No one wants other cities to follow Detroit over the cliff. Policy changes intended to prevent that outcome will be greatly shaped by whatever narrative emerges from Detroit now. That narrative will answer the questions, What happened, why did it happen and where do we go from here?

I'm not just speculating. I'm recalling recent history. In 2008 the economy came close to collapse. The narrative that emerged then was that the biggest banks nearly failed and took the economy down with them because of corporate greed, insufficient government oversight and the shortcomings of capitalism in general.

This narrative produced several harmful policies. Congress quasi-nationalized banks and auto makers while forcing taxpayers to bail out private firms. The Obama administration twisted bankruptcy rules to benefit labor unions. Congress strait-jacketed financial institutions with harsh, new restrictions and launched a

multi-trillion-dollar borrowing-and-spending binge. These policies are still impeding the recovery.

In 2008, we knew government policy itself was more to blame for the crisis than any problems inherent to free enterprise. But Congress bought the other

No one wants other cities to follow Detroit over the cliff. Policy changes intended to prevent that outcome will be greatly shaped by whatever narrative emerges from Detroit now.

narrative. They overlooked regulations that rewarded banks for making risky loans, neglected the self-correcting nature of capitalism, and forgot the 20th century failures of Keynesian economics. They inflated a bubble, poked at it, and were shocked by its burst.

The free market narrative didn't prevail and we're stuck with the policies the winning narrative begat. What does this mean for Detroit?

It means our top priority now is to make sure the correct narrative takes hold. Detroit is bankrupt for many interwoven reasons including local policies that drove away taxpayers, overly optimistic investment assumptions, plain old mismanagement, and even some factors outside the city's control. Too little government is not a cause and more government is

not the solution.

As the bankruptcy unfolds over the next year or more, we won't be shouting "we told you so" even though Detroit could have avoided this day had they taken my colleague Mike LaFaive's recommendations starting 18 years ago. We'll be talking more about the future than the past. And the brightest future for Detroit, and every other mismanaged city that hopes the federal government will bail them out, is in the direction of freedom and free enterprise.

We'll articulate that narrative and work for policies that flow from it. For just one example, if Detroit's troubles lead to a new way of looking at public pensions, it could prevent hundreds of billions of dollars' worth of unfunded obligations from accruing in states and cities everywhere.

Milton Friedman said, "Only a crisis ... produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around." The free market movement lost the narrative war in 2008 because we didn't make our ideas the ones "lying around." The Mackinac Center won't let that happen now with Detroit.

(Editor's note: This is an edited version of a commentary first published in the September/October issue of IMPACT.) ■

Joseph G. Lehman is president of the Mackinac Center for Public Policy. The original version of this story was posted online on Sept. 12, 2013. It is available with hyperlinks and more info at www.mackinac.org/19130.

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Did you attend? View the photos at flickr.com/MackinacCenter



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Two Democrats Join Republicans at Top of Tea Party Scorecard

Ratings shows bipartisanship on issues like fee increases, corporate welfare

BY JARRETT SKORUP

The tea party movement is largely seen as part of the conservative plank of the Republican Party, but on one yearly scorecard, a Michigan tea party group rates two Democrats and two Republicans at the top of the list for voting in line with its ideals.

The Clarkston-based Independents for Responsible Government focuses on the “three goals of fiscally responsible government, limited government, and private sector job growth” and has been around since 2010. On its most recent scorecard, four representatives in the State House tied for first, voting 64 percent with bills the group selected to score: Rep. Scott Dianda, D-Calumet; Rep. Doug Geiss, D-Taylor; Rep. Ken Goike, R-Ray Township; and Rep. Tom McMillin, R-Rochester Hills.

Rep. Geiss said he doesn't take notes on pleasing people outside his district, but the votes cited by the group have crossover appeal.

“I may not align with them on always voting ‘no taxes,’” Rep. Geiss said, adding that there is a balance on revenue for government and funding programs. “It looks like I agreed with their viewpoint on pension issues and [select corporate subsidies].”

The most recent scorecard focuses on areas like corporate welfare, education choice, pension double-dipping, fees and Medicaid expansion.

Ray Hamman, the leader of the group, said that previous legislative sessions normally have Republicans at the top of the card, but this time in the Senate the five lowest scores were from the GOP.

Because of the current importance the group placed on Medicaid expansion, which is a key component of implementing Obamacare, Hamman said the group scored two votes on the issue.

“In Michigan, the issue getting the most attention is the Medicaid expansion, which is strongly opposed by most conservative groups,” Hamman said. “Obamacare is a major reason that tea parties were started, and we have an opportunity to send a message by not volunteering to build the health care exchange in Michigan and not accepting the bribes for a costly and ineffective Medicaid expansion. Obamacare is a disaster for both deficit spending and effective health care, and we must do everything we can to replace it with an effective, market based solution for providing health care services.”

He said other areas like fee increases and select subsidies should not be overlooked, and that recent votes showed most Republicans supporting fee increases with most Democrats opposed.

“Until the Legislature takes serious actions to actually stop wasteful and unnecessary spending, there is no justification for any tax increases, for anything,” Hamman said. “Corporate welfare like the movie and green energy subsidies are an obvious place to start. Unfortunately corporate welfare is probably the best example of bipartisanship — both parties love giving taxpayer money to favored businesses. This practice is so harmful that we publish a special extract of the scorecard focused on corporate welfare, and the scores are consistently abysmal — most legislators in both parties score zero.”

Hamman praised the Legislature for the past session when the GOP had a “historic” vote and passed the state's right-to-work law. But, he added, “I hope they don't think that gives them a free pass on fee and tax increases, or continuing the ultimately corrupting practice of corporate welfare.”

Rep. Geiss said there are many ways to find common ground between the political parties.

“When you take individual issues, none of us are predetermined,” Rep. Geiss said. “I can agree with people in the Republican Party and they can agree with my position, that's the reality of government. We have to represent our districts. I think people want to paint both parties as having this animosity. That has not been the case in my four-and-a-half years there.”

Citizens interested in tracking how their legislators vote can do so easily at: www.MichiganVotes.org. ■

The original version of this story was posted online on Aug. 24, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19029.

School Districts Cannot Require Parents To Buy School Supplies

BY JARRETT SKORUP

Every year, public school districts in Michigan request classroom supplies from parents. But few seem to know that these items are not mandatory — state law requires them to be provided by districts.

Some parents in the Standish Sterling School District received a flier from three fifth-grade teachers listing a half dozen “necessary items” their children would need and another five “optional items.”

In Michigan by law, the school district is responsible for supplying students with necessary supplies. The state Supreme Court ruled that this includes basic school supplies.

Standish-Sterling Superintendent Darren Kroczaleski said he checked into it and the list was sent out by the teachers because they receive requests from parents and organizations looking to donate supplies and want to know what is needed.

“It was more of a FYI, ‘if they are going to purchase it ...’” Kroczaleski said.

Kroczaleski said he wasn't aware of any letter sent out with the flier explaining that it wasn't mandatory for parents to purchase the “necessary” items on the list.

Audrey Spalding, education policy director for the Mackinac Center for Public Policy, said it's not uncommon for school districts to send out ambiguous communications about purchasing school supplies.

“Parents should know they are not required to purchase their children's school supplies,” Spalding said. “The law requires schools to provide school supplies.”

MLive reported that a national retail survey found that all-new school supplies can cost between \$161 and \$330 for students, depending on grade level. ■

The original version of this story was posted online on July 24, 2013. It is available with hyperlinks, a video of the event and more info at www.MichCapCon.com/18916.

Lawsuit Settled

Birmingham Public Schools settled a class action lawsuit filed on behalf of students who paid fees for registration, locks and school supplies.

The settlement notice said the parents in the lawsuit received no compensation other than the school district paying \$10,000 for their costs and attorney fees. The district said it did nothing wrong. Birmingham Public Schools Spokeswoman Marcia Wilkinson said in an email the district no longer charges for any of the things listed in the lawsuit, which covered the 2010-2013 school years.

To read the full story on the lawsuit, go to: <http://www.michigancapitolconfidential.com/18957>

Right-to-Work Event Marred By Protesters Spitting At Worker Freedom Advocates

BY MANNY LOPEZ

Union activists and big labor supporters who were upset that people were gathering in Vancouver, Wash., to talk about worker freedom resorted to violence and intimidation, which resulted in a Mackinac Center for Public Policy employee getting spat upon.

F. Vincent Vernuccio, labor policy director at the Mackinac Center, was invited by The Freedom Foundation in Washington and the Cascade Policy Institute in Oregon to speak about the benefits of worker freedom. However, he didn't even get out of his car before he was confronted by protesters.

A protester with bullhorn disrupts a meeting about the policy implications of right-to-work.

About 30 protesters holding anti-right-to-work and other signs with union logos and slogans greeted cars entering the parking lot of Clark College, he said. Once in the lot, Vernuccio said he rolled down his window to shake hands with someone, but instead was spat upon by a protester holding a union sign.

He apparently was not alone.

Max Nelsen, labor policy analyst for The Freedom Foundation, said others also were spat at, had their cars stopped by protesters who jumped in front of the vehicles and had their car windshields covered

with signs.

Eventually, the protesters made their way inside the building where they yelled at people and chanted union slogans.

Police were called and one person was arrested, said Sgt. Greg Raquer of the Vancouver Police Department.

"The protesters, too cowardly to engage in civilized debate, instead screamed at event organizers and attendees," Trent England, executive vice president of the Freedom Foundation, posted on the group's website.

Those tactics won't help the labor movement, Vernuccio said.

"A year ago, a simple event

See "Event Marred," Page 14

'LOW WINTER SUN' BUZZ IGNORES TAXPAYER SUBSIDIES

BY TOM GANTERT

In his review of the AMC TV show, *Low Winter Sun*, Time Magazine TV Critic James Poniewozik interjected thoughts about his own childhood growing up in Detroit, where the drama series was filmed.

"I was intrigued to see it, though, because I grew up near Detroit, which was not a popular TV location in my childhood the way Chicago or LA were," Poniewozik wrote.

The reason Poniewozik doesn't remember Detroit as a popular TV location likely is because the state didn't offer one of the biggest tax incentives in the nation back then to land such shows as *Low Winter Sun*.

Filmmakers can get back as much as 35 percent of their costs thanks to the Michigan Film Office's film credit.

That's higher than New Mexico, which has a film incentive that

pays up to 30 percent, and was host to *Breaking Bad*, AMC's critically acclaimed series.

Louisiana and Alabama also have film incentives that reach as



high as 35 percent. California tops out at 25 percent, and Florida goes as high as 22 percent. Colorado's incentive program comes in at 10 percent.

Poniewozik was one of a handful of writers who spoke on the significance of the TV series being filmed in Detroit given that the city is the largest municipality to file for bankruptcy.

But Poniewozik, the Associated Press, the New York Times and the Detroit Free Press all neglected one major part of the story in their

reporting: taxpayers paid \$7.5 million to the production company to film the show in Michigan.

The Detroit Free Press gave the film credits six words "thanks to the state's film incentives" in its story, but made no mention the incentives amounted to millions.

Ironically, *Low Winter Sun*'s \$7.5 million gift from Michigan taxpayers is symbolic of one of the reasons Detroit ended up in the financial decay it's in, said Leon Drolet, chairman of the Michigan Taxpayers Alliance.

Subsidies and crony capitalism that favors such businesses as Hollywood filmmakers at the expense of other businesses is what played a role in bankrupting Detroit, Drolet said.

The Michigan Film Office projects the *Low Winter Sun* will create 148 full time jobs in a state that added about 69,000 jobs a month on average in 2012. Those job projections have not proven to

See "Buzz Ignores Subsidies," Page 12

STUDY

Right-to-Work Laws Lead To More People, More Jobs and Higher Pay

BY JARRETT SKORUP

States that have passed right-to-work laws have seen increased employment, higher pay and expanding population, according to a new study.

The report analyzes data from a 64-year period, 1947-2011. The year 1947

is when federal legislation

first allowed states to give workers the choice of whether to financially support unions as a condition of employment. The study is co-authored by Michael Hicks, an economics professor and director of the Center for Business and Economic Research at Ball State University, and Michael D. LaFaive, director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy.

"It is impossible to totally disentangle right-to-work from every other business friendly policy," Hicks said. "That being said, the best studies in this area acknowledge that right-to-work laws are really the king of business friendly policies."

LaFaive agreed.

"There was and remains a lot of debate over whether or not right-to-work laws are economically beneficial," he said. "We believe our study confirms that right-to-work laws have a measurable and positive impact on the economic well-being of a

state and its citizens."

The study looks at annual employment growth rates, inflation-adjusted personal income, and population figures to measure economic progress.

Each of these areas improved significantly more in right-to-work states and the report concludes that right-to-work laws "have a positive and sometimes

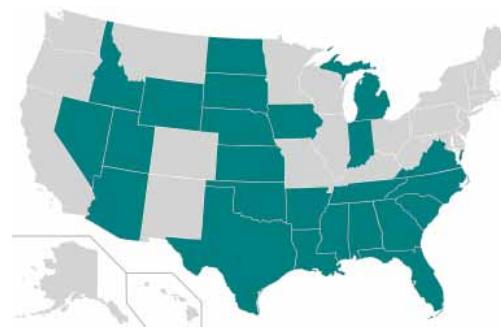
very positive impact on the economic well-being of states and their residents."

The authors said there are three main challenges for researchers when analyzing the effects of right-to-work laws.

First, is the timing — the amount of time it takes for the impact of legislation to take place varies. To solve this issue, the study covered a 64-year time period; from the beginning of right-to-work legislation, and three shorter periods as well.

Second, the evolution of the economy — national, state and local economies are rapidly changing. The report looked at how much of an effect right-to-work laws had during three different time periods. The data show that from 1947 to 1970, there was no statistically significant impact of these laws in states that had them. From 1971 to 1990, however, right-to-work laws increased average annual employment and personal

See "Right-to-Work Laws," Page 8



The shaded states, including Michigan, are right-to-work states.

MichiganVotes.org

COMMENTARY

Unions Cry Crocodile Tears Over Municipal Pensions

House Bill 4804 would make it easier for local governments to get out of defined benefit system

BY JAMES M. HOHMAN AND JACK MCHUGH

A bill that would help local governments wind down their unsustainable “defined-benefit” pension systems is causing unions to rev up their spin machine to stop it.

House Bill 4804, sponsored by Rep. Pete Lund, R-Shelby Township, would make such systems a “prohibited subject” in collective bargaining negotiations, meaning that once a city council or county board has decided to close their existing defined-benefit pension system to new employees, the decision could not be overruled by future collective bargaining agreements. The bill is pending in the House Local Government Committee.

These defined-benefit pension systems were a contributor to the mountain of liabilities that finally drove the city of Detroit to seek federal bankruptcy protection last week. Across the country, they are widely perceived as ocean liners racing toward clearly visible icebergs, with few of the policymakers at the helm doing anything meaningful to reduce speed or change course.

Instead, the tendency has been to adopt supposed reforms that actually do little or nothing to fix the core problems. In large part this is because the unions representing employees who have the biggest stake in reform refuse to acknowledge the problem. As Walter Russell Mead recently observed about reform efforts, “The public worker unions will

hate this; their business model is based on the ability to use concentrated political power to extort impressive but unrealistic pension promises from pandering politicians.” So even modest reforms meet with opposition, which is what’s happening to the bill proposed by state Rep. Lund.

The legislation would facilitate the decision of locals to stop enrolling newly hired employees in these systems, instead granting them 401(k)-type “defined-contribution” retirement benefits. Rep. Lund’s chief of staff Bob Mauseth told Capital Confidential that the intention is to amend it to more explicitly clarify that this would also have the effect of allowing local citizen initiatives to require the transition.

Going local in this way may be part of a national trend. For example, in San Diego and a number of other municipalities across the country voters have been given an opportunity to choose whether their officials should be allowed to offer costly defined-benefit pension plans. While such local initiatives don’t fix the centralized state and school pensions systems that represent the largest pools of unfunded liabilities, they are still useful and positive steps.

Nevertheless, a recent MIRS News article illustrated Mead’s point about unions resisting such reforms, usually by refusing to acknowledge the real sources of the systems’ dysfunctions. In the piece, union lobbyist and former legislator Nick Ciaramitaro pulled

out every excuse in the book to torpedo Rep. Lund’s idea. At first he makes unions seem friendly to reform: “We’re just as angry by the abuses (sic) you are seeing to these funds because it depletes the retirement for our members who need this money to live on.”

But actions speak louder than words. One example is when government unions call for early retirement incentives and pension sweeteners that blow giant holes in these systems. That’s what happened here in 2010 when the Legislature enacted a “reform” that added nearly \$1 billion in of unfunded liabilities to the school employee retirement system.

Ciaramitaro also resurrects a false “transition costs” claim invented by pension bureaucrats and promoted by the MEA union last year to prevent House Republicans from adopting a transformational Senate-passed reform. If the House had gone along, the defined benefit for school employees would have been closed to new hires, placing the state on glide path to eliminating the largest source of employee “legacy costs.”

MIRS then describes this union lobbyist’s resort to a common cover story employed by state politicians when they want to give their municipal buddies more room to engage in fiscal malpractice — “local control”:

“The Lund legislation is another effort to undermine the collective bargaining process by allowing state government to micromanage local units of government,

See “Unions Cry,” Page 8

Legislation Grants More Money, Taxpayer Debt For University Construction

Some experts see ‘higher education bubble’

BY EVAN BRUBAKER AND JARRETT SKORUP

An amendment to an appropriations budget authorizes an increase in state debt to pay for state university construction projects. But some experts see a “higher education bubble” on the horizon and said more taxpayer debt for more buildings is a bad idea.

House Bill 4112 is the appropriations budget for the 2012-13 fiscal year. On June 19-20, the House and Senate voted nearly unanimously to add language to the bill that “authorizes increasing government debt by \$81.5 million to pay for proposed state university

and college construction projects,” according to MichiganVotes.org.

Some of this funding will go to universities with some of the highest endowments in the nation.

This expansion of building funds comes a year after a similar bill passed a year ago. House Bill 5541 of 2012 approved \$304.5 million in state funds for colleges and universities in the state. The bill allows \$613 million in new government debt for 18 state university projects, passing overwhelmingly in the state House and Senate.

Two college professors who have
See “University Construction,” Page 10

Senate Bill Aims to Bolster Corporate Welfare

BY JARRETT SKORUP AND EVAN BRUBAKER

A new bill that would rename and expand formerly failed economic development programs has passed the Michigan Senate nearly unanimously and now moves on to the House of Representatives.

Sponsored by Sen. Virgil Smith, D-Detroit, Senate Bill 271, would

“increase maximum amount of state ‘community revitalization’ grants (formerly

‘brownfield’ and ‘historic preservation’ tax credits) that can be awarded to a particular developer, corporation or other special interest from \$1 million to \$2.5 million;

allow four annual loans of up to \$20 million each to particular interests for this purpose; and in general, remove various statutory prescriptions and restrictions on how the political appointees on the Michigan Strategic Fund board may spend state revenues allocated to this program,” according to MichiganVotes.org.

Further, the legislation says that it will provide capital for “qualified businesses that need

additional assistance for deal-closing and for second stage company gap financing.” Together, lawmakers think that such measures will spur

See “Bolster Corporate Welfare,” Page 10



COMMENTARY

Mother May I?

BY MICHAEL J. REITZ

You've seen the helicopter parent. It's the father who hovers at the

playground, poised to intercept his falling child. It's the mother who slathers anti-bacterial gel on every object her baby touches. The parents who slavishly cater to a child's whims and self-esteem.

Look closely and you'll see the same traits in government.

Politicians and bureaucrats have embraced the "duty" to prevent every possible harm that you might inflict on yourself. Whether attempting to relieve the discomfort of poor choices, prohibiting behavior that would otherwise be acceptable, or mandating elitist-approved conduct, the State has taken on a parental role.

And what a bad parent it is.

Nanny-in-chief Mayor Michael Bloomberg wants to snatch large sodas out of the hands of New Yorkers (never mind that New Yorkers will still buy two smaller ones at four in the morning). City leaders across America are banning plastic shopping bags. If a person in Michigan wants to make a living cutting hair, painting houses or installing security alarms, he or she needs the state's permission through occupational licensing. Transfats, incandescent

Nanny state politicians and bureaucrats getting in the way of liberty, happiness

light bulbs, Styrofoam and candy cigarettes all are targets for the statist. As Mayor Bloomberg told *The Atlantic*, "People aren't good at describing what is in their own interest."

You heard that right: You don't know what's good for you. Except he's not saying this to his own teenagers before a dance — he's saying this to grown men and



women across the country.

This haughty presumption that the government knows what's best is what many of us object to in Obamacare's individual mandate. What's worse, a system of individual mandates will deteriorate any reason for people to eat broccoli, join a gym or give up that glass of red wine. There's no incentive to live well when the system subsidizes only symptomatic treatments or unhealthy living, and removes personal actions from financial responsibility. We'll be a nation of financial teenagers, living off

parent-government.

There's a better way.

Frédéric Bastiat profoundly said that the purpose of the law is not to make good things happen. Rather, the purpose of the law is to prevent injustice from reigning. You and I have the right to pursue happiness. The State cannot create happiness for us.

Further, these lawmakers suffer from a dearth of self-limitation. As T.S. Eliot once wrote, "Most of the evil in this world is done by people with good intentions." The trouble is, they think they can never go far enough in their meddling.

People who accuse limited government advocates of being anti-government fail to appreciate the true objection. Government has a proper — even noble — role in society. But even the most attached parent must eventually let their child go free.

This is the task the Mackinac Center has embraced — to influence this generation's fundamental view of what role the State should play in our lives.

The good news is that the desire for liberty is embedded in the human spirit. We envision a free society, where individuals are unencumbered to enjoy liberty and pursue opportunity — no nanny required. ■

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GOP Controlled Legislature Passed Medicaid Expansion; Gov. Snyder Signed Bill***State Rep.: 'Medicaid does not offer the best option of care for the expanded population'***

BY JACK SPENCER

Medicaid expansion in Michigan, which is a key to the implementation of Obamacare, passed after a long debate.

The state House voted 75-32 to concur with the state Senate's version of House Bill 4714, which will expand Medicaid to able-bodied adults without children in Michigan. Gov. Snyder lobbied extensively for the expansion.

Michigan is the 25th state to expand Medicaid; 21 states have refused. It is estimated that more

Democrat who voted "no," was Rep. Scott Dianda, D-Calumet.

When the final votes were tallied in both houses, 49 Republican senators and representatives voted "no" on the final version of House Bill 4714, while 36 voted "yes."

"Every Republican legislator, including ones who voted 'no' on the expansion, shares some of the responsibility for this," said Jack McHugh, senior legislative analyst with the Mackinac Center for Public Policy. "Had they been willing to buck the governor and raise a ruckus in their own caucuses, they could have prevented a speaker and majority leader they themselves selected from using the votes of Democrats and a minority of Republicans to roll their own caucuses.

"They weren't willing to do those things, which fully explains this vote," McHugh added. "No Republican legislator can feel comfortable about a critical Obamacare implementation measure being adopted on his or her watch."

There were no efforts to amend the legislation Tuesday and no real debate on the House floor. Only one legislator, Rep. Ed McBroom, R-Vulcan, who voted against expansion, spoke on the bill.

"We should all remember that Medicaid does not offer the best option of care for the expanded population," Rep. McBroom said. "I've been on Medicaid and so have members of my family. It is not easy and it is not a great option. We seem to be focused on the overall numbers and overall dollars rather than the quality of care provided. This issue is coupled



than 300,000 people will be added to the social welfare health care program in Michigan.

Among Republican House members, 28 voted for the bill and 31 voted against it. Democrats supplied 47 of the "yes" votes. All but one of the Democrats voted "yes."

Rep. Greg MacMaster, R-Kewadin, was the only House member to change his vote to "no" on Tuesday after voting "yes" in June. Rep. Gail Haines, R-Waterford, was absent when the June 13 vote was taken. She voted "yes" on Tuesday. The lone

See "Medicaid Expansion," Page 10

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LAWSUIT FILED

from Page One

Maria Santiago-Powell agreed.

“I used to be very active in the union,” she said. “And by my being active, I saw the lack of work that they were doing for us.”

But the union made it very difficult to leave, adding fees and obstacles. So the employees, along with co-workers Shawn Koskyn and Greg Andrews, filed their lawsuit.

The lawsuit contends that even though the four employees no longer pay dues, they still are forced to be represented by the union.

In a press release, The Mackinac Center Legal Foundation cited a 1944 U.S. Supreme Court decision that ruled unions must represent all of

its members “fairly and without discrimination.” The lawsuit also says that charging the fee to file a grievance violates Michigan’s Public Employment Relations Act.

“This policy flies in the face of seven decades of Supreme Court precedence and five decades of Michigan labor law,” said Derk Wilcox, senior attorney for the Mackinac Center Legal Foundation, in a press release.

Unions have long advocated to be the sole representatives in a workplace, which means they represent every worker and it gives them a stronger bargaining position with employers. The courts and legislatures have often agreed, but with that comes the responsibility of representing everyone.

“Our clients are simply

following the law and we think the union should, too. Unions are granted a monopoly because they are the exclusive representative,” Wilcox said. “The price of that monopoly is that they have to represent all workers equally, even those who exercise their worker freedom rights.”

Teamsters Local 214 Business Representative Mark Gaffney didn’t immediately respond to a message left with a secretary.

David Nacht, an Ann Arbor private attorney who specializes in labor law, said in an email he hasn’t reviewed case law under the National Labor Relations Act or other state labor laws to determine if courts have imposed burdens similar to what the plaintiffs seek in other right-to-work jurisdictions, but he said he thought the claims by the

plaintiffs seemed unfair.

“The lawsuit seems to suggest that unions have an obligation to provide grievance representation for employees who aren’t paying for the union to provide those services,” Nacht said. “Unions, like companies, or any other entity, have to cover their costs. In general, the Mackinac Center is opposed to government regulation that imposes regulatory burdens on the private sector. In this case, however, the Center is asking the courts to interpret the state law to impose a significant burden on a private entity, which is what unions are, without getting paid for it. I think a court is going to have trouble finding that position to be reasonable. Why should some public employees get for free what others have to pay for?”

That’s not fair.”

The four plaintiffs in the case are asking the court to void the union policy that says non-members are required to pay a special fee to process grievances.

“The union is a private entity that is given a lucrative monopoly by the government,” Wilcox said. “In exchange for this lucrative monopoly the Teamsters must represent all members in the bargaining unit without discrimination. It is the Teamsters who are trying to freeload by saying ‘we want our exclusive monopoly, but we don’t want to have to pay for it.’” ■

The original version of this story was posted online on Aug. 22, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19026.

UNIONS CRY

from Page Six

Ciaramitaro added.”

Of course, the legislation actually makes the decision to close a pension system something that local voters would be able to decide, whereas current policies prevent this. That’s because collective bargaining agreements currently take precedence over local charter and ordinance provisions, making it impossible for citizens to prohibit them, and requiring local officials to get union buy-in for any changes. That’s something unions are unlikely to grant, per Walter Russell Mead above, and historically have not granted.

Moreover, although unrealistic investment gain projections are among the prime sources of pension underfunding, unions

rarely if ever acknowledge that pensions need stricter actuarial assumptions in order to prevent this. Ciaramitaro perpetuates the state of denial, saying, “We have credible retirement systems that, by law, you have to prefund.”

As he knows full well, the record proves that officials

future benefits and left it to their successors to figure out how to pay for them.

Making things worse, union officials have frequently promoted costly benefit “sweeteners” that drain the systems, and defended abuses like employee benefit “spiking.”

In the end, all the abuses and can-kicking are why the only real, permanent reform for government retirement systems is to transition out of defined benefits and into 401(k)-type defined contribution plans. Lund’s bill would help locals do that. After blowing an opportunity to do the same at the state level in 2012, the House should give future taxpayers a break by finally doing it right this year. ■

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RIGHT-TO-WORK LAWS

from Page Five

income growth by almost 1 whole percentage point and population growth by 1.3 percentage points in these states. From 1991 through 2011, the effect of worker freedom laws was less than the previous period, but still positive and statistically significant.

The third challenge is that right-to-work laws may be correlated with the other factors that affect the areas being studied (for example, favorable tax policies). The study uses a methodology that considers certain factors and tries to create a “natural experiment.”

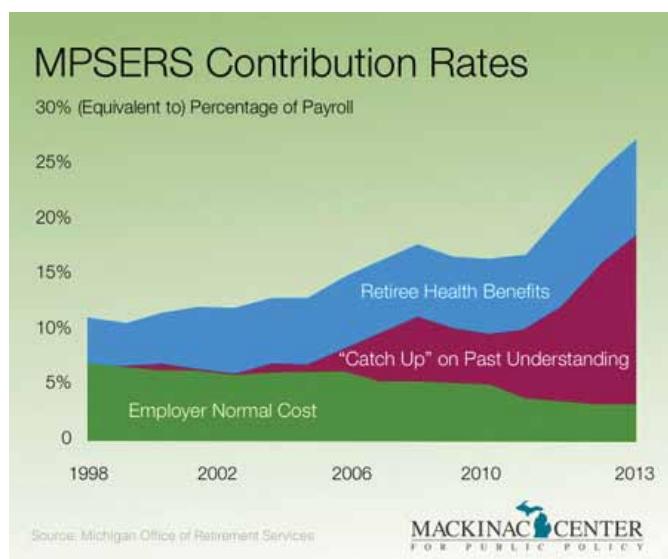
Hicks said that the study is unique in breaking information into time periods and being able to separate a business friendly environment and right-to-work laws.

“All the studies either say that they cannot measure the impact of right-to-work in the data or that they find it, but only in a very narrow area of the economy,

like just in manufacturing,” Hicks said. “This study is novel in that we’ve really tried to answer the questions related to the Old South issues. Most of the early right-to-work states passed it for reasons other than to create jobs. They saw unions as a challenge to a segregationist environment. By distinguishing states that were and were not a part of the Old South, by looking at those that had big manufacturing employment prior to Taft-Hartley, I think we’ve controlled for that problem.”

Michigan’s right-to-work law went into effect in late March. The Mackinac Center for Public Policy has set up an informational website at www.MIWorkerFreedom.org. Teachers in the state can only opt-out of their union in the month of August, provided their school’s contract is expired or was signed after March 28, 2013. ■

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have been spectacularly bad at meeting this requirement, making government pension systems anything but “credible.” For decades, politicians have instead promised unrealistic

Experts: Earthquakes, Water Usage Not Concerns With Fracking in Michigan

Part one: Natural gas extraction fears are largely overblown

BY JARRETT SKORUP

In the past six years, North Dakota has gone from 38th in per capita income to sixth. The state's 3.1 percent unemployment rate is the lowest in the nation and nearly a full point below second-place. And McDonald's franchises in the state are offering jobs up to \$15 an hour with benefits, vacation and even a signing bonus.

In Pennsylvania, 150,000 new hires have been added over the past three years in the natural gas industry and the average salary is about 30 percent higher than the

state median.

The main reason? The shale boom helped by hydraulic fracturing, or, fracking.

Fracking is a process that extracts oil and natural gas from shale formations by injecting water, sand and a small amount of other chemicals (about 0.05 percent of the mixture) into a well. It has been done in Michigan with no environmental damage for about 50 years.

While the state has about 12,000 wells, natural gas production has really ramped up in other parts of

the country. In recent years, energy companies have been buying well leaseholds in Michigan, mostly the northern parts of the state, with production expected to take off in the future.

But some forces are lining up against the companies. Michigan House Democrats have introduced a package of eight bills that would more tightly regulate certain types of drilling. The group, "Committee to Ban Fracking in Michigan," is working on ending the practice through a constitutional amendment.

The main fears surrounding fracking center around water contamination from the chemicals required, the amount of water used and earthquakes. Like every policy issues, there are competing views among experts on the issue of hydraulic fracturing and energy drilling in general, but many say fears are wildly overblown.

Donald Siegel, a professor of earth sciences at Syracuse University, said the actual fracking process takes place thousands of feet below the fresh water aquifers.

"[T]here has been hardly any evidence, if at all, for groundwater contamination from fracking or gas wells," Siegel said.

"For example, [the] EPA has backed way off from their initial conclusions about water contamination at the two opposition poster children for failed fracking — Pavillion,

Wyoming, and Dimock, Pennsylvania," Siegel said. "Neither location turned out to have water contaminated by fracking fluids in any meaningful way."

Terry Engelder, a professor of geosciences at Penn State University, agreed.

"The most closely studied water study is from Dimock. The Pennsylvania Department of Environmental Protection, the U.S. EPA and the Duke University study all say there is not a shred of evidence that anything has gotten into the groundwater from the fracking process," Engelder said.

Anthony Ingraffea is a professor of engineering at Cornell University. He has some concerns about gas drilling and has debated Engelder on the issue.

On the specific act of fracking, Ingraffea said that he "largely

See "Fracking, Part One," Page 12

Lighting Water On Fire? Gas In Water Supplies Existed Long Before Fracking

Main fear about process existed before hydraulic fracturing

BY JARRETT SKORUP

A pamphlet published by the state of Michigan reports on something frightening: "Problems Associated With Natural Gas In Michigan."

The publication discusses natural gas leaking into homes, schools and municipal water systems with an "explosion hazard" that is "not simply based on conjecture; there were many reports of explosions in homes in the area from gas in domestic well systems."

The occurrence of methane in water supply wells and as ground seepage in various localities in the state has been recognized for many years ... The major problem has been the

presence of methane with the flammable and explosive hazards associated with this gas as the primary hazard.

A result of deep, horizontal fracking in the state?

No. The pamphlet was published in 1965.

It goes on to discuss how the issue of natural gas in water supplies was mitigated or solved.

When people think about fracking they often picture scenes of people appearing to ignite water coming out of their faucets. But experts say that those scenes, made popular by the wildly disingenuous film "Gasland," have nothing to do with the extraction process.

Terry Engelder, a professor

of geosciences at Penn State University said that "all reasonably objective reporters regard the film as misinformation."

Anthony Ingraffea, a professor of engineering at Cornell University, said, "In the strict sense of the word, that [lighting water on fire] has nothing to do with the word [fracking]."

Donald Siegel, a professor of Earth sciences at Syracuse University, noted that while "gas migration to home water supplies looked spectacular when lit up like a candle ... study after study has shown that many homes have groundwater naturally with methane in it, and many with methane sufficient to set on fire."

While there are areas of

legitimate debate over the hydraulic fracturing process, most experts I talked to did not see drinking water contamination as a major problem. And in many states, people have dealt with methane in the water supply long before gas drilling took place.

In Michigan, the state has been



warning people about methane leaks for decades. The picture on the cover of the 1965 pamphlet is nearby and reads, "Gas from

natural deposits is sometimes emitted directly from water faucets in homes, as shown in the photograph. The gas, methane, is highly flammable and can create an explosion hazard."

Michael Heberling, president of the Baker College Center for Graduate Studies and an adjunct scholar with the Mackinac Center for Public Policy, said the fracking process provides access to 4.2 quadrillion cubic feet of natural gas across the United States.

"This represents a 175 year supply at the current consumption rate," Heberling said. "Groundwater aquifers sit thousands of feet above the level that the fracking takes place ... companies construct wells with steel-surface casings to prevent migration of any contaminated water." ■

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MEDICAID EXPANSION

from Page Seven

with the insipid insinuation that providing Medicaid to the expanded population will dramatically change the usage of emergency rooms for primary care. I think this is a ludicrous presumption.

“Helping the most in need in our state is a good investment, whether it saves the state money or not,” Rep. McBroom continued. “The problem is, we only have so much to utilize for this. The feds only have so much to invest and one could argue, with their debt and deficits, they don’t really have any at all. I believe we are pledging more than we can afford and am confident the federal government is pledging far, far in excess [of] what it can afford. The insolvency of Medicaid, long term, for the federal government is clearly apparent and will drag us down if we are attached to it. It will be hugely more expensive and expansive than is currently being discussed, which will further accelerate the insolvency.”

Once signed into law, Michigan will receive billions in up front dollars from the Obama

administration. The federal government has pledged to pay for the first three years of the expansion. After that, the state will start bearing an increasingly larger share of the cost.

Proponents of House Bill 4714 claim the bill was crafted in a manner that would allow the state to undo the expansion in the future over issues of funding or if the federal government refuses to allow reforms. Critics of the expansion argue that this is an unrealistic claim devised as a short-term cover story.

Because the bill failed to get enough votes in the Senate to give it immediate effect, Medicaid expansion in Michigan will begin April 1, 2014, instead of Jan. 1, 2014.

“I would have preferred to have gotten immediate effect, but what I would say is this is still a victory for Michiganders — both in terms of the people getting coverage and all Michiganders,” Gov. Snyder told reporters.

The 28 Republicans who voted “yes” were Speaker Jase Bolger, R-Marshall, and Reps.: Mike Callton, R-Nashville; Hugh Crawford, R-Nov; Cindy Denby,

R-Handy Township; Anthony Forlini, R-Harrison Township; Frank Foster, R-Pellston; Ben Glardon, R-Owosso; Gail Haines, R-Waterford; Joe Haveman, R-Holland; Brad Jacobson, R-Oxford; Klint Kesto, R-Commerce Township; Eileen Kowall, R-White Lake; Andrea LaFontaine, R-Richmond; Matt Lori, R-Constantine; Lisa Lyons, R-Alto; Mike McCready, R-Bloomfield Hills; Margaret O’Brien, R-Portage; Dave Pagel, R-Oronoko Township; Earl Poleski, R-Jackson; Amanda Price, R-Holland; Al Pscholka, R-Stevensville; Bill Rogers, R-Brighton; Wayne Schmidt, R-Traverse City; Mike Shirley, R-Clarklake; Jim Stamas, R-Midland; John Walsh, R-Livonia; Ken Yonker, R-Caledonia; and Dale Zorn, R-Ida. ■

The original version of this story was posted online on Sept. 4, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19103.

UNIVERSITY CONSTRUCTION

from Page Six

written extensively about the topic of college costs and affordability said this extra spending and debt is probably a bad idea.

An analysis of whether a college education is worth its price is challenging, said Professor Antony Davies of Duquesne University.

“If the answer is ‘yes,’ then the government doesn’t need to subsidize higher education (and I’m including in ‘subsidies,’ government grants, below market interest rates, taxpayer-backed debt, and all other special favors to higher education),” Davies said. “If the answer is ‘no,’ then the government has no business subsidizing higher education.”

University of Tennessee Law

Professor Glenn Reynolds, who also is author of “The Higher Education Bubble,” addresses the matter bluntly: “The single best piece of advice for anyone confronting a bubble is to avoid debt.”

For Reynolds and others, placing public dollars in education now is tantamount to buying top dollar real estate in early 2008. Once the bubble deflates, not only are colleges left with buildings that seldom see use, but taxpayers are stuck with obligations that could result in higher taxes and painful cuts.

“Higher education is a bubble, which shows signs of deflating,” Reynolds said. “I think it’s probably a bad idea for colleges to be borrowing a lot of money now, and several have already gotten in trouble that way.”

University of Michigan officials disagree.

“Universities are not in a bubble and respond in market sensitive ways,” said Cynthia Wilbanks, vice president for government relations at the University of Michigan.

“Capital outlay funding has been rather episodic, not routine,” she said, adding that university resources benefit the entire state.

Davies said using tax dollars also is a matter of fairness.

“If new construction is such a good idea, why aren’t the colleges and universities taking on the debt themselves rather than asking Michigan to force taxpayers — many of whom will never go to college — to incur the debt instead?” Davies said. ■

The original version of this story was posted online on June 29, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/18823.

BOLSTER CORPORATE WELFARE

from Page Six

community revitalization.

While the bill promises to fulfill such claims, the history and economics behind such subsidies reveals a more complicated picture.

At the heart of the legislation is the Michigan Strategic Fund, which is governed by a board of politicians, with certain restrictions. The board consists of lawmakers making subjective evaluations regarding such criteria as “whether the project addresses underserved markets of commerce” and the “extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property.”

This puts Lansing legislators in the driver’s seat regarding questions that the market solves on a regular basis — a reality that results in the business community courting politicians.

The reward for this persistence? Financial benefits, known as “brownfield subsidies” that serve as pecuniary rewards for the politically and economically well connected. A gaze into the past efficiency of these “investments” reveals a trail of waste. Large and well-connected green energy firms such as GlobalWatt and Mascoma were approved millions of dollars from taxpayers, resulting in anemic job growth and little long-term success.

A review of past Michigan Strategic Fund programs showed

mass failure for the program.

Waste and poor results aren’t the only side effects of such corporate handouts. Companies that normally would not engage in seeking benefits and favors spend time and resources to capture the free giveaways provided by politicians, known as “economic rent-seeking.”

James Hohman, assistant fiscal policy director at the Mackinac Center for Public Policy, argues that such programs are driven by the question of “what can you give?” Hohman said he thinks this outlook among politicians “costs taxpayers money and gives special favors to companies,” which he said is an economic reality that is “fundamentally, at its core, unnecessary.”

Yet, such corporate welfare serves as the spark for the hallowed bipartisanship so desired among Republicans and Democrats.

Nearly the entirety of the senate supported the bill adding \$1.5 million for “community revitalization,” with the measure passing 36–2. Only Sen. Jack Brandenburg, R-Harrison Township, and Sen. Bruce Caswell, R-Hillsdale, voted against the bill.

Sen. Smith did not respond to a request for comment.

The bill sits in the House Commerce Committee. ■

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Pension 'Assumptions' are the Problem in Detroit, Statewide

BY JAMES M. HOHMAN AND JACK MCHUGH

The failure of Detroit's pension systems has been blamed on a long list of abuses and unfortunate economic events.

Unfortunately, that has had the effect of understating the most fundamental source of the failure: deeply flawed assumptions about future investment and payroll growth.

The state constitution requires governments to pay for pensions as they are earned, but doesn't specify a particular formula for doing so. The takeaway, essentially, is: "Make good, reasonable assumptions about future investment and payroll growth — ones that don't require the world to suddenly become free of surprises and

setbacks — and, on that basis, set aside enough each year to cover the future benefits each employee has earned for another year of service."

Two things stand out about this instruction. First, if the assumptions going in are flawed, then the pension system's performance will reflect that. Second, politicians and policymakers have plenty of room to make such unrealistic assumptions — and strong incentives to do so. Rose-colored assumptions about tomorrow mean officials can get away with putting insufficient amounts into the pension system today.

And that's exactly what happened in Detroit. Importantly, this isn't unique to the Motor City.

Almost every state and municipal pension system has done the same, including Michigan's largest, the one for public school employees. Officially, the school pension system has \$24.3 billion in unfunded liabilities, and this is understated because of optimistic assumptions similar to those made by the officials in charge of Detroit's retirement system.

The common woe-is-us explanations for Detroit's pension failures — falling payrolls and tough markets — are just excuses. Investment growth projections are supposed to be long-term and reflect the reality that recessions and bear markets happen. And if year after year payrolls are shrinking rather than growing, then officials should adjust their

assumptions to reflect reality.

There's plenty of blame to go around, but a proper understanding of the causes of Detroit's pension failures is necessary to avoid the same fate in other cities and in the far larger school employee pension system.

Last year, state legislators ducked a chance to fundamentally reform that state-run system. Let's hope they revisit this before the same flaws cause it to follow the same path as Detroit's pensions.

(Editor's note: This commentary originally appeared in the Detroit Free Press on Aug. 10, 2013.)

The original version of this story was posted online on Aug 12, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/18986.

National Commentary Wrong About Detroit's Failure *Mismanagement, not lack of money, is to blame*



BY JAMES M. HOHMAN

Economist Joseph Stiglitz, writing in the New York Times

Opinionator blog, argues that Detroit has fallen due to economic losses and that bondholders should accept most of the losses in the city's bankruptcy. He's wrong on both counts.

Detroit has suffered through decades of bad public policy and filed for bankruptcy after serious and acute mismanagement. The city is unable to provide the quality basic services that every other municipality in Michigan has been able to offer. The city has been unable to manage its books, balance its budget, and adequately

manage its contracts either with unions or its private vendors.

Its delay in fixing these problems meant borrowing to pay for current expenses without an adequate plan to pay down that debt. This includes the city's general obligation bonds, its borrowing to make pension contributions, and the city's underfunding of its pension plans.

The amortization payments on unfunded pension liabilities requires the same cash that can be used for operating expenses or bond payments. The city has to pay down this debt like the rest. That's why Detroit Emergency Manager Kevyn Orr's original proposal puts unfunded liabilities through the same process as the rest of the city's unsecured debt.

The proposal may be tweaked as a bankruptcy judge hears arguments and mediation proceeds, but holding harmless the holders of a substantial portion of the city's debt is irresponsible when debt payments are expected to exceed 60 percent of the city's operating revenues within five years. Even with the substantial restructuring going on in the city, it will be unable to make the payments on city debt.

This problem does not require more revenue. The city already receives more state money than every other municipality and the city has special revenue sources — like its casino taxes — that no other government receives in Michigan.

The substantial economic

problems in Detroit certainly are a problem, but it's not the primary one. Plenty of other cities are in a tough spot but manage to pay their expenses. Nor is it the region's fault that Detroit's leadership has been incapable and corrupt.

National commenters like Stiglitz need to take a closer look at the city's financial problems before telling a broader story.

There are many problems facing Detroit, and city policy has been a hindrance to growth, but the one most responsible for the city's bankruptcy filing is mismanagement.

The original version of this story was posted online on Aug 27, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19030.

COMMENTARY

Former State Treasurer Diverts Blame for Detroit's Problems

BY JAMES M. HOHMAN

Former State Treasurer Robert Kleine argued in the Detroit Free Press that the state is responsible for sending Detroit into bankruptcy.

That is partially correct, but not for the reasons Kleine listed. As former state treasurer, he had the responsibility of helping city officials prevent and address fiscal stress. State treasurers are responsible for implementing the state's emergency manager law. As such, Kleine was supposed to provide the adult supervision that ensured that local units of government stayed on track.

Despite the city tripping numerous triggers that were supposed to initiate a state review, Klein refused to begin the process. A review team could have declared a financial emergency long before the Detroit became insolvent.

Here are three review team triggers that the city of Detroit pulled:

- The city used property tax receipts it collected for other governments to alleviate the city's cash flow problems;
- The city failed to make pension contributions on a timely basis; and
- The city failed to file audit reports with the state on a timely basis.

It is likely that a review team would have found severe fiscal stress in the city. While the response from the state might have been different under the Granholm administration than the Snyder administration, and the laws governing the emergency

See "Treasurer Diverts Blame," Page 12

BUZZ IGNORES SUBSIDIES

from Page Five

last, however.

“Subsidies produce one-hit wonders,” Drolet said.

ABC’s cop drama, Detroit 1-8-7, was filmed in Detroit in 2010. The producers of that show received \$6 million in 2010 for filming five episodes, according to the Michigan Film Office. That show lasted one season.

News media have traditionally been very friendly in reporting

when Hollywood comes to town.

For example, MLive did a story on a local bar that had a scene shot in Low Winter Sun hosting a party to celebrate.

The New York Times headline read: “‘Low Winter Sun’ Gives Detroit a Leading Role”

The article was more than just a review. It touched on Detroit’s demise thanks to residents moving to the suburbs and “municipal grifters who bled the city dry.”

In fact, the New York Times suggested Low Winter Sun is part of a counternarrative “of a Detroit rising and being rebuilt ...”

The New York Times quoted a crew member as comparing Low Winter Sun as, “a kind of love story about the city.”

However, this love story came with a \$7.5 million bill Michigan taxpayers picked up.

“Whether you watch the show or not, you paid for it if you are a Michigan resident,” Drolet said.

Doug Pratt, spokesman for the MEA, didn’t respond to a request for comment. ■

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TREASURER DIVERTS BLAME

from Page Eleven

manager’s powers have changed, it’s likely that Detroit would be in much better shape now if it had adopted recommendations.

The Granholm administration did not have great success with emergency financial managers. Her replacement manager in Highland Park currently faces charges for embezzling from the city.

Yet greater state oversight might have done a lot to prevent the corruption of the Kilpatrick administration. And an earlier state

consent agreement or emergency financial manager could have set the city on a path to operating sufficiency.

Detroit Emergency Manager Kevyn Orr has a plan to return the city to operating surpluses if payments toward long-term debts are mitigated.

It’s possible that he wouldn’t have needed bankruptcy protections had the financial emergency started sooner. ■

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FRACKING, PART ONE

from Page Nine

agrees” that it is “overblown,” noting that there has not been a documented case where the specific process has contaminated ground water. But he pointed out that gas production involves preparing and drilling wells, mining, transport and water, which has caused problems.

“Fracking isn’t the problem. It’s everything that happens before and after that may be a problem,” Ingraffea said. “There have been thousands of drinking water contaminations from spills, leaks, wells, (and) waste trucks.”

Several news stories in Michigan have mentioned the movie, “Gasland,” as a prominent force against fracking. The film also was cited by the leader of the main anti-fracking group in the state. The most memorable part of the film is a man appearing to light on fire water coming from his faucet. State environmental agencies had previously looked into the situation and said they were unrelated to gas and oil drilling. The director of the film knew that, but called it “not relevant.”

Engelder said that “all reasonably objective reporters regard the film as misinformation.”

“[When fracking opponents] mention something produced for Hollywood to support their position, [this] shows just how extreme the misinformation is,” Engelder said.

Ingraffea said, “In the strict sense of the word, that [lighting water on fire] has nothing to do with the word [fracking].”

Siegel also criticized the film, noting that while “gas migration to home water supplies looked spectacular when lit up like a candle ... study after study has shown that many homes have ground water naturally with methane in it, and many with methane sufficient to set on fire.

“In many places in Appalachia, well drillers for decades have installed vents to remove the methane in domestic ground water, and I fully expect this is the case in the Michigan Basin that also is loaded with natural gas top to bottom, some commercially valuable and in other places, not,” Siegal said. “Should people be concerned? No.”

Media accounts on the issue of gas drilling note that water usage on wells range from 58,800 to 31.5 million gallons. A Detroit News article quoted trout fishermen and a sporting store owner worried about rivers and streams.

But while the numbers sound

big, that amount of water is relatively insignificant.

“The amount of water used in fracking is trivial compared to the amount of water in the hydrologic cycle in Michigan, one of the water-rich states, by any reasonable measure even during typical drought,” Siegal said. “Obviously, if there is a long drought then water use needs to be considered not only for fracking but for all other uses too, agriculture to human consumption.”

A 2001 report from the Michigan Department of Environmental Quality showed that the 622 irrigated golf courses in the state (65 percent of the total courses) used 36 million gallons of water per day. As of 2006, the state said Michigan farms which irrigate 14 or more acres use approximately 223 million gallons of water per day.

Hal Fitch, the Michigan state geologist, notes that Michigan has about 600 million gallons of water coming out of the aquifer every day and the state carefully monitors water usage.

“Water use for fracking is a one-time thing,” Fitch said.

Experts say it also is important to compare drilling to other energy sources. For example, ethanol production, which is bolstered by state and federal mandates, uses about 38 gallons of water per bushel

of corn, which is where 95 percent of ethanol in the United States comes from. According to the American Coalition for Ethanol, one bushel makes 2.8 gallons of ethanol.

According to The Earth Institute at Columbia University, “The Baker Institute estimates that producing the corn to meet the ethanol mandate for 2015 will require 2.9 trillion gallons of water.”

On the issue of earthquakes, Siegel and Engelder were not concerned.

“There is insufficient energy from fracking itself to create any earthquake that could be felt,” Siegal said. “The energy is literally thousands of times smaller than necessary to create such earthquakes, even if there is a pre-existing fracture or fault. Deep well injection into aquifers filled with salt water can create small earthquakes, but deep well injection into aquifers is completely different than injecting water into what literally is solid rock.”

Engelder said one tremor in Oklahoma was “technically an earthquake” but not something like what people feel in California. It would also not be a concern in a state like Michigan.

The original version of this story was posted online on Aug. 22, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/18998.

EVENT MARRED

from Page Five

talking about the policy implications of labor reform may not have garnered much attention.” Vernuccio said. “The fact that big labor was so worried about the right-to-work event Thursday shows that the inevitable march of worker freedom is spreading across the country.” ■

The original version of this story was posted online on Sept. 7, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19113.

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Township Supervisor: 'I Want People to Know Where Their Money is Going'

Oakland Township fostering new era of open government



BY MANNY LOPEZ

Politicians often say they're committed to opening up

the community checkbook so taxpayers can see how their money is spent. And they promise it will be easy for the public to see how decisions are made and why.

In practice, however, it doesn't often happen that way.

The excuses are endless:

"We don't have the money to do that."

"We don't have the expertise to do that."

"We don't have the technology to make that happen."

"The legal department said we can't talk about that."

Of course there are exceptions and there are legislators and local politicians who value their commitment to public service and understand they work for the people, not the machine that is politics.

Count Terry Gonser among them.

The new supervisor of Oakland Township isn't wasting time — though he is ruffling some feathers — in moving the community of roughly 17,000 people in northern Oakland County toward a government that puts documents online instead of behind locked doors and opening up the government to benefit taxpayers.

"I want people to have a say in their government and know where their money is going," he told me recently.

Sure, you say, but we've heard all that before. Only Gonser is actually doing something about it.

Residents who have registered to use the community's website can access the board of trustee packets including drafts of meeting

minutes; they can keep an eye on the township's checkbook, which is updated online monthly; and the bid process for services is posted online, too.

Board of trustee meetings are televised. So are planning commission meetings, parks and recreation meetings, historic district commission meetings and the zoning board of appeals. Previously, Gonser said residents who couldn't attend were out of luck because nothing was televised.

"Now I get emails from residents who say, 'Hey, Oakland Township is international ... I'm watching you in Mexico,'" he said of the reaction he got from a vacationing resident shortly after contracting with a company that records and produces the videos for the township website.

Of course, with that transparency comes some conflict.

A blog has popped up that questions and complains about Gonser and his colleagues who replaced some longtime board members and other former public officials. The blog's writers don't like the direction the township is heading and have used the Internet to try and sway public opinion against Gonser's efforts.

That's politics.

But it also exposes the beauty of technology. Residents can decide if the 30-second video clips posted on the blog are more meaningful than the 260-plus minute full meeting videos posted on the township's website.

And if they're still not satisfied, they can link directly to a Freedom of Information Act request form on the homepage of the community website to get even more information on what's happening in government.

But that doesn't come without some costs. Gonser said a FOIA

request from a former trustee has cost residents between \$8,000 and \$10,000 to comply with a document request that resulted in about 9,000 pages.

Talking about the costs makes Gonser grimace. That money would be better spent putting more documents online or streamlining departmental bureaucracy, he said, before quickly pointing out that all residents have a right to the



information, even if costly.

The retired General Motors engineering group manager said he knows the changes aren't easy for some, but in the end they will benefit everyone.

Frankly, it's refreshing to hear Gonser talk about private property rights, constitutional conservatism and limited government. Not to mention his concern for residents' tax dollars.

"At General Motors you didn't spend all of your money and go to your boss and tell him you needed more money," Gonser said. "That's not the way it works in business and that's not how it should work in government either."

Sounds like a new township motto to me. ■

The original version of this story was posted online on Aug. 22, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19015.

MEA President Goes After Local Teachers' Union President

'I'm angry that he has painted me inaccurately. I'm more angry that he continues to deceive good teachers who deserve good leadership'

BY TOM GANTERT

Michigan Education Association President Steve Cook has made clear that he thinks the state's taxpayers aren't paying enough into the system that funds education in the state.

To make his case, he's repeatedly said funding has been cut by \$1 billion, which isn't true, and he's made factually incorrect claims about the number of school districts in deficit.

His most recent target is Jim Perialas, president of the Roscommon Teachers

Association, an independent teachers' union that was formed after Roscommon teachers voted to decertify and form a local union last year. Cook sent out an email recently to MEA members that said Perialas negotiated a contract that cut compensation for Roscommon teachers "up to 20 percent." The email went on to attack Perialas, the Mackinac Center for Public Policy and others who support the state's right-to-work law, which gives teachers the freedom to choose whether they want to financially support a union in order to have a job.

The problem is that Cook's claims about 20 percent cuts aren't true, Perialas said.

"I still don't know how that would approach 20 percent with any kind of math," he said. "I'm angry that he has painted me inaccurately. I'm more angry that he continues to deceive good teachers who deserve good leadership."

Perialas said the Roscommon

Teachers Association reduced its 2012-13 pay scale by 4 percent. However, it allowed teachers to get step increases. That meant some teachers took small reductions while others saw small increases depending on how large a raise

they received with their step increase.

For example, a sixth-year teacher with a master's degree would have made \$50,199 before the 4 percent pay scale reduction.

The next year, that same teacher would move up one step and be a seventh-year teacher and

make \$50,294, an increase of \$95 despite the salary reduction. Some teachers with more years of service saw reductions. For example, a 20-year teacher with a master's degree made \$68,186 in 2011-12 and would see that salary drop to \$66,222 in 2012-13.

Perialas said the only other cost Cook could be referring to is the additional 10 percent teachers had to pay for health care, which was mandated by a state law. Roscommon teachers had been paying 10 percent of health care premiums in 2011-12, but with the new contract the next year, the state law kicked in and contributions went to 20 percent.

Still, Perialas said that wouldn't be a 20 percent drop in compensation.

Additionally, Perialas said Roscommon teachers still make more money than nearby districts.

For example, a fifth-year teacher with a master's degree at Crawford AuSable School District in Grayling

See "MEA President," Page 15



MEA President Steve Cook

MSU ENGLISH PROFESSOR THREATENS STUDENTS IN ANTI-REPUBLICAN RANT

BY TOM GANTERT

UPDATE: Prof. William Penn has been suspended, with pay, of his teaching duties at Michigan State University this semester; according to a statement from MSU. Penn "acknowledged that some of his comments were inappropriate, disrespectful and offensive and may have negatively affected the learning environment," according to the statement. This action comes less than a day after Campus Reform and Michigan Capitol Confidential reported on the video of Penn intimidating students and berating Republicans during a class lecture. Alternate instructors will take over the course he was scheduled to teach. Our original story first posted yesterday afternoon is below.

A Michigan State University Creative Writing professor was caught on video saying Republicans are old people with "dead skin cells washing off them" who raped the

United States to get "everything out of it they possibly could."

He also threatened any student who he said might be "closet" racists.

Professor William Penn made the comments in one of his classes, which was videotaped by a student and posted online by Campus Reform. In the video, Penn berates Republicans and says he doesn't care if students are Republicans or if their parents are Republicans and that it didn't really matter because they won't forgive him anyway.

At one point in the video when talking about race, he issues a blanket threat to his students.

"I am a college professor. If I find out you are a closet racist, I am coming after you," Penn said.

In the video, Penn said Republicans are a "bunch of dead white people, or dying white people."

He later asked the class: "Anybody here want to be Mitt Romney? Him? I mean (lets out a sigh) married to her (Ann Romney)?"

Penn, who earned \$146,510 in 2012-13 according to MSU records,

also talked disparagingly about Mitt Romney being "rich."

"MSU has been made aware of the situation, and we will be looking into it," MSU Spokesman Kent Cassella said in an email. "At MSU, it is important the classroom environment is conducive to a free exchange of ideas and is respectful of the opinions of others."

Penn didn't respond to a request

MICHIGAN STATE UNIVERSITY

for comment. Randall Jensen, an

MSU student and member of the MSU College Republicans, said he didn't approve of Penn's comments made in the classroom.

"What bothers me is that he is using his position of authority and respect in a classroom to persuade political opinions," Jensen said. "I don't think that is acceptable for somebody in his position."

Campus Reform, which posted the video, is part of the Leadership Institute, a conservative organization based in Arlington, Va. ■

The original version of this story was posted online on Sept. 4, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19106.

SEIU Under Investigation over Prop 4 'Dues Skim' took \$35 million from Medicaid recipients

BY JARRETT SKORUP

The Detroit News reported that the State Bureau of Elections began a formal investigation of the Service Employees International Union regarding its financing of a ballot proposal last year.

Proposal 4, which would have locked into the state constitution the skimming of millions of dollars each year from the caretakers of disabled people, was defeated by 14 percentage points.

Chad Livengood in The News reported:

The complaint focuses on a group called Citizens for Affordable Quality Home Care and an East Lansing company called Home Care First Inc. Citizens for Affordable Quality Home Care sponsored the ballot proposal. In campaign finance reports, the group claimed almost all of its donations came from Home Care First.

The Freedom Fund alleges Home Care First was set up in March 2012 to pour \$9.3 million into the ballot campaign and initially hide the SEIU's involvement.

After months of putting money into a campaign committee, records show, Home Care First formed its own ballot committee a week before the Nov. 6 election and reported all of its money came from SEIU.

Michigan Capitol Confidential's Jack Spencer filed 70 stories documenting the dues skim from the beginning, including articles on the groups the SEIU set up to continue the money flow.

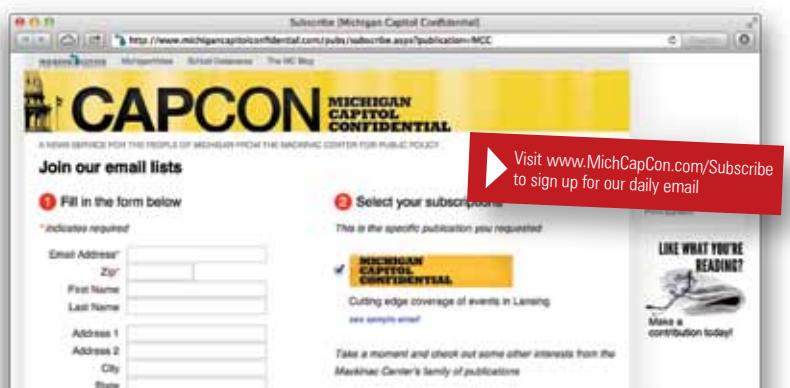
When the scheme finally ended, Spencer summarized what happened: "In an effort to increase dues paying members, the SEIU targeted the Medicaid checks of Michigan's home-based caregivers. A forced unionization, in 2005, was used to force the caregivers into the SEIU. Key elements of the scheme



included a dummy employer, a stealth by-mail election, and avoiding any media attention."

This started with the help of officials employed in the administration of former Gov. Jennifer Granholm, and continued with the help of Sen. Roger Kahn, R-Saginaw. Over the lifetime of the scheme, the SEIU took nearly \$35 million from people taking care of the sick and elderly in Michigan. ■

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Loss of Funding Not To Blame For School District Failures

BY TOM GANTERT

While the Michigan Education Association continues to blame state budget cuts on the fiscal crisis facing some schools, many districts are getting more money per pupil but face dramatic drops in enrollment.

Albion Public Schools is just such a school. The school board voted to shut down its high school. The MEA blamed it on Gov. Rick Snyder's "budget cuts."

But even after factoring in inflation, Albion received more money per pupil in 2011 than it did in 2007, according to the Michigan Department of Education. Including local, state and federal funding, Albion received \$9,345 per pupil in 2006-07 (\$10,138 in 2011 dollars). In actual dollars, Albion received \$10,993 per pupil in 2010-11, the most recent year data is available.

The real problem facing Albion is the loss of students. In four years, the district lost 34 percent of its students, going from 1,427 pupils in 2007 to 943 in 2011. Meanwhile, the district reduced its teaching staff by 22 percent over the same time period, going from 91 classroom teachers to 71.

But the union contract didn't allow Albion to cut the least effective teachers. Instead, they were forced to keep the ones with the longest service, regardless of performance.

In 2007, the district employed 47 teachers who had 10 years of experience or less. By 2011, that number had dwindled by more than half, to 22. However, the number of teachers with 11 years of experience or more — the more expensive teachers — increased from 44 to 49.

Based on the union salary schedule, teachers with more seniority make more money. The average teacher's salary in Albion jumped from \$47,558 in 2007 (not

adjusted for inflation) to \$53,080 in 2011.

"Part of Albion's problem may be that the district is retaining its most expensive teachers," said Audrey Spalding, an education policy analyst at the Mackinac Center for Public Policy. "The district has used seniority to determine layoffs, instead of weighing the expense of retaining a teacher against the value that teacher provides to the district."

Earlier, the Albion school board decided to stop teaching high school students, according to MLive.

That's a good decision, Spalding said, adding that "drastic times call for drastic measures."

As for the MEA continually blaming lack of funding for the fiscal mess at some schools, documents show that even those schools aren't buying the MEA's reasoning.

For example, the Buena Vista School District recently was closed when it ran out of money. However, the Michigan Department of Education gave the district state money it was withholding to allow it to resume operations.

In the deficit-elimination plan that Buena Vista school officials submitted to the state a year ago, they stated that the loss of students and not right-sizing the district fast enough was the reason for its deficit.

Pontiac Public School and Benton Harbor Public Schools also stated the loss of students as a major reason for its deficit in their deficit-elimination plans to the state. ■

The original version of this story was posted online on May 20, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/18655.

State, Media Encourage Playing the Lottery

People should be investing in themselves



BY JARRETT SKORUP

Like clockwork, every few months it is front-page news around the country:

The identity of the Powerball lottery winner becomes public.

Recently, the third-largest jackpot of all time, \$448 million, was split three ways.

At a time when our benevolent bureaucrats at the city, state and federal level are all about "nudging" people to make better decisions, the government teams up with the media to promote one of the most irrational ways for people to spend their money. State-supported lotteries are especially rich when you consider all of the low-level gambling that Michigan makes illegal — like March Madness college basketball pools or small monetary bets between friends.

A person's chances of winning the Powerball are 1 out of 175 million — so small that it is nearly impossible to even understand. Someone is 28,000 times more likely to be struck by lightning, 16 times more likely to be attacked by a shark, more than 50 percent more likely to be killed by a vending machine and approximately 17.5 times more likely to become president (assuming eligibility).

In Michigan, the state spends tens of millions of dollars begging us to play the lottery — it's for the children! The money supports the general fund and education spending, but as Michael E. Heberling, president of the Baker College Center for Graduate Studies and an adjunct scholar with the Mackinac Center for Public Policy, noted in 2002, this is paid for disproportionately by the poor:

While the average player spends \$313 per year on the lottery, those with incomes of less than \$10,000 spend \$597. African-Americans spend \$998 compared to \$210 for whites. High school dropouts spend four times as much on the lottery as do college graduates. More than half of all lottery tickets are bought by just 5 percent of those who play. The National Opinion Research Center estimates that problem gamblers (those addicted to gambling and whose families often suffer as a result) account for 14 percent of total lottery revenues.

And not only are state and national lotteries a poor bet, but they encourage bad behavior. Instead of putting their money into a nearly impossible dream, in which many people end up squandering the money, people should be investing in themselves.

Playing the main Powerball game costs \$2. If someone who played every day was to instead take that money and save or invest it, they eventually would have some real money: \$2 a day compounding at 8 percent would be more than \$11,000 after a decade. Saving that amount of money for 50 years (from 18 to 68) would yield nearly half a million dollars.

Saving and investing are learned habits and they are the key to freedom. It is unlikely that governments constantly struggling to balance their own budgets are going to encourage it, but at the very least they should make it easier by not incentivizing bad habits. ■

The original version of this story was posted online on Aug. 20, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/19009.

MEA PRESIDENT

from Page Thirteen

earns \$43,273 in 2013-14, while a fifth-year teacher with a master's degree in Roscommon made \$46,266 in 2012-13 even with the 4-percent reduction. The two districts are about 15 miles apart.

A Houghton Lake fifth-year teacher with a master's degree made \$40,417 in 2012-13. Houghton Lake is about 25 miles from Roscommon.

Perialas said even when they were members of the MEA, the union seldom provided any help during negotiations. As lead negotiator, Perialas said when he requested assistance from the MEA would just send generic manuals on negotiating or databases with generic information.

Cook didn't respond to a request for comment.

The 4 percent reduction in the 2012-13 salary scale came as the Roscommon school district projected a \$1.6 million deficit in 2012-13 and a \$830,043 deficit in 2013-14.

Cook also criticized Perialas for making any concessions when the Roscommon school district's general fund balance was at "24.7 percent." However, according to the school district's budget, Roscommon had to use \$1.6 million of its fund balance in 2012-13 to cover its deficit, dropping it from \$3 million to \$1.3 million in one year.

"At this point, Roscommon is overspending, and a district's largest expenditure is on personnel," said Audrey Spalding, the Mackinac Center for Public Policy's director of education policy. "Reducing salary costs was the best way to address Roscommon's deficit. These are difficult decisions, true, but the district would be risking financial distress or worse if it followed Cook's advice." ■

The original version of this story was posted online on Aug. 14, 2013. It is available with hyperlinks and more info at www.MichCapCon.com/18988.

I'M JUST A BILL

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**A sampling of proposed
state laws, as described on
MichiganVotes.org**

House Bill 4714

Final vote on federal health care law Medicaid expansion: Passed 75 to 32 in the House

Introduced by Rep. Matt Lori (R)

To concur with minor changes the Senate made to the House-passed bill to expand Medicaid eligibility to 138 percent of the federal poverty level, which implements a key component of the federal health care law (called Obamacare by most people). This House vote sends the measure to the Governor for his signature.

House Bill 4813

Increase vital records fees: Passed 20 to 18 in the Senate

Introduced by Rep. Matt Lori (R)

To increase the fees for obtaining copies of vital records such as birth and death certificates. The fee increases range from \$4 to \$15 per record, and the bill also authorizes an extra \$25 fee for "expedited" service.

House Bill 4633

Mandate license plate replacement after 10 years: Passed 74 to 33 in the House

Introduced by Rep. Wayne Schmidt (R)

To mandate that vehicle owners must replace their license plate after 10 years, even if it is still legible. Under current law the state imposes a \$5 extra charge to replace a plate.

Senate Bill 397

Expand a corporate/developer subsidy regime

Introduced by Sen. Bruce Caswell (R)

To authorize creation of a sixth "Next Michigan Development Corporation," which is a government agency that gives tax breaks and subsidies to particular corporations or developers selected by political appointees on the entity's board for projects meeting extremely broad "multi-modal commerce" criteria (basically, any form of goods-related commerce). The new entity would be in the Upper Peninsula.

House Bill 4952

Halt unemployment benefits for failed drug test

Introduced by Rep. Ken Goike (R)

To make a person ineligible to collect unemployment benefits if a prospective employer requires a drug test as a condition of a job offer and the individual either refuses to take the test or fails it.

Senate Bill 347

Expand MSHDA developer subsidies: Passed 88 to 20 in the House

Introduced by Sen. Mark Jansen (R)

To empower the Michigan State Housing Development Authority (MSHDA) to use money in reserve funds to "invest" (buy ownership interest) in companies or nonprofits whose "primary purpose is to acquire ownership interests in multifamily housing projects."

House Concurrent Resolution 11

Authorize adoption of "Common Core" school standards: Passed 85 to 21 in the House

Introduced by Rep. Tim Kelly (R)

To authorize the State Board of Education and the Michigan Department of Education to spend money to implement "Common Core" curriculum promoted by an entity associated with the National Governors Association and the Council of Chief State School Officers, subject to various restrictions and conditions specified in the resolution. The authorization does not apply to an associated student testing regime.

Senate Bill 276

Require community service work by welfare recipients: Passed 27 to 9 in the Senate

Introduced by Sen. Joe Hune (R)

To require cash welfare recipients to perform community service if they are not already in a welfare-related work or training program.