



A Good Start, Policymakers. Now for the Heavy Lifting

By Joseph G. Lehman

Summary

Gov. Rick Snyder and the Legislature have made progress toward turning Michigan around, but more reforms are necessary, especially with respect to public-sector unions.

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Gov. Rick Snyder and the Legislature are on a roll. In six months they've made real progress toward fixing Michigan. But it's only a start. Whether they turn Michigan around or just slow its decline will depend on whether they keep pressing hard, or declare victory and coast.

Four accomplishments are especially noteworthy. The state business tax was trimmed by about \$600 million overall, vastly simplified, and made fairer (by eliminating a constellation of corporate welfare-like tax incentives). Emergency financial managers now have more authority to keep unions from bankrupting schools and municipalities.

Starting next year, taxpayers will subsidize only 20 weeks of unemployment instead of 26 and thereby save about \$240 million annually. Lastly, the new state budget cuts spending significantly, relies less on federal subsidies, and incentivizes schools and municipalities to stop their overspending.

These accomplishments were neither perfect nor sufficient. For instance, the tax and budget changes will raise income taxes on many. No one's taxes should be increasing while public employees are still taking home \$5.7 billion more in average benefits than their private-sector counterparts.

Many Mackinac Center ideas have already found their way into law this year. Here are some of them:

- Reduce business taxes to spur job creation.
- Eliminate corporate welfare-like tax gimmicks such as film industry subsidies.
- Ask public school teachers to pay part of their health insurance premiums.
- Set aside certain public-sector union contracts to prevent insolvency.
- Encourage schools and municipalities to seek competitive bids for services.
- Encourage schools to purchase less costly insurance than the union-backed MESSA plan.
- Eliminate the archaic retail "item pricing law."
- Seek competitive bids for certain prison-related services.
- Link state school aid and municipal revenue sharing to local cost control.
- Begin the move toward sustainable public employee pensions.



For more information on reforming Michigan's public-sector unions, please see "Reconsidering Michigan's Public Employment Relations Act" at www.mackinac.org/14565.

One area in particular that needs more work is public sector unionism. Public-sector unions invariably drive up the cost of government. Public-sector unions also take a chunk of public employee wages (in the form of union dues) and channel millions of dollars into lobbying and politicking for bigger, more expensive government.

Unless the Legislature and Gov. Snyder enact serious reforms to Michigan's public-sector union law, we can expect unions to continue soaking up tax dollars that are supposed to pay for efficient, core government services.

Mackinac Center Director of Labor Policy Paul Kersey recommends four basic reforms. Starting with the most beneficial:

- Prohibit government collective bargaining. This was FDR's position on government unions and it is the law in several states.
- Permit collective bargaining only at the discretion of local government officials. Negotiations should be win-win, or no deal.
- Initiate "open government employment," where government cannot fire a teacher or other worker who does not support a union or follow union rules.
- Institute other reforms such as suspending bargaining and contracts during strikes or emergencies, prohibiting government from collecting dues on behalf of unions and confining union negotiations to wages only.

Gov. Snyder has asked school and municipal leaders to cut costs, but their hands will remain partially tied unless he delivers some of these collective bargaining changes.

Public-sector unions push a romantic vision of collective bargaining that plays well in Michigan. But they are involved in underhanded schemes like roping tens of thousands of private day care workers into a government union so they could siphon off millions of tax dollars intended to care for low-income children. The Mackinac Center Legal Foundation sued the state when the Granholm administration and unions set up that deal, and Gov. Snyder was right to pull the plug on it in March.

Tax dollars spent by public universities can also end up supporting union politics. In April, my colleagues asked Wayne State University about its possible involvement in Wisconsin union protests. Hours after making our concerns public, Wayne State quietly shut down its labor studies website and stripped it of politically charged content.

Public sector unions enjoy special legal privileges that drive costs up and efficiency down in government and public schools. Gov. Snyder and the Legislature should end policies that favor unions at the expense of taxpayers.

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