



DHS Sued Over 'Shell Corporation'

The Mackinac Center made a dual announcement at the Hall of Justice. First, officials from the free-market think tank announced its new legal wing -- the Mackinac Center Legal Foundation (MCLF), which it bills as a public-interest law firm.

Second, officials announced that MCLF filed suit in the Michigan Court of Appeals against the Department of Human Services (DHS) for creating a "shell corporation" to "shanghai" more than 40,000 home-based day care business owners into a government employees union.

The action, which was filed on behalf of two owners, Sherry LOAR and Dawn IVES, seeks to stop the DHS from "improperly" siphoning "union dues" out of state subsidy checks meant to provide assistance to low-income parents. Or at least that's the plaintiffs' side of the story.

"The DHS, UAW (United Auto Workers) and AFSCME (American Federation of State, County, Municipal Employees) have devised a scheme to siphon \$3.7 million into union bank accounts," said Mackinac Center Senior Legal Analyst Patrick WRIGHT. "They've done this by concocting a new government entity that they allege transforms 40,000 home-based private contractors into government employees and union members. If Sherry and Dawn are government employees simply because a few of their customers receive government aid, then doctors, landlords and independent grocers can't be far behind."

According to Wright, it appears that to increase government employees, the DHS and unions created a shell corporation using an interlocal agreement between the agency and Mott Community College.

A union was then organized called the Child Care Providers Together Michigan union. In other words it was a union of the roughly (at the time an estimated 40,000) child care workers who take care of children -- usually -- in their own homes. This new union was created by an overwhelming majority vote, but the vote total voting members were roughly 6,500. That number is only a fraction of the number of workers the union was to represent. What's more, Wright said the actual number of childcare workers involved was really more in the range of 70,000.

Both of the named plaintiffs in the lawsuit were at the news conference this morning, which was covered by the Capitol Press Corps and local television stations.

Loar told reporters she never knew anything about the new

union.

"I had never been informed about the union or a vote," Loar said. "I just opened up a letter I received in December and the letter informed me that I was in a union. I'm not opposed to unions. Everything has a place. I grew up in a union family. But when we enter my door, this is my home."

Ives also said she had known nothing of the union until being told she was in it.

Reporters asked Wright if a key point in the suit would be the question of whether or not most of the members of the 70,000-member union had ever had a chance to vote on its formation.

He said, "no," the issue is that, regardless of any vote, the process that created the shell corporation was unconstitutional.

Wright was also asked why he had filed at the Court of Appeals level.

"We don't believe there's any question about the facts," Wright said. "So there wouldn't the issue of discovery you'd usually have in lower courts. Also, we're expecting this to be a big battle. We expect that it will go up pretty high -- so why not start fairly high."

Wright described the creation of the union as "extraconstitutional."

"If the state is determined to place these day care providers in a union, it needs an act of the Legislature," said Wright. "Two government agencies cannot conjure up the power to change the law simply because they are working together."

A video that tells Loar and Ives' story, as well as the complaint, legal brief, a backgrounder and other information related to the case, can be found at www.mackinac.org/9051.

DHS officials declined to discuss any aspect of today's press conference, going as far as not confirming or denying any information the Mackinac Center presented as fact.

The response from DHS was brief.

"DHS does not comment on pending litigation," said DHS Spokeswoman Colleen STEINMAN. "That is all we will say at this time."