

January 1999



A Mackinac Center Report

---

# Keeping Michigan on Track: A Blueprint for Governor Engler and the 90<sup>th</sup> Legislature

---

The Staff and Board of Scholars  
of the Mackinac Center for Public Policy

**Specific Recommendations for Improving Education, Reforming  
Labor Law, and Enhancing Economic Growth and Prosperity**



**The Mackinac Center for Public Policy** is a nonpartisan research and educational organization devoted to improving the quality of life for all Michigan citizens by promoting sound solutions to state and local policy questions. The Mackinac Center assists policy makers, scholars, business people, the media, and the public by providing objective analysis of Michigan issues. The goal of all Center reports, commentaries, and educational programs is to equip Michigan citizens and other decision makers to better evaluate policy options. The Mackinac Center for Public Policy is broadening the debate on issues that has for many years been dominated by the belief that government intervention should be the standard solution. Center publications and programs, in contrast, offer an integrated and comprehensive approach that considers:

**All Institutions.** The Center examines the important role of voluntary associations, business, community and family, as well as government.

**All People.** Mackinac Center research recognizes the diversity of Michigan citizens and treats them as individuals with unique backgrounds, circumstances, and goals.

**All Disciplines.** Center research incorporates the best understanding of economics, science, law, psychology, history, and morality, moving beyond mechanical cost/benefit analysis.

**All Times.** Center research evaluates long-term consequences, not simply short-term impact.

Committed to its independence, the Mackinac Center for Public Policy neither seeks nor accepts any government funding. It enjoys the support of foundations, individuals, and businesses who share a concern for Michigan's future and recognize the important role of sound ideas. The Center is a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For more information on programs and publications of the Mackinac Center for Public Policy, please contact:

**Mackinac Center for Public Policy**  
140 West Main Street  
P.O. Box 568  
Midland, Michigan 48640  
(517) 631-0900 • Fax (517) 631-0964  
[www.mackinac.org](http://www.mackinac.org) • [mcpp@mackinac.org](mailto:mcpp@mackinac.org)

---

# **Keeping Michigan on Track: A Blueprint for Governor Engler and the 90<sup>th</sup> Legislature**

**Specific Recommendations for Improving Education, Reforming  
Labor Law, and Enhancing Economic Growth and Prosperity**

**by the Mackinac Center for Public Policy Staff and Board of Scholars**

---

Copyright © 1999 by the Mackinac Center for Public Policy, Midland, Michigan

Permission to reprint in whole or in part is hereby granted, provided that the  
Mackinac Center for Public Policy is properly cited.

ISBN: 1-890624-10-1

S99-01

## **Guarantee of Quality Scholarship**

The Mackinac Center for Public Policy is committed to delivering the highest quality and most reliable research on Michigan issues. The Center guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented.

The Center encourages rigorous critique of its research. If the accuracy of any material fact or reference to an independent source is questioned and brought to the Center's attention with supporting evidence, the Center will respond in writing. If an error exists, it will be noted in an errata sheet that will accompany all subsequent distribution of the publication, which constitutes the complete and final remedy under this guarantee.

# Keeping Michigan on Track: A Blueprint for Governor Engler and the 90<sup>th</sup> Legislature

by the Mackinac Center for Public Policy Staff  
and Board of Scholars

## Table of Contents

Executive Summary .....	1
Introduction .....	3
I. Strengthening Property Rights Protection .....	5
II. Reforming Labor Law to Protect Worker Rights .....	6
III. Improving Education for Michigan Children .....	14
IV. Spurring Economic Growth and Development .....	21
V. Enhancing the Transportation Infrastructure .....	30
Conclusion .....	33
Acknowledgements .....	34

# Keeping Michigan on Track:

## A Blueprint for Governor Engler and the 90<sup>th</sup> Legislature

### Executive Summary

The close of the twentieth century finds Michigan in a position that seemed impossible barely a decade ago. The Great Lakes State is currently enjoying record low rates of unemployment, a thriving economy, growing educational opportunities, and a sense of accomplishment and high spirits. After years of a negative “Rust Belt” reputation, Michigan is now riding high on its favorable image as a hospitable place to raise a family and start a business.

But the current good news does not mean that all is well. Many Michigan families still struggle with high tax bills and poor schools. Good times are no reason for either the Legislature or the Governor to rest on their laurels—on the contrary, good times often provide the best opportunities to make long-term, positive changes. Michigan is definitely a more prosperous place today than it was a short decade ago, but much can yet be done to make it even better. Schools can improve, taxes can get lower, workers can assume greater control over their paychecks, and government can get smarter at the same time that it gets smaller.

New legislative opportunities come with the Michigan House, Senate, and Governorship in the control of a single party—and so do new responsibilities. In this report, the Mackinac Center for Public Policy staff and Board of Scholars offer dozens of specific ideas for the new Legislature and the Governor to consider in crafting state policy for the next term and beyond.

The report is divided into five sections: Strengthening Property Rights Protection, Reforming Labor Law to Protect Worker Rights, Improving Education for Michigan Children, Spurring Economic Growth and Development, and Enhancing the Transportation Infrastructure. The recommendations in each of these five sections do not represent the final word, but rather a good starting point for positive public policy change. The Mackinac Center for Public Policy will continue in the coming months to elaborate on these proposals for a better, freer, and more prosperous Michigan for all citizens.

---

***This report offers dozens of specific ideas for the new Legislature and the Governor to consider in crafting state policy for the next term and beyond.***



# Keeping Michigan on Track:

## A Blueprint for Governor Engler and the 90<sup>th</sup> Legislature

### Introduction

The close of the twentieth century finds Michigan in a position that seemed impossible to doomsayers of barely a decade ago. The Great Lakes State is currently enjoying record low rates of unemployment, a thriving economy, growing educational opportunities, and a sense of accomplishment and high spirits. The overall state and local tax burden, expressed as a share of personal income, is less than its 1990 level and more in line with the average of other states. The portion of the population dependent upon public welfare has fallen to historic lows. After years of a negative, “Rust Belt” image, Michigan is now viewed favorably as a hospitable place to raise a family and start a business.

But all of this good news does not mean that all is well. Many Michigan families still struggle with high tax bills and poor schools. The current good times are no reason for the Legislature or the Governor to rest on their laurels. Indeed, good times provide some of the best opportunities to make long-term, positive changes. Though Michigan is a more prosperous place today than it was a short decade ago, much can be done to make it even better and to consolidate and extend the gains already made. Schools can get better, taxes can get lower, workers can get greater control over their paychecks, and government can get smarter at the same time that it gets smaller.

New legislative opportunities come with a House, Senate, and Governorship in the control of a single party, but so do new responsibilities. How those responsibilities are met will tell us whether the voters elected statesmen last November, or just another batch of politicians. The kind of leadership we at the Mackinac Center for Public Policy hope to see from Lansing in 1999 is defined by adherence to the principle enunciated by Thomas Jefferson with these words:

. . . a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government . . .<sup>1</sup>

In accordance with this Jeffersonian principle, the Legislature and the Governor should evaluate each item in the state budget, asking these nine key questions:

- Does the item duplicate what other state agencies or the federal government are doing in that area?
- Does the item primarily benefit a single favored constituency or area rather than the state as a whole?

---

<sup>1</sup> First Inaugural Address, March 4, 1801.

---

***Schools can get better, taxes can get lower, workers can get greater control over their paychecks, and government can get smarter at the same time that it gets smaller.***

- Does the item attempt to accomplish a task that is best left to private firms, charities, or families?
- Are direct users or beneficiaries of the service paying a reasonable amount of the cost?
- Does the item create or expand an “entitlement” that cannot be reasonably withdrawn if necessary or advisable in the future?
- Has the item received significantly more money in recent years but not used that money in the most effective way?
- Has the item been funded in the past by deceptive or inappropriate legislative or executive actions?
- Does the item use taxpayer funds for political advocacy or to discriminate against racial or ethnic groups?
- Does the item discourage self-help and personal independence or encourage reliance upon government unnecessarily?

In evaluating the larger picture—the proper role of state and local government and the measures necessary to improve the quality of life and enhance the liberties of Michigan citizens—the Legislature and the Governor should ask what government must do or not do in five key areas to

- strengthen control over schools by the most “local” entity of all—Michigan parents;
- assure that in the workplace, neither businesses nor unions take unfair advantage of workers;
- strengthen the viability, independence, and responsibility of the family unit;
- lighten the burden imposed upon citizens by the cost of government; and
- ensure that every act of state and local government in Michigan adheres to the highest principles of sound economics, good government, and proper constitutional authority.

In the five sections to follow, the Mackinac Center for Public Policy offers dozens of specific ideas for the new Legislature and the Governor to consider. The five sections—Strengthening Property Rights Protection, Reforming Labor Law to Protect Worker Rights, Improving Education for Michigan Children, Spurring Economic Growth and Development, and Enhancing the Transportation Infrastructure—represent not the final word, but rather a good starting point for positive public policy change. The Mackinac Center for Public Policy will continue in the coming months to elaborate on these proposals for a better Michigan.



## I. Strengthening Property Rights Protection

*America's Founding Fathers recognized the essential link between property rights and individual liberty when they drafted the Constitution of the United States and incorporated numerous measures intended to enshrine the protection of those rights. Michigan's constitution likewise provides for a considerable degree of property rights protection. However, court interpretations and various laws and regulations have undermined these all-important rights. The following recommendations will help make Michigan a leader in the reform of laws that infringe upon citizens' rights to own and use their property.*

### 1. Tighten rules on compensation for governmental "takings" of private property.

While both the U. S. and Michigan constitutions provide for "just compensation" whenever government takes a citizen's private property for public use, court interpretations of various laws and regulations have undermined that principle. Property owners are usually awarded compensation in the courts only if *all* economically viable uses of their property are destroyed by government action. Even if a regulation decreases the value of a person's property by half, for instance, so long as one use or some value of the total property remains, the owner is left without a remedy.

Some in Congress want to establish a "trigger point," requiring compensation by the federal government when its regulations deprive a citizen of more than 33 percent of his property's value. At least two states—Florida and South Carolina—have passed legislation with no trigger point: The governments in these states must compensate citizens for *any* non-negligible reduction in a property's value resulting from their actions.

Currently, Michigan law only provides compensation for property owners when an action of state or local government deprives an owner of all uses or value of his property. This open door for governmental abuse of citizens' property rights must be closed by provisions that would require fair value compensation by government any time a person's property value is diminished by regulatory takings. In a study entitled *Reforming the Law of Takings in Michigan*,<sup>2</sup> the Mackinac Center for Public Policy has proposed specific wording whereby this objective may be accomplished through executive order, legislative statute, or constitutional amendment.

### 2. Reform civil asset forfeiture laws.

In a recent year in Michigan, law enforcement agents used so-called asset forfeiture laws in 9,770 instances to seize more than \$14 million in private property. In many cases, no charges were ever filed against the owners and no finding of guilt was ever made in a court of law. In civil asset forfeiture cases, law enforcement officials may do little more than meet a very low threshold of evidence to show that the property in question was involved in a

---

***Currently,  
Michigan law only  
provides  
compensation for  
property owners  
when an action of  
state or local  
government  
deprives an owner  
of all uses or value  
of his property.***

---

<sup>2</sup> Donald J. Kochan, *Reforming the Law of Takings in Michigan*, April 1996. Accessible by Internet: <http://www.mackinac.org/studies/s96-03.htm>.

---

**Michigan  
Congressman John  
Conyers notes that  
forfeiture law  
“mostly ensnares  
the modest homes,  
cars, and hard-  
earned cash of  
ordinary, law-  
abiding people.”**

crime. The owner himself need not be guilty of any crime for government to gain the power to seize and keep his property. Michigan Congressman John Conyers notes that forfeiture law is intended to give police the power to confiscate the property of major lawbreakers, but in actual fact it “mostly ensnares the modest homes, cars, and hard-earned cash of ordinary, law-abiding people.”

The protection of property rights is a fundamental condition for the maintenance of a free society and one of the most important obligations of government. The practice of asset forfeiture is a manifest violation of property rights. Lawmakers must work to reform both state and federal forfeiture laws with three objectives in mind:

- Ending the twin practices of allowing law enforcement agencies to profit from the sale of the assets they seize and paying informants to provide information to help build forfeiture cases;
- Requiring government to show proof that disputed property is connected to illegal activity before it can be seized (and the amount of property seized should be in proportion to the crime committed by its owner); and
- Strengthening language in forfeiture statutes to ensure that property owners who have not participated in, or acquiesced to, a crime committed with their property are not punished with forfeiture.

Other important recommendations for reform of asset forfeiture laws are contained in the Mackinac Center for Public Policy study, *Reforming Property Forfeiture Laws to Protect Citizens’ Rights*.<sup>3</sup>

## II. Reforming Labor Law to Protect Worker Rights

*Michigan’s image as a place to do business has improved in recent years as the state has made progress toward reducing burdensome regulatory costs and taxes, but one major roadblock to consolidating and expanding those improvements remains: an unfriendly labor climate. Sometimes unfairly, but often with good reason, Michigan is perceived in other parts of the country as a place where labor unions wield inordinate and harmful influence. But improving the labor climate in Michigan is more than a positive economic policy approach: It is necessary to thwart abuse of the rights of Michigan workers. The following ten recommendations will help enforce Michigan workers’ moral and legal rights as well as have a positive impact on the state’s labor climate.*

### 3. Enforce the “Beck” rights of Michigan workers and enact “paycheck protection.”

---

<sup>3</sup> Donald J. Kochan, *Reforming Property Forfeiture Laws to Protect Citizens’ Rights*, July 1998. Accessible by Internet: <http://www.mackinac.org/studies/s98-03.htm>.

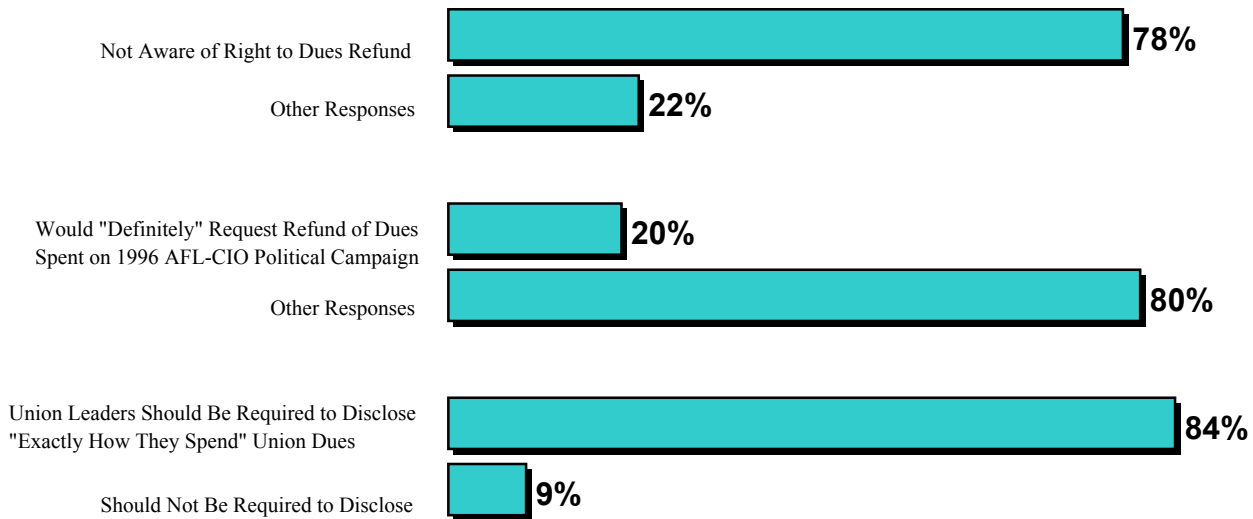
Under a 1988 ruling of the United States Supreme Court in *Communication Workers of America v Beck*, workers are entitled to a refund of any union dues that are used for purposes not related to collective bargaining activities, contract administration, or grievance processing. Unfortunately, these “Beck” rights have gone largely unrealized because workers are unaware of them and governments have shown virtually no desire to enforce them. The result is that labor unions routinely spend half or more of their members’ dues on causes and candidates that many of those members personally oppose.

Either by act of the Legislature or by executive order of the Governor, Michigan should act to protect the freedoms of speech and association of workers by enforcing the *Beck* decision. Requiring the posting of *Beck* information notices in all private-sector firms that contract with the state would be a step in the right direction. An April 1996 survey of 1,000 union members nationwide revealed that 78 percent were not aware of their right to have an independent accounting of how their unions spend their dues money and to secure a refund for that portion spent for noncollective bargaining activities (see Chart 1, below).

***Labor unions spend half or more of their members’ dues on causes and candidates that many of those members personally oppose.***

**Chart 1 – Workers and Their Rights**

*Survey of Union Members*



Source: Luntz Research Companies, April 1996

“Paycheck protection” for all Michigan workers would put real teeth in the effort to enforce *Beck* rights by requiring that unions which compel dues and fees secure from each worker a prior, annual, voluntary, written authorization to use any dues for noncollective bargaining activities. Workers could automatically shield their money from noncollective bargaining activities up-front when dues are collected, instead of having to jump through hoops to recover those dues after they have been extracted.

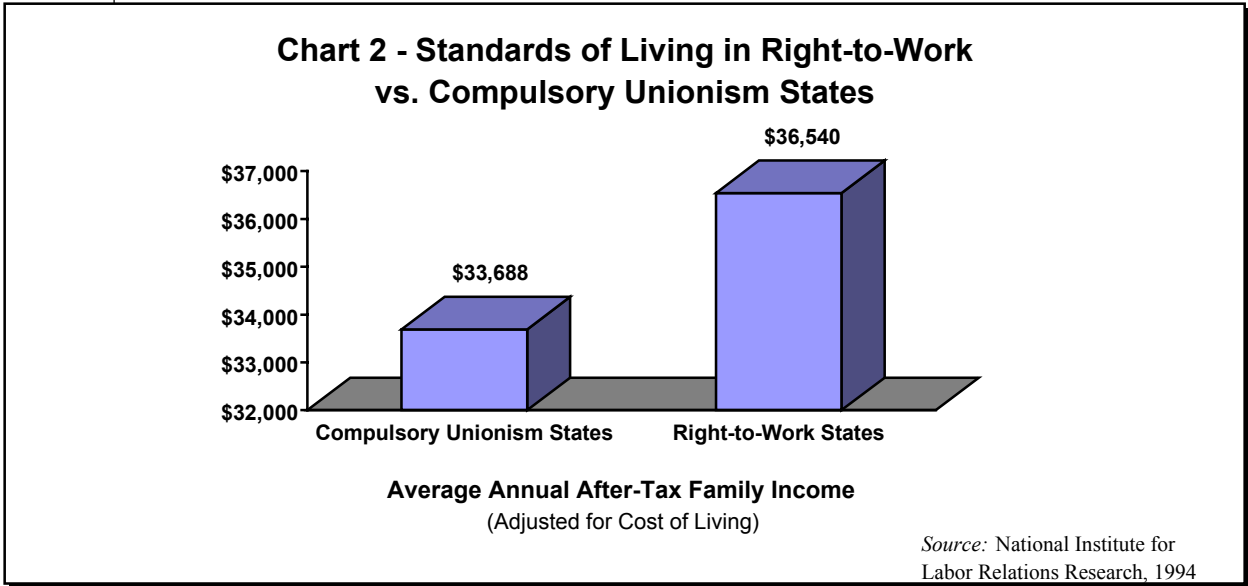
**Right-to-work really means the right to work for more—more individual freedom, more jobs, and more income in real terms.**

Details about the *Beck* decision and suggestions for specific wording of an order to enforce it in Michigan are provided in the Mackinac Center for Public Policy study, *Compulsory Union Dues in Michigan*.<sup>4</sup> Information about paycheck protection is provided in the Mackinac Center report, *Paycheck Protection in Michigan*.<sup>5</sup>

**4. Enact a right-to-work law.**

Twenty-one states protect the right of every worker to abstain from union membership without fear of losing his or her job. Michigan, unfortunately, is not one of those states.

Adjusting for the cost of living, including taxes, families in the 21 right-to-work states earn \$2,852 more in real income per year than do their counterparts in Michigan and the other 29 states that lack right-to-work laws (See Chart 2, below). Between 1960 and 1993, the number of manufacturing jobs in the 21 right-to-work states rose by 77 percent, far in excess of the other states. The evidence is clear and compelling: Right-to-work really means the right to work for *more*—more individual freedom, more jobs, and more income in real terms.



Nothing could do more for worker rights and Michigan’s image and economic development than a right-to-work law. The only thing union leaders have to fear from right-to-work is the free choice of the very workers they are in business to help.

<sup>4</sup> Robert P. Hunter, *Compulsory Union Dues in Michigan*, May 1997. Accessible by Internet: <http://www.mackinac.org/studies/s97-01.htm>.

<sup>5</sup> Robert P. Hunter, *Paycheck Protection in Michigan*, September 1998. Accessible by Internet: <http://www.mackinac.org/studies/s98-05.htm>.

## 5. Repeal the Prevailing Wage Act.

Imagine a law that subsidizes the well-off, discriminates against large segments of the work force, wastes tens of millions of dollars every year, and hurts the competitiveness of Michigan businesses. Unfortunately, there is no need to imagine such a law: Those are precisely the effects of the Prevailing Wage Act of 1965. It is a classic case of special interest legislation that benefits a narrow few at the expense of the many.

The Act, which covers construction projects in Michigan that receive full or partial funding from the state, requires workers on those projects to be paid “prevailing” wages and benefits. That invariably means the rates fixed in local collective bargaining agreements—in other words, union wages and benefits. The competitive compensation packages established by non-union contractors and their employees—who make up almost two-thirds of Michigan’s construction work force—are not considered under the law for purpose of determining “prevailing” rates. So less expensive workers who are otherwise competent and qualified, but not unionized, are effectively frozen out of work on a host of projects from school construction to road repair, allowing labor unions to foist tens of millions of dollars in needless costs on Michigan taxpayers every year.

The Prevailing Wage Act has been challenged in the courts in recent years, found to be pre-empted by federal law at one point, and then later reinstated. Between December 1994 and June 1997, when the law was inactive, an estimated 11,000 additional construction jobs were created in Michigan. The Legislature needs to settle the prevailing wage issue on behalf of common sense and sound economics and repeal this costly special interest legislation immediately. At the very least, it should follow the example of the Ohio Legislature, which in 1997 exempted public schools from having to pay the excessive costs mandated by that state’s counterpart to Michigan’s Prevailing Wage Act.

## 6. Amend the Public Employment Relations Act (PERA) to provide a “Teacher Bill of Rights.”

This recommendation would make exclusive representation optional for each individual teacher in Michigan, and remove the unions’ duty of fair representation obligation toward a teacher who opts out of his workplace union.

The monopoly bargaining privilege of the Michigan Education Association (MEA)—afforded by the existing PERA law—is the basis of the MEA’s power to prevent teachers from negotiating their own individual terms of employment. As the exclusive representative, school employee unions such as the MEA inevitably end up bargaining education policy with local school boards and state government. The interests and objectives of individual teachers are often subordinated to the “collective whole” even when the individual teacher’s employment opportunities may suffer as a result.

Many Michigan teachers want professionalism, not unionism. Accordingly, current legal requirements of mandatory union memberships or dues as a condition of employment should be repealed. The law should be further amended to permit the teacher union to represent only those teachers who affirmatively elect such representation in writing. Employees who do not affirmatively select such representation may represent themselves.

---

***The Prevailing Wage Act of 1965 is a classic case of special interest legislation that benefits a narrow few at the expense of the many.***

Governor Engler, in a major address to the Legislature in October 1993, stated that no teacher in Michigan should be coerced into joining and paying dues to a union, and the Mackinac Center agrees.

Under a “teacher bill of rights” arrangement, unions will owe no duty of fair representation to any teacher who elects independent (non-collective bargaining) status. Unions would, however, be prevented from discriminating against any teacher regarding his terms and conditions of employment solely on the basis that he has elected to not join or be represented by a union. This avoids the so-called “free rider” argument.

***Governor Engler, in a major address to the Legislature in October 1993, stated that no teacher in Michigan should be coerced into joining and paying dues to a union.***

**7. Amend PERA to recognize the unconditional and immediate right of employees to resign their union memberships.**

Employees in the private sector have an unconditional right to resign from union membership at any time. A line of United States Supreme Court cases recognizes this right as essential to preserving the integrity of the First Amendment’s guarantees of free speech and free association. As a result, private-sector union constitutions and bylaws clauses that limit the timing of an employee’s resignation from the union are unconstitutional. Additionally, it is a violation of a union’s duty of fair representation under the National Labor Relations Act to refuse to honor an individual’s unconditional withdrawal from the union.

PERA as written provides an option to government employees who are exclusively represented: They may either become members of the union, or else they may be non-member “agency fee payers.”<sup>6</sup> Some Michigan public employee unions place limitations on the rights of members to resign in order to secure non-member agency fee-payer status. Unfortunately, there is no right afforded by Michigan statute to protect an employee’s unconditional right of union resignation, contrary to federal labor law regarding the individual’s First Amendment right of free association. This can be remedied, and government employees’ rights could be easily protected, by amending PERA to include a clause specifically prohibiting any unreasonable restrictions on any government employee’s right to resign from his union.

**8. Amend PERA to permit employees to determine by majority vote whether they will be required to contribute money to a union to retain their jobs *before* a union security clause is added to any contract.**

Union security clauses are contractual agreements between employers and unions that obligate employees to either join a union and pay union dues or else refrain from joining but pay agency fees, which are usually equivalent to the dues of a full union member. Security clauses are the primary source of funding for unions, and they carry the compulsory force of law so union negotiators will routinely sacrifice employees’ economic benefits for the right to compel every employee to pay dues or fees. Management often agrees to the security clause, regarding it as a throwaway concession to the union. Ultimately, the employee pays in the form of reduced compensation and freedom to choose otherwise.

<sup>6</sup> MCL 423.210(2).

The inherently abusive nature of the security clause is a ripe opportunity for employee-friendly labor reform. An amendment to PERA requiring prior employee approval—by way of a majority vote on the union security clause—would augment employees’ freedom by giving them the ability to accept or reject an obligation to pay dues or fees before it is included in the contract and becomes legally binding. This is a matter of democratic governance and simple fairness.

**9. Amend PERA to provide that no collective bargaining contract can be implemented without the prior approval—determined by a secret ballot election—of a majority of the employees covered by the agreement.**

As written, PERA does not require that all of the employees in a bargaining unit be allowed to vote by secret ballot on whether to accept or reject the collective bargaining agreement their union has bargained for them. Nor is employee ratification of contracts a uniform practice among unions. Those unions that are progressive enough to provide for ratification do not necessarily provide for a secret-ballot vote. With no ratification procedure in place, union officials can trade direct employee benefits—such as wage increases—for items which benefit the union’s interest, such as paid time off for union officials or free office space.

As the workers’ representative, the union has a legal and ethical obligation to advance the interests of its members, and not the interests of the organization. As written, PERA does not even ensure that union members can vote on whether the contract negotiated by their representative meets their needs. These are fundamental economic workplace issues that bind all of the employees in the bargaining unit, regardless of their membership status. This gaping hole in the law should be plugged immediately to protect the interests of bargaining unit members.

PERA should be amended to introduce union accountability to the employees that unions represent. The amendment should provide that each bargaining unit employee—regardless of his union membership status—may vote on the acceptance of any contract offer submitted by the employer, including collective bargaining agreements that affect wages, benefits, and working conditions. The amendment should further provide for a secret ballot procedure during the ratification process, in order to limit the occurrence of employee intimidation and assure an untainted protected ballot.

**10. Amend PERA to provide that upon filing of an unfair labor practice charge by an individual against an employer or union, the Michigan Employment Relations Commission (MERC) shall investigate the merits of the charge to determine whether a complaint shall be issued.**

Existing MERC procedures for pursuing unfair labor practice charges place an insurmountable burden on individual employees attempting to enforce their rights through the agency. MERC does not investigate the merits of an unfair labor charge before issuing a complaint—it is the charging party’s responsibility to gather sufficient facts, affidavits, and other evidence in support of the charge. Employees pressing charges with MERC usually do not have the benefit of counsel and must conduct this investigation independently.

---

***Employee ratification of contracts is not a uniform practice among unions. Those unions that are progressive enough to provide for ratification do not necessarily provide for a secret-ballot vote.***

---

***The state has a compelling interest to remove partisan politics from government workplaces.***

If the charge appears to state a claim, then a complaint issues and a formal hearing occurs. Without counsel, an employee in a hearing is left to navigate a maze of unfamiliar formal procedures entirely his own. These are significant disincentives for the individual employee contemplating a MERC charge against his union or employer. As a result, relatively few employees pursue their rights successfully with MERC.

MERC should be accessible to unions, employers, and individual employees alike. PERA should be amended to authorize MERC to investigate charges and prosecute complaints on behalf of individual charging employees. A MERC attorney should investigate charges as they are filed, taking affidavits from the charging party and relevant witnesses. He should then determine whether there is reasonable cause to believe that the law has been broken and if so, a complaint should issue. Upon issuance of a complaint, the case should be assigned to a MERC trial attorney, who prosecutes the case on behalf of the employee free of charge.

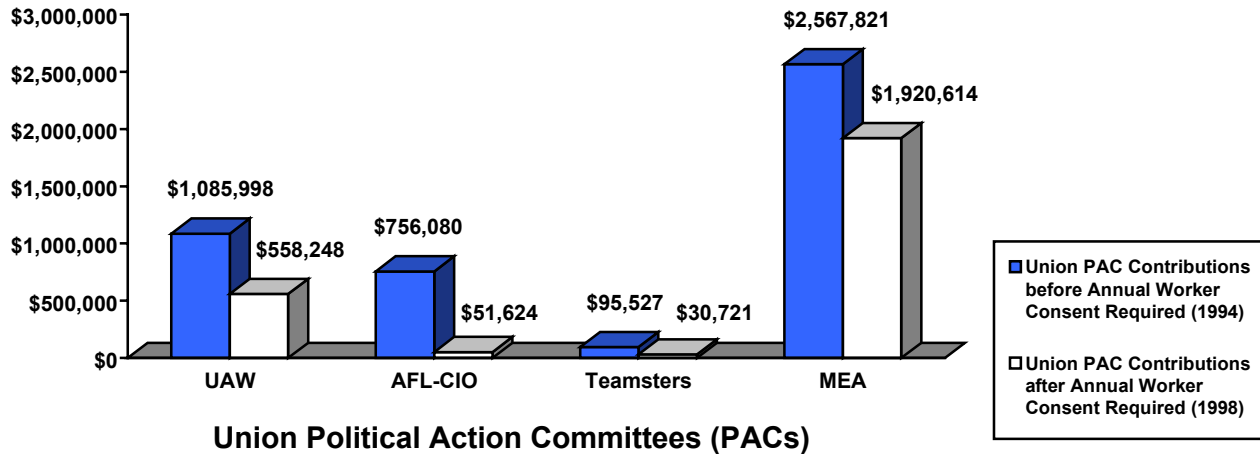
**11. Remove the state government’s ability to act as a union collection agent for union political funds.**

If workers’ wages are the source of union funding, then employers are the faucets that control the flow of funds to labor organizations. The payroll deduction is a convenient and popular method of funds collection that springs from a contractual provision between the union and the employer. Without such an agreement, unions would bear the burden of collecting funds from their membership after the money has made its way into workers’ pockets. This would not only involve additional time and expense for the unions—it would also require union collection agents to persuade members to consciously and voluntarily part with their hard-earned money.

The state has a compelling interest to remove partisan politics from government workplaces. One solution, the banning of wage check-offs for political purposes, has withstood judicial scrutiny in the Circuit Court covering Michigan. Political action committee (PAC) funding is already regulated in Michigan: Public Act 117 of 1994’s ban of “reverse check-offs” (which stipulate that a worker must take action if he does *not* want political contributions deducted from his paycheck) and requirement for annual, worker consent of PAC payroll deduction authorizations were significant steps toward greater worker freedom and union accountability. After union legal challenges resulted in Public Act 117 being upheld in court, worker contributions to union PACs declined in 1998 (see Chart 3, next page). The Legislature should build on these reforms by prohibiting government collection of all political funds via a payroll deduction.



**Chart 3 – Union PAC Contributions in Michigan  
before and after PA 117's Worker Consent Requirements**



Source: Michigan Chamber of Commerce

Prohibiting political payroll deduction would serve three additional purposes. First, it would afford greater protection of workers' free speech rights by returning direct control over disbursement of union political funds to the wage earner before it goes to union coffers. Second, it would compel unions during collection periods to persuade their members that the unions' political expenditures properly represent the political views of their memberships. Third, it would save Michigan taxpayers the cost attendant to the government acting as the tax collector for unions, which are private business enterprises. The funds could be used for more worthwhile purposes.

**12. Outlaw the use of “project labor agreements” on any building construction using state funds within the state of Michigan.**

“Project labor agreements” (PLAs) mandate that all contractors must employ members of a designated union for all labor performed on a particular site. These “union-only” agreements are frequently agreed to by state and local governments in Michigan in order to guarantee labor peace during the life of a given contract, but the premium paid for this peace also permits union discrimination and non-competitive bidding to persist.

As a matter of public interest, the Legislature should intervene in this area to ensure that Michigan's public construction awards are consistent with existing state public bidding policies designed to foster competition in government contracting. The purpose of the many Michigan bidding laws is to protect the public by placing bidders on an equal footing and to ensure that competition will eliminate the possibility of fraud, extravagance, or favoritism in the expenditure of public funds. But PLAs reduce competition and cause discrimination against non-union employees and in favor of union membership. This has potentially severe detrimental effects on non-union employees and employers, including a substantial number of minority-owned construction firms (who are routinely denied union status and union labor for reasons of racial bias).

***“Project labor agreements” reduce competition and cause discrimination against non-union employees and in favor of union membership.***

---

***The education system is hidebound with regulations, bureaucracy, and disincentives for excellence.***

PLAs severely limit the number of contractors and subcontractors that are available to perform work: In 1997, over 80 percent of construction workers were *not* unionized, according to the Bureau of National Affairs. Through the use of PLAs, this vast majority of construction workers and contractors is effectively removed from the bidding process, leaving only a small fragment of unionized workers to compete for the project. PLAs are bad public policy because they represent a costly and discriminatory favor to a narrow special interest, and they ought to be eliminated.

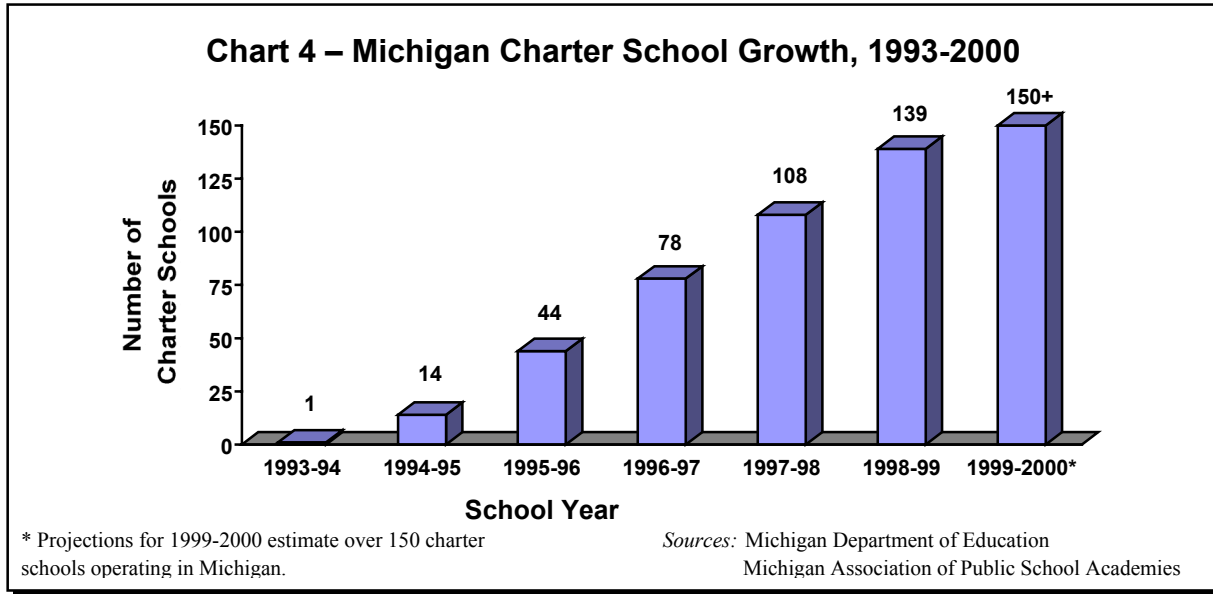
### **III. Improving Education for Michigan Children**

*All across America, a consensus is emerging about the troubled state of public education: The system is hidebound with regulations, bureaucracy, and disincentives for excellence. Remove these barriers, subject the system to competition, empower parents with choice and improvements will at last begin to take place—that's the general prescription accepted more widely with each passing day. With the introduction of inter-district choice, charter schools, and other reforms of recent years, Michigan has made progress in the right direction. Sadly, however, too many children still languish in poor and unsafe schools. Few issues are more important to the future of the state than education reform: making Michigan's schools competitive for the twenty-first century.*

#### **13. Remove the cap on the number of charter schools state universities can authorize.**

Michigan's status as a national charter school leader is directly related to the bold and innovative steps taken by state universities such as Central Michigan University. However, this progress will be impeded by the legislative limitation placed on the number of charter schools state universities can authorize.

The current cap is set at 150 schools and it appears that this number could be reached (or even surpassed) in the next year (see Chart 4, next page). The Legislature should remove this cap and allow for the expansion of charter schools rather than their limitation. It should also consider the creation of an additional authorizing entity, perhaps a statewide charter school commission.



Charter schools have been particularly well received by many minority and poor students. For these students, charter schools offer the only alternative to a system that is failing to meet their needs. These opportunities should be expanded rather than limited or contracted.

The charter school is the future of public education—local control and accountability with public funds—and the Michigan Department of Education should begin to prepare the state for the transition.

**14. Extend the length of charter school contracts and allow schools to utilize multiple sites under one charter.**

The length of charter contracts is not specified by statute, but three to five years has emerged as the norm. Contracts of such short duration have a dramatically negative impact on the financial arrangements that charter schools can enter into, thereby reducing flexibility and options and raising the cost of providing an education. The Legislature should encourage charter school authorizers to utilize long-term contracts or even “evergreen” contracts that can be revoked any time a compliance failure exists or persists.

Allowing charter schools to utilize multiple sites under one charter would permit campus-style schools with a single address, the use of off-site facilities for instructional purposes, or the establishment of charter high schools that service pre-existing K-8 charters.

**15. Create a “Charter Schools Stimulus Fund.”**

The Legislature should create a “Charter Schools Stimulus Fund” to provide grants and loans on a competitive basis to assist charter schools with the financial obstacles of start-up and expansion costs. A per pupil capital payment for use towards facilities and equipment costs, equalized statewide, would be a good mechanism to accomplish this.

**16. Require traditional public school districts to make non-utilized school buildings available for use by charter schools.**

Additionally, the Legislature should stipulate that when a public school seeks to sell a facility, it cannot prohibit the sale of the property to a charter school or in any way inhibit the use of that property by a charter school after sale.

**17. Allow property tax exemption to be passed on from a charter school to its landlord.**

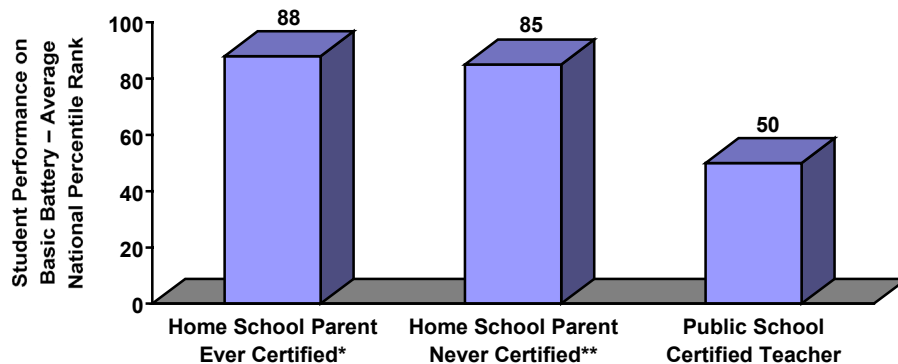
Schools that lease facilities currently suffer additional costs because their landlord cannot benefit from the schools' tax-exempt status.

**18. Permit experience and/or education to qualify teachers for charter schools.**

In addition to hiring state-certified teachers, charter schools should be allowed to hire non-certified teachers whose experience and/or education qualifies them to teach in a particular field. Certification requirements for administrators and other school personnel should also be waived.

Arizona law permits non-certified teachers to enter the teaching profession and the state has experienced great success in attracting the kind of quality educators who would be excluded from teaching at traditional public schools in Michigan. Meanwhile, statistics on homeschooled children demonstrate the weak relationship between certification and academic success (see Chart 5, below).

**Chart 5 – Student Academic Performance and Teacher Certification**



\* Either parent ever certified.

\*\* Neither parent ever certified.

Home school data are for grades K-12.

Sources: National Home Education Research Institute  
Home School Legal Defense Association

## 19. Reform teacher certification to increase the pool of quality teachers.

Teacher certification has never guaranteed qualification. In fact, many qualified teachers are excluded from entering a classroom because they lack state certification.

People who possess the ability and knowledge to teach are ultimately excluded from entering the teaching profession due to expensive, time consuming, and onerous red tape imposed by certification procedures.

The state should reform teacher certification in order to allow the most qualified people to enter the classroom at any time. The teaching profession should be open to all who are deemed to be positive role models and competent in their subject areas. School districts and individual schools should be given the ability to set qualifications for entering the teaching profession.

To address the shortage of highly qualified teachers, public policy should encourage local schools and districts to recruit teachers from the ranks of their best students, and provide training and mentoring in the schools in which they will serve.

## 20. Remove discriminatory language from the state constitution that prohibits tuition tax credits.

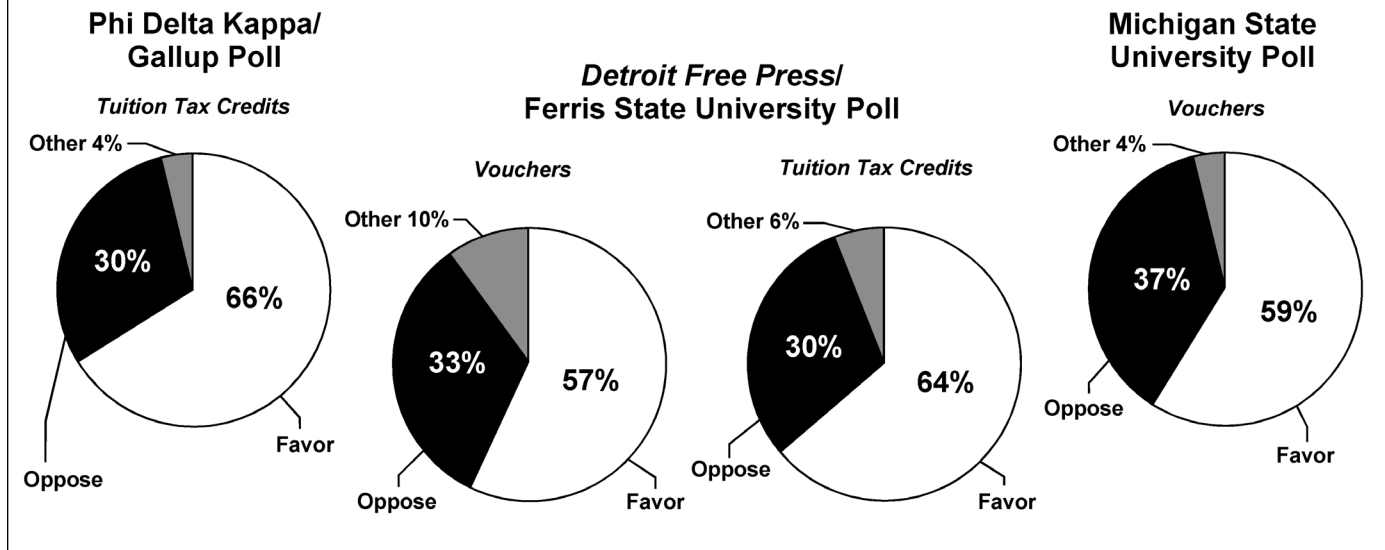
The U. S. Supreme Court has defended the primary right and responsibility of parents to direct the education of their children. However, Article 8, Section 2 of the 1963 Michigan constitution prevents the majority of Michigan parents from choosing the safest and best school for their children. It is therefore incumbent upon the Legislature to remove the 1970 amendment that took away this right and responsibility from parents.

Under the current system, parents who choose to send their children to a nonpublic school must pay twice—once in taxes for public schools they don't use and again in tuition for the school they do use. This financial penalty prevents the majority of Michigianians from exercising their rights as parents, as it is only the wealthy who are able to afford such financial choices. Three polls in 1998 alone showed overwhelming support among parents for a mechanism that will allow them greater school choice (see Chart 6, next page).

---

***Teacher certification has never guaranteed qualification.***

**Chart 6 – Public Support for K-12 Vouchers and Tuition Tax Credits, 1998**



As shown in a Mackinac Center for Public Policy study, *The Universal Tuition Tax Credit: A Proposal to Advance Parental Choice in Education*,<sup>7</sup> a properly designed tax credit plan can save money for the state’s School Aid Fund, make possible an increase in the state’s per pupil foundation allocation, create new incentives for school improvement, and expand options for parents—all at the same time.

**21. Move all school elections to the general elections in November.**

In the interest of greater public participation in the democratic process and reducing onerous costs, all school-related issues that need voter approval should be decided in the general election cycle that occurs each November. Currently, Michigan school districts can call an election every six months. A vote might be in February one year and June the next. Polling places for these elections are often sites other than those used in general elections, and citizens are confused even more when some districts have elections on days other than the customary Tuesday.

By requiring that school governance and finance issues appear on the November ballot, significantly more citizens will know the place and time of the election and will exercise their right to decide how their schools will be run. Ballot consolidation will also relieve school officials of the responsibility for conducting elections and allow them instead to focus that time and money on their primary responsibility, educating children.

**22. Exempt innovative schools and school districts from the requirements of onerous state statutes and regulations.**

<sup>7</sup> Patrick L. Anderson, Richard McLellan, Joseph P. Overton, and Gary Wolfram, *The Universal Tuition Tax Credit: A Proposal to Advance Parental Choice in Education*, November 1997. Accessible by Internet: <http://www.mackinac.org/studies/s97-04.htm>.

Public policy should encourage teachers and administrators to recognize the diversity of students who come before them and provide the array of educational programs that will better address the varied ways children learn and are tailor-made to the needs of students. These alternative education programs known as “schools within schools,” pioneered by New York City’s District 4, have demonstrated significant success.

If significant numbers of parents and teachers want to implement alternative programs, the state superintendent of public instruction should be enabled to exempt a school or district from those requirements of state statutes and regulations that inhibit innovation and to guarantee that freedom as long as educational progress is demonstrated. Parents within the district wishing to enroll their child in a traditional school or an alternative school should be free to do so.

Alternative schools should be free to adopt specific, written admission standards. Standards may include, but need not be limited to, the following: consideration of the capacity of a program, class, grade level, or school building; student academic ability; student behavior; or an advance requirement of parental participation in specified school programs.

### **23. Exempt public schools from the Prevailing Wage Act.**

On page 9 of this report, the Michigan Prevailing Wage Act was explained as special interest legislation designed to benefit organized labor at the expense of anyone in the state who receives state tax dollars for a construction project. The Act, in effect, requires the payment of union-scale wages and tends to lock out the majority of Michigan construction workers and firms that are open (or “merit”) shops. The Mackinac Center strongly urges the repeal of the Act in its entirety.

However, legislators who are unwilling to go the full measure should at least provide relief to the state’s public schools by exempting them from compliance with the Prevailing Wage Act. Within the first five years, such an exemption could save Michigan schools millions of dollars in unnecessary construction costs—money that could be better utilized in the classroom. Legislators who oppose such an exemption have no right to decry a shortage of funds for public education.

### **24. Strengthen the powers and responsibilities of local school boards.**

Michigan public school boards should be encouraged by the Legislature, the Governor and his administration, and the State Board of Education to

- a) remove exclusive bargaining representative clauses that require union permission before employees can explore opportunities with other professional organizations;
- b) negotiate union security clauses out of their collective bargaining agreements so as to maximize the rights and freedoms of individual teachers;
- c) advise their employees of their rights under Supreme Court rulings regarding union dues for noncollective bargaining purposes;

---

***The traditional core curriculum that once guaranteed that all graduating students shared in the same body of knowledge and enjoyed the same competence in cognitive skills is in tatters.***

- d) remove seniority-based salary schedules from their collective bargaining agreements and institute performance-based pay scales that reward outstanding teachers and attract the best people to the job of educating tomorrow's leaders; and
- e) competitively bid for teacher health care packages to ensure the best benefits at the lowest cost.

These and many other suggestions for improving schools through changes in school board collective bargaining policy are explained in the Mackinac Center for Public Policy study, *Collective Bargaining: Bringing Education to the Table*.<sup>8</sup>

## **25. Reform higher education**

The state universities of Michigan, like many of their counterparts across the nation, are suffering from a general erosion of academic standards and a politicization of the undergraduate curriculum. The traditional core curriculum that once guaranteed that all graduating students shared in the same body of knowledge and enjoyed the same competence in cognitive skills is in tatters. An in-depth analysis of the undergraduate curriculum and recommendations for reform are discussed in the Mackinac Center for Public Policy report, *Declining Standards at Michigan Public Universities*.<sup>9</sup>

As proposed in that 1997 report, tenure rules on Michigan's campuses should be changed to encourage excellent teaching. Alternative accreditation of English departments, writing programs, and other humanities departments and programs should be instituted. Teachers-in-training should take far fewer courses in the education departments and schools of education and far more substantial courses in their majors. The rules and regulations against political indoctrination in the classroom should be vigilantly observed and rigorously enforced. An all-campus undergraduate core curriculum should be established so that every student of the state universities of Michigan will undergo the same essential core training and gain exposure to common, high-level material in the arts and sciences.

To preserve the autonomy of the state's universities, the Mackinac Center recommends that the Legislature not attempt to meddle directly by legislation in the curricular and personnel affairs of those universities. To advance a serious, statewide discussion of these and other reforms recommended in the report, the Mackinac Center calls on the Governor to appoint a special commission for the purpose of reviewing those recommendations and examining university issues from curriculum to tenure.

## **IV. Spurring Economic Growth and Development**

---

<sup>8</sup> La Rae G. Munk, *Collective Bargaining: Bringing Education to the Table*, August 1998. Accessible by Internet: <http://www.mackinac.org/studies/s98-04.htm>.

<sup>9</sup> Thomas F. Bertonneau, *Declining Standards at Michigan Public Universities*, Second Edition, February 1997. Accessible by Internet (First Edition): <http://www.mackinac.org/s96-04.htm>. Note: Please contact the Mackinac Center for Public Policy at (517) 631-0900 for copies of the Second Edition.



*For most of Michigan's history, economic development was thought of as what happened when people were left alone to pursue their own productive enterprises, free of undue interference from government. The principles of free markets—"a fair field and no favor"—were the main guideposts for Michigianians. As a result, many jobs were created—more of them and at higher wages than anywhere else—when profit-seeking entrepreneurs rushed to meet the public's demands and government encouraged a safe environment in which to do business. Today, however, economic development often means "industrial policy," a euphemism for state government picking winners and losers, subsidies and redistribution, corporate welfare and public bureaucracies that falsely claim credit for "creating" jobs. It is time for the Legislature to address economic development with a critical eye and the proper analytical tools.*

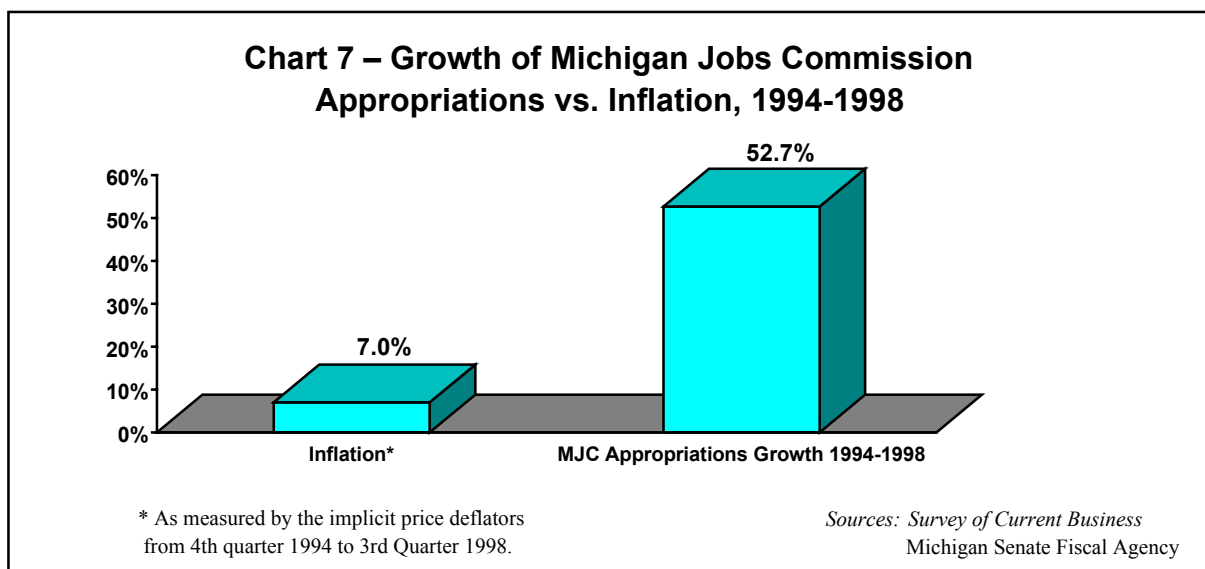
*When Governor Engler took office in 1991, Michigan's overall tax burden was well above the national average. Total state and local tax revenues as a share of personal income were 10.9 percent. By 1995, the Senate Fiscal Agency reported that the percentage had fallen to 10.3 percent. Today, the tax burden is back up to 10.7 percent of personal income. The earlier reduction is the kind of progress that largely explains Michigan's robust economic growth of the past seven years. The success of that effort points the way to continued reduction of the tax burden, particularly in light of a bulging billion dollar-plus "rainy day fund" and the need for Michigan to stay competitive with other states that are also cutting taxes. According to one calculation, Michigan still ranks 20<sup>th</sup> in per capita state and local tax burden, which means that 30 states have a lesser burden than does Michigan. The following 12 recommendations will help ensure that Michigan's economic boom continues well into the next century.*

## **26. Rein in the Michigan Jobs Commission.**

The Michigan Jobs Commission (MJC) has been the fastest-growing corner of state government in recent years, with appropriations ballooning nearly 53% since 1994, well above the rate of inflation (see Chart 7, next page). The MJC is the state's department of corporate welfare, sucking in billions in federal and state tax dollars and doling out tens of millions of dollars in subsidies to favored businesses. With Michigan enjoying record low unemployment, the Legislature should examine this agency's bloated budget and ask to what extent its programs merely redistribute jobs to the politically well-connected while causing many other businesses to incur the costs of retraining and rehiring in tight labor markets.

---

***Many jobs were created in Michigan—more of them and at higher wages than anywhere else—when profit-seeking entrepreneurs rushed to meet the public's demands and government encouraged a safe environment in which to do business.***



Many of the MJC’s activities appear disturbingly similar to the failed gimmickry of previous administrations. The Legislature should recognize that corporate welfare and “industrial policy” are no less objectionable when Republicans practice them than when Democrats do. The best policy for the state to follow is to excise all those programs of the MJC that smack of corporate welfare, leaving any necessary or mandated functions to be managed by either a streamlined MJC or other departments of state government.

State government should pursue economic development by improving core government services such as transportation (see Section V on page 30), reforming education as recommended in Section III of this report, cutting taxes and bureaucracy across the board, and implementing the needed labor reforms mentioned in Section II. This was the broad-based approach advocated and practiced by Governor Engler in his first term but which has since been “supplemented” by the dubious programs of an out-of-control MJC.

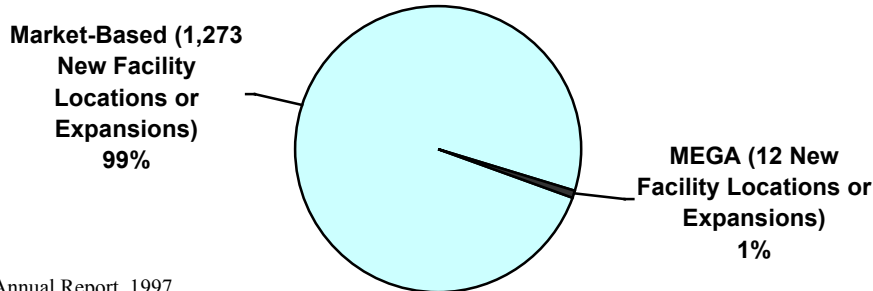
At press time, it was reported that the Governor may propose splitting the MJC into two new agencies. The Mackinac Center would endorse the same careful scrutiny of those two agencies—their budgets, functions, and staffing—that is urged here for the MJC.

**27. Abolish the Michigan Economic Growth Authority (MEGA).**

The centerpiece of the Michigan Jobs Commission’s business retention and attraction efforts is MEGA, a program of selective tax abatements for firms that promise to create a certain number of new jobs in Michigan. It is the essence of the government “picking winners and losers” strategy that experts regard as counterproductive to genuine, lasting, market-directed development. With Michigan labor markets the tightest they have been in 35 years, it hardly seems necessary for the state to be playing this game even if government were capable of knowing which firms are winners and which are not. Of the 1,285 new corporate facility locations or expansions in Michigan in 1997, only 12 firms acknowledged that their decision to locate or expand in the state was related to MEGA tax abatements (see Chart 8, next page).

***Corporate welfare and “industrial policy” are no less objectionable when Republicans practice them than when Democrats do.***

**Chart 8 – Corporate Facility Locations or Expansions in Michigan, 1997**  
As Attributed to Market-Based Decisions or MEGA-Influenced Decisions



Sources: MEGA Annual Report, 1997  
*Site Selection* magazine, Feb/March 1998

MEGA is unfair to existing businesses that must compete with the firms favored by MEGA abatements. Hundreds of millions of dollars in selected abatements make it more difficult to enact broad-based, general tax relief. Many of the abatements granted under MEGA go to firms that would expand or locate in Michigan even without special privileges and favors, especially if the state more vigorously pursued general tax and regulatory relief in place of MEGA-style programs.

Many publications of the Mackinac Center for Public Policy elaborate on this theme, more fully explaining the folly of government “industrial policy” and the benefit of less politicized approaches to economic development. See, for example, the study entitled, *MEGA Industrial Policy: An Analysis of the Proposed Michigan Economic Growth Authority*<sup>10</sup> and two commentaries: “End the Economic War Between the States”<sup>11</sup> and “Wanted: A Line Between Public and Private.”<sup>12</sup>

## 28. Enact a more rapid version of the Governor’s proposed income tax rate cuts.

Governor Engler has proposed reducing the state’s flat 4.4 percent personal income tax rate to 3.9 percent over five years. Enacting that reduction over a shorter period (the Mackinac Center recommends three years) is not only “affordable,” but it would provide the salutary benefit of forcing spending restraint. A broad-based reduction in personal income tax rates will do far more for Michigan’s economic development than selective abatements or subsidies.

<sup>10</sup> Martin M. Wing, Robert Fish, and Joseph P. Overton, *MEGA Industrial Policy: An Analysis of the Proposed Economic Growth Authority*, March 1995. Accessible by Internet: <http://www.mackinac.org/s95-03.htm>.

<sup>11</sup> Lawrence W. Reed, “End the Economic War Between the States,” June 1996, *Viewpoint on Public Issues* No. 96-16. Accessible by Internet: <http://www.mackinac.org/viewpoint/1996cv/v9616.htm>.

<sup>12</sup> Lawrence W. Reed, “Wanted: A Line between Public and Private,” June 1996, *Viewpoint on Public Issues* No. 96-17. Accessible by Internet: <http://www.mackinac.org/viewpoint/1996cv/v9617.htm>.

**Michigan workers  
need and deserve a  
tax cut.**

Calculations of the Senate Fiscal Agency recently prompted *The Detroit News* to editorialize that “Michigan’s state and local taxes as a share of average state personal income are moving back up to levels not seen since before John Engler took office in 1991.” At that time, combined state and local taxes amounted to 10.9 percent of personal income. They fell to 10.3 percent by 1995 but had edged back up to 10.7 percent by the end of 1997. Michigan workers need and deserve a tax cut.

**29. Deregulate the electricity market in a way that is fair to all parties and enhances competition.**

The failure of the Legislature in the last session to approve an electricity deregulation plan was good news for Michigan consumers. The plan put forth by the administration was excessively generous to the major utilities and would have prevented the full force of market competition from lowering rates.

The Legislature must act early in 1999 on this issue for several reasons: Michigan’s electric rates are higher than those in 33 other states (see Table 1, below), more than a dozen states have already moved ahead with deregulation plans, and lower rates here can provide a permanent boost for the state’s competitiveness.

<b>Table 1 – Average Price of Electricity, 1994</b>							
(in Cents per Kilowatt Hour)							
	State Residential		State Commercial		State Industrial		Overall Average
	Rank	Rank	Rank	Rank	Rank	Rank	
<b>Michigan</b>	<b>\$0.083</b>	<b>33</b>	<b>\$0.079</b>	<b>37</b>	<b>\$0.052</b>	<b>36</b>	<b>\$0.071</b>
Indiana	\$0.068	12	\$0.059	10	\$0.040	10	\$0.052
Wisconsin	\$0.071	17	\$0.059	12	\$0.039	9	\$0.055
Illinois	\$0.100	40	\$0.077	35	\$0.052	35	\$0.074
Ohio	\$0.086	35	\$0.077	36	\$0.041	15	\$0.062
Minnesota	\$0.072	18	\$0.062	15	\$0.044	20	\$0.056
Kentucky	\$0.058	4	\$0.053	6	\$0.032	3	\$0.043
South Carolina	\$0.075	23	\$0.064	20	\$0.040	12	\$0.057
<b>U. S. Average</b>	<b>\$0.084</b>		<b>\$0.077</b>		<b>\$0.048</b>		<b>\$0.069</b>

Source: Energy Information Administration, 1994

The outlines of a sensible deregulation policy are presented in the Mackinac Center for Public Policy report entitled *Energizing Michigan’s Electricity Market*.<sup>13</sup> They include granting all consumers choice swiftly; eliminating transitional price controls on final retail prices; disallowing all stranded cost claims by the utilities except for those involving investments forced upon the utilities by mandates or regulations; and giving all customers the choice to shop for “green” (environmentally friendly) power immediately.

**30. Eliminate the double sales taxation of automobiles.**

<sup>13</sup> Adam D. Thierer, *Energizing Michigan’s Electricity Market: The Imperative for Fair, Timely, and Comprehensive Customer Choice*, June 1997. Accessible by Internet: <http://www.mackinac.org/studies/s97-02.htm>.

The 1994 hike in Michigan's sales tax from 4 cents to 6 cents on the dollar exacerbated at least one inherent flaw in the way the sales tax is imposed: the double taxation on automobiles, a major Michigan product on which tens of thousands of jobs depend.

When someone in Michigan buys a car, he pays sales tax on the purchase price. When he later trades the car in, he pays sales tax not only on a new vehicle but also on the trade-in value of the old vehicle. That amounts to double taxation because the individual already paid sales tax on the full value of that vehicle at the time of its purchase. The Legislature should end this inherently unfair practice.

### **31. Extend personal property tax relief.**

Last July, the Legislature passed a bill that permits a handful of distressed municipalities to offer personal property tax breaks of up to 100 percent on the installation of new equipment by companies that relocate within Michigan. While tax reduction is laudable, this extremely selective approach is unfair to existing businesses that pay full freight and must compete with newcomers that get a substantial break. We agree with the Michigan Jobs Commission that cutting the onerous personal property tax "is necessary to reduce unemployment, promote economic growth, and increase capital investment in the state," but a broader and more comprehensive reduction of the tax would be much more fruitful.

Generating about \$1.7 billion statewide, the personal property tax in Michigan is an important source of revenue for many local units of government (which retain about one-third the total, leaving two-thirds to assist public education). However, it is also a detriment to economic development. Other industrial states with whom Michigan competes, such as Pennsylvania, Illinois, and New York, have eliminated their personal property taxes altogether. Michigan must move in that direction to stay competitive.

The Legislature should enact legislation that would allow all local units of government, not just the 50 or so covered in last July's law, to eliminate or phase down their personal property taxes.

### **32. Critically review state government and university competition with the private sector.**

In a number of areas, Lansing is competing head-on with private enterprise and doing so unfairly. In the past, this has involved such things as sales of computers, floral supplies, and recreational time by the universities, and in other cases it involves more direct state agency intrusions. The Legislature should direct a comprehensive review of all those state government activities that compete with the taxpaying private sector, determine which are legitimate and appropriate, and jettison the rest.

### **33. Critically review state-mandated health benefits.**

State-mandated health benefits have exploded across America in the past 30 years. They range from government-required coverage for drug and alcohol abuse treatment in most states to coverage for hair transplants in Minnesota and pastoral counseling in Vermont. The National Center for Policy Analysis in Dallas estimates that approximately one-quarter of all citizens without health insurance lack this important protection because the cost of state mandates has priced them out of the health insurance market (see Table 2, below).

<b>Benefit</b>	<b>Estimated Additional Annual Cost</b>	
1. Minimum Maternity Stay	Less than 1%	Under \$35*
2. Speech Therapy	Less than 1%	Under \$35
3. Drug Abuse Treatment	Less than 1%	Under \$35
4. Mammography Screening	Less than 1%	Under \$35
5. Well Child Care	Less than 1%	Under \$35
6. Podiatry	Less than 1%	Under \$35
7. Papanicolaou (Pap) Smears	Less than 1%	Under \$35
8. Vision Exams	1% to 3%	\$35 - \$105
9. Chiropractic Treatment	1% to 3%	\$35 - \$105
10. Alcoholism Treatment	1% to 3%	\$35 - \$105
11. Infertility Treatment	3% to 5%	\$105 - \$175
12. Mental Health Care	5% to 10%	\$175 - \$350
<b>Total</b>	<b>15% to 30%</b>	<b>\$525 - \$1,050</b>

\* Based on a standard family policy without mandates costing \$3,500 per year.  
 Source: National Center for Policy Analysis

Consumers in the medical insurance marketplace should be free to pick the package of benefits that best suits their particular needs and desires. The Legislature should review all state-mandated health benefits and consider abolishing some and lowering the required dollar amount of coverage on others. The Legislature should refrain from adding new mandates, especially those whose costs can be demonstrated to outweigh their benefits. Following this recommended course will result in more Michigianians being insured and lower costs for Michigan businesses and health plans.

**34. Expand the scope of privatization.**

Michigan has engaged in significant privatization of state and local government duties in the past decade. In many cases, the process was well thought-out and the result was better service at lower costs. In a few cases, the process was hasty or ill-conceived and the results were poor.

The promise that privatization holds when it is the product of careful consideration is as great as ever. Indeed, because of its many successes, privatization is a mega-trend across America, including at the local level of government in Michigan. The Legislature and the Governor should renew their commitment to exploring this option across a broad front of state activities.

One area that cries out for privatization is corrections—a fast-growing sector of state and local governments. Michigan lags behind more than two dozen other states whose experience with contracting for private operation and management of prisons and county jails is extensive and very largely successful. Private management of the state's new juvenile facility in west Michigan is a promising start, and the state should follow this up with a more vigorous approach to cutting its horrendous corrections costs through privatization of other, existing facilities. Moreover, the Legislature should clear the books of all impediments that now deny counties the option to privatize the management of their jails.

Another area of privatization that Michigan can take action on involves Social Security. In May 1997, the Oregon Legislature passed a resolution urging Congress to grant waivers to let states opt out of the federal Social Security system and design their own retirement plans for both private-sector and government employees. Since then, Colorado has adopted a similar resolution and at least six other states are considering them. Many economists now believe that the only way to save Social Security before it goes bankrupt early in the twenty-first century without crippling tax hikes or substantial benefit reductions is to privatize it. Nations such as Chile have already shown that allowing individuals the freedom to invest their own retirement funds is a viable alternative to our present system, and one that can provide far greater payouts to retirees (see Chart 9, next page). Accordingly, a Mackinac Center for Public Policy report entitled *Saving Retirement in Michigan*<sup>14</sup> urges the Michigan Legislature to adopt a resolution that asks Congress to either

- Partially privatize the existing Social Security program by allowing workers to shift all or part of their current retirement payroll taxes into privately owned and managed accounts; or
- Grant the state of Michigan a waiver to opt out of the federal Social Security system and design a sounder and more beneficial retirement plan for its citizens.

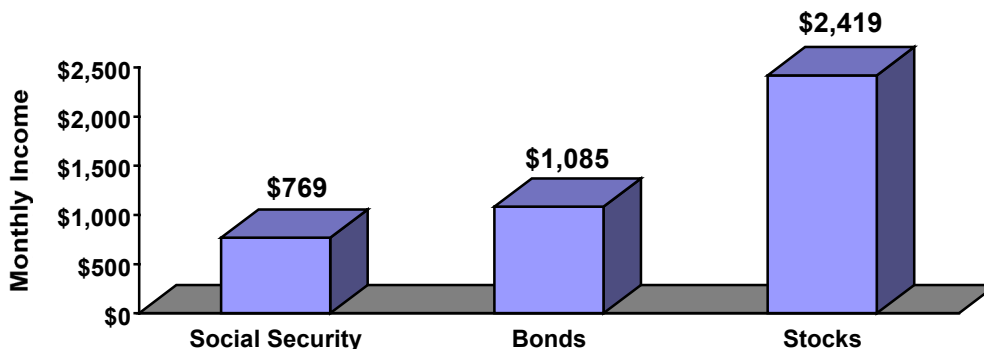
---

***The Legislature should clear the books of all impediments that now deny counties the option to privatize the management of their jails.***

---

<sup>14</sup> Kent Davis, *Saving Retirement in Michigan: Responsible Alternatives to Social Security*, December 1998. Accessible by Internet: <http://www.mackinac.org/studies/s98-07.htm>.

**Chart 9 – Monthly Benefit Comparison of Returns from Social Security and Capital Markets for a Low-Wage Worker**



Source: Cato Institute Project on Social Security Privatization, August 1995

**35. Pursue regulatory reform and include sunset provisions.**

More than 2,000 rules and regulations within state government—rules and regulations imposed upon the private sector—have been abolished under the Engler administration. The Mackinac Center for Public Policy recommends continued progress in this direction through the careful scrutiny of all existing regulations and requiring wherever possible that all new state regulations be subject to automatic “sunset” after two years to allow for a meaningful assessment of their real-life costs and benefits.

**36. Continue welfare reform with a strong emphasis on incentives for work.**

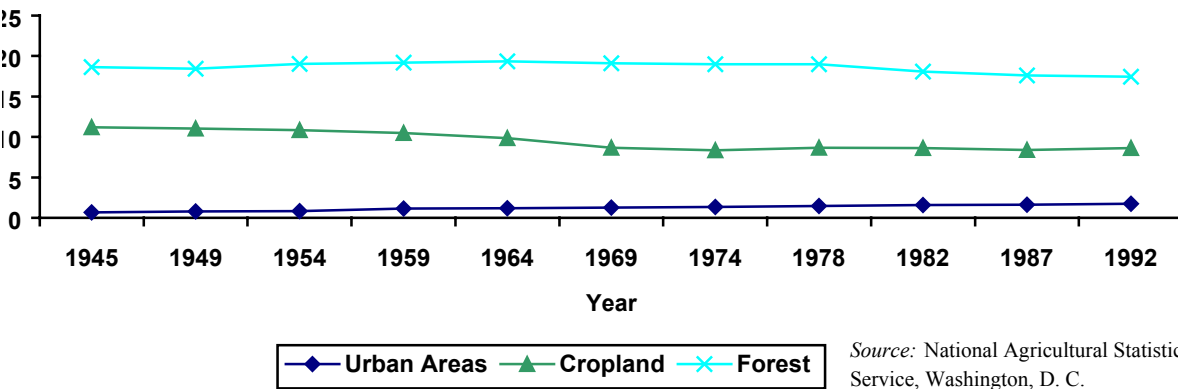
In Michigan last year, welfare caseloads hit a 27-year low with the number of people on welfare falling below 100,000 (see Chart 10, next page). While caseloads in the nation as a whole plunged 39 percent from 1993 to 1998, Michigan’s plummeted 49 percent. A greater-than-ever percentage of Michigan welfare recipients is working at least part-time, though achieving that has been expensive. Midland County, for instance, received almost one half-million dollars from the state for child care and a bus system intended to increase the incentives for work. The Michigan Jobs Commission has even spent thousands of dollars to pay old traffic tickets for welfare clients.

One important lesson from the many reforms in Wisconsin, Michigan, and elsewhere is that programs that emphasize work placement over training are having better results. The problem still is that too few reform initiatives place finding a job as the highest priority, or they do not do enough to change the bad behavior and costly lifestyles that keep people in the welfare quagmire.

Michigan should continue its generally positive path to welfare reform by encouraging reforms at both state and local levels that set time limits, promote marriage and responsibility, require drug testing, impose tough work requirements, establish a “family cap” to discourage clients from having additional children while on welfare, target benefits to the most needy, and encourage efficiency and privatization.



**Chart 12 – Changes in Michigan Land Use, 1945-1992**



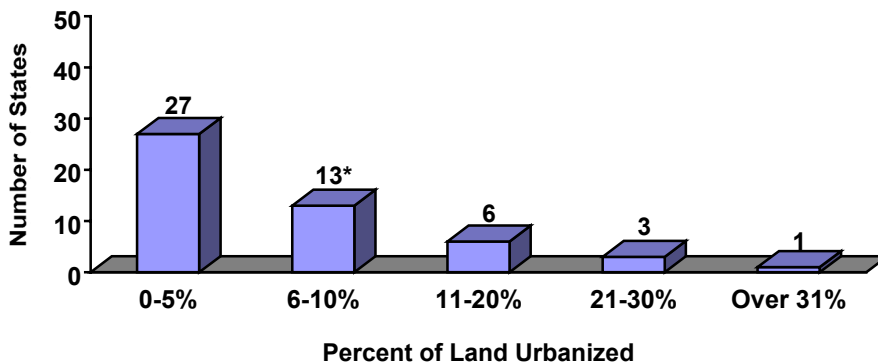
Source: National Agricultural Statistics Service, Washington, D. C.

Source: Michigan Family Independence Agency

**37. Adopt and encourage “urban sprawl” strategies that respect private property rights, reform poor urban policies that induce flight, and minimize intrusive planning.**

Many citizens are concerned about the rapid pace of Michigan’s economic development. They worry that continued development will erode their quality of life, harm the environment, and destroy the state’s natural beauty. As a result, some groups are calling for legal, political, and other barriers to prevent landowners from further developing their property. However, there is little objective evidence that Michigan is facing a land use “crisis”: Less than 10 percent of the state is urbanized, and long-term trends show no dramatic changes in land use (see Chart 11, below, and Chart 12, next page).

**Chart 11 – Urbanization in the United States  
(Including Federal Land)**



\* Michigan is 9.8% urban.

Source: U. S. Department of Agriculture, Soil Conservation Service

The Mackinac Center for Public Policy study, “*Urban Sprawl*” and the *Michigan Landscape: A Market-Oriented Approach*<sup>15</sup> analyzes decades of statistics on urbanization and land use in Michigan to offer five key recommendations for the Legislature to consider for any land use policy:

- a) Tax policies should be fair and uniform across the board;
- b) Local regulations and permit issuance should be streamlined to reduce the cost of doing business in Michigan and encourage wealth creation and investment in all businesses and industries, including agriculture;
- c) Full or “marginal” cost pricing for public services, particularly infrastructure services, should be implemented to avoid subsidization of “urban sprawl”;
- d) Land use programs should emphasize flexibility and voluntary participation; and
- e) Property rights, an essential ingredient in both the preservation of liberty and the rationalization of markets and planning, should be protected.

## V. Enhancing the Transportation Infrastructure

*Michigan’s transportation system is crucial to the state’s economic progress. In 1997, the Legislature raised the gasoline tax, enacted reforms to cut the costs of road building and maintenance, and embarked upon a major, long-overdue repair effort. With the condition of the roads now clearly improving, transportation funding and related issues have slipped off the public’s and the Legislature’s radar screens. The Legislature in 1999 should elevate transportation to an important matter once again and address the need for the following four reforms.*

### 38. Abolish county road commissions.

Michigan is the only state in the union with county road commissions. While there are many exceptions, the commissioner positions and the entire commission organization are often patronage machines at their finest. With the state and federal governments providing the bulk of money for county and local operations, there is little incentive for local government to consider changes to an age-old system that offers many public employment jobs and too often tolerates poor performance and high cost in maintaining roads.

The Legislature should terminate this additional and unnecessary level of bureaucracy by abolishing county road commissions and giving the money it now provides to the road commissions directly to county commissions and county executives.

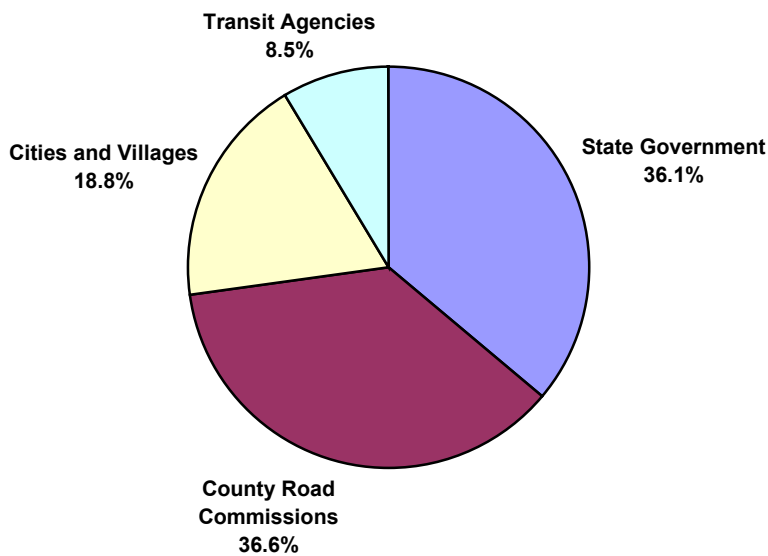
### 39. Alter the formula for distributing road funds.

---

<sup>15</sup> Samuel R. Staley, “*Urban Sprawl*” and the *Michigan Landscape: A Market-Oriented Approach*, October 1998. Accessible by Internet: <http://www.mackinac.org/article.asp?STD98-06>.

Since 1951, most state road tax and fee revenues have been divided according to a controversial formula that provides 36.1 percent to state government, 36.6 percent to county road commissions, 18.8 percent to cities and villages, and 8.5 percent to transit agencies (see Chart 13, below). The Legislature must review the formula by which state fuel and vehicle-registration taxes are distributed. Distributions cease if no new formula is enacted by September 30, 2000.

**Chart 13 – Distribution of State Road Tax and Fee Revenues**



Source: Michigan Department of Transportation

There is no particular merit to these percentages; they are the result of many amendments to the original formula of 1951, proposed in response to transient political issues. The formula has grown complicated and difficult to understand, and the original guiding principle has been forgotten under layers of amendments and handouts to favored programs. The heated discussions of the formula and how it might be changed have degenerated into a free-for-all, with each level of government arguing for a bigger share of the pie. Local units in particular seem to want to turn the formula into a revenue-sharing scheme first and foremost. Which roads attract the most actual traffic has taken a back seat to the grab for more money.

There may be no one right way to distribute motorist taxes, but before the system is overhauled, legislators should adopt these principles to guide the debate:

- a) These revenues do not “belong” to any agency, geographic area, or unit of government. They are motorists’ fees for the use of the road system, given in trust to the Michigan Transportation Fund to be distributed in proportion to motorists’ and shippers’ needs.
- b) State aid should be focused on the routes of statewide importance, as indicated by the proportion of long-distance or other trips that cross jurisdictional lines. Highway taxpayers depend on the state to assure a uniform, adequate system that carries them across city limits and county lines.
- c) Funds should follow the traffic. The distribution of funds among state, county and city systems should be guided first by the distribution of vehicle miles on those systems. Formulas that unduly favor route miles, population, or other factors risk cross-subsidy of little-used roads and congestion in the state’s busiest places.
- d) Purely local needs should be addressed by local funds. Local taxpayers know best whether local roads deserve more investment. The Transportation Fund should not be treated as a revenue-sharing scheme to which every local government is “entitled.”

---

***Government is not good at picking winners.***

The distribution formula should be simplified, and earmarked funds and special programs should be eliminated. If the formula is adequate, clumsy fixes like the Local Program, the special distributions of the 1997 tax-increase revenues, and the Economic Development Fund (which dispenses transportation dollars to localities according to the number of jobs new industries in their areas claim to have “attracted” or “retained”) will not be needed.

Although the share of motorists’ taxes given to mass transit was reduced in 1997, the total amount given to transit continues to increase. The Legislature should permanently reduce the mandated share of gas tax revenues allocated to mass transit. The 1990s saw palatial bus stations built on potholed streets that made every bus trip a trial; possibly the best thing that could be done for transit in Michigan is to devote more transit aid to road repair.

It’s also time to clear the books of the \$100 charge paid by Michigan truckers for the privilege of being regulated by the Michigan Public Service Commission (MPSC). Trucking has been deregulated, and there is no clear authorization for the use of this money for anything. By the time it bounces from the MPSC to the Motor Carrier Division of the State Police, there’s little or nothing left for the Transportation Fund, anyway.

**40. Avoid micromanaging transportation technologies through tax policy or subsidies.**

Invariably, when the Legislature gets around to addressing transportation issues, some lawmakers are tempted to get into the business of picking winners and losers. The Mackinac Center cautions against any legislation designed to provide artificial boosts to gasohol, electric cars, propane burners, passenger trains, flywheel-powered buses, and other politically favored (but not necessarily economically viable) technologies. Government is not good at picking winners.

#### **41. Enact cost-reduction ideas proposed in the Mackinac Center for Public Policy report, *Fixing the Roads: A Blueprint for Michigan Transportation Infrastructure Policy*.<sup>16</sup>**

Nearly four years after its publication, the Mackinac Center's *Fixing the Roads* report continues to be one of the most comprehensive of its kind, with many suggestions for reform that deserve renewed attention in the Legislature.

These reforms include increased competitive bidding for road repair and construction projects, changes in land acquisition procedures, greater application of value engineering concepts in road type and design standards, tort reforms to minimize frivolous claims and payments, and the streamlining of MDOT.

## **Conclusion**

In the long run, Michigan policy makers should (and probably will) be judged by the state's citizenry not according to flashy photo-ops, fiery rhetoric, and smoke-and-mirror politics. They will be judged by what they actually accomplished for the long-run good of Michigan. This fact suggests that lawmakers ought to put aside parochial concerns, avoid the pork barrel, eschew the temptation to plan and control the lives and businesses of people, keep government in its proper place, and solve problems in ways that leave citizens freer, better off materially, and facing a future full of new opportunities for people to take charge of their lives and move ahead. These principles have guided each of the recommendations offered in this report.

With confidence in the integrity and intentions of Michigan's governor and elected lawmakers of the 90<sup>th</sup> Legislature, the Mackinac Center for Public Policy is pleased to offer the foregoing recommendations for consideration and stands ready to supply additional details should the need arise.

## **Acknowledgements**

The Mackinac Center for Public Policy expresses appreciation to its professional staff, Board of Directors, Board of Scholars, and Boards of Advisors for assistance in the preparation of this report. We also thank our friends at the John Locke Foundation, a public

---

<sup>16</sup> John C. Taylor, *Fixing the Roads: A Blueprint for Michigan Transportation Infrastructure Policy*, April 1995. Accessible by Internet: <http://www.mackinac.org/s95-04.htm>.

policy research institute in Raleigh, North Carolina, for several inspirational suggestions used in the introduction. Lawrence Reed, president of the Mackinac Center, served as editor of this publication.

  
**MACKINAC CENTER**  
FOR PUBLIC POLICY

## Board of Scholars

---

- |  |   |
|--|---|
| Dr. Donald Alexander<br><i>Western Michigan University</i>             | David Littmann<br><i>Comerica Bank</i>  |
| Dr. John Attarian<br><i>The Social Critic Magazine</i>                 | Dr. Dale Matcheck<br><i>Northwood University</i>                                  |
| Dr. Thomas Bertonneau<br><i>Central Michigan University</i>            | Dr. Paul McCracken<br><i>University of Michigan</i>                               |
| Dr. Peter Boettke<br><i>George Mason University</i>                    | Dr. George Nastas III<br><i>Marketing Consultants</i>                             |
| Dr. John Bornhofen<br><i>Grand Valley State University</i>             | Dr. John Pafford<br><i>Northwood University</i>                                   |
| Dr. William Browne<br><i>Central Michigan University</i>               | Dr. Mark Perry<br><i>University of Michigan - Flint</i>                           |
| Dr. Stephen Colarelli<br><i>Central Michigan University</i>            | Dr. Karen Potter-Witter<br><i>Michigan State University</i>                       |
| Dr. Keith Crocker<br><i>University of Michigan</i>                     | Gregory Rehmke<br><i>Foundation for Economic Education</i>                        |
| Dr. Robert Crouner<br><i>Eastern Michigan University</i>               | Dr. Steve Safranek<br><i>University of Detroit Law School</i>                     |
| Dr. Richard Cutler<br><i>Michigan Association of Scholars</i>          | Louis Schimmel, Jr.<br><i>Municipal Advisory Council of Michigan</i>              |
| Robert Daddow<br><i>Oakland County Executive</i>                       | James Sheehan<br><i>Competitive Enterprise Institute</i>                          |
| Dr. Stephen Dresch<br><i>Jhëön &amp; Associates</i>                    | Fr. Robert Sirico<br><i>Acton Institute for the Study of Religion and Liberty</i> |
| Prof. Richard Ebeling<br><i>Hillsdale College</i>                      | Bradley Smith<br><i>Capital University Law and Graduate Center</i>                |
| Dr. Wayland Gardner<br><i>Western Michigan University</i>              | David Sowerby<br><i>Beacon Investment Company</i>                                 |
| Dr. Dale Haywood<br><i>Northwood University</i>                        | Dr. John Taylor<br><i>Wayne State University</i>                                  |
| Dr. Ormand Hook<br><i>Michigan Resource Center for Charter Schools</i> | Prof. Harry Veryser, Jr.<br><i>Walsh College</i>                                  |
| Prof. Harry Hutchison<br><i>University of Detroit Law School</i>       | John Walter, Jr.<br><i>Dow Corning Corporation</i>                                |
| Dr. David Janda<br><i>Institute for Preventative Sports Medicine</i>   | Dr. William Wilson<br><i>Comerica Bank</i>  |
| Mrs. Russell Kirk<br><i>Author, Lecturer</i>                           | Dr. Martin Wing<br><i>GMI Engineering &amp; Management Institute</i>              |
| Dr. Robert Kleiman<br><i>Oakland University</i>                        | Dr. Gary Wolfram<br><i>Hillsdale College</i>                                      |
| Dr. George Leef<br><i>Patrick Henry Associates</i>                     |   |

The Mackinac Center for Public Policy is an independent, nonprofit, nonpartisan research and educational organization devoted to analyzing Michigan public issues. For more information on this report or other publications of the Mackinac Center for Public Policy, please contact:



140 West Main Street • P.O. Box 568 • Midland, Michigan 48640  
(517) 631-0900 • Fax (517) 631-0964  
[www.mackinac.org](http://www.mackinac.org) • [mcpp@mackinac.org](mailto:mcpp@mackinac.org)

ISBN: 1-890624-10-1  
S99-01