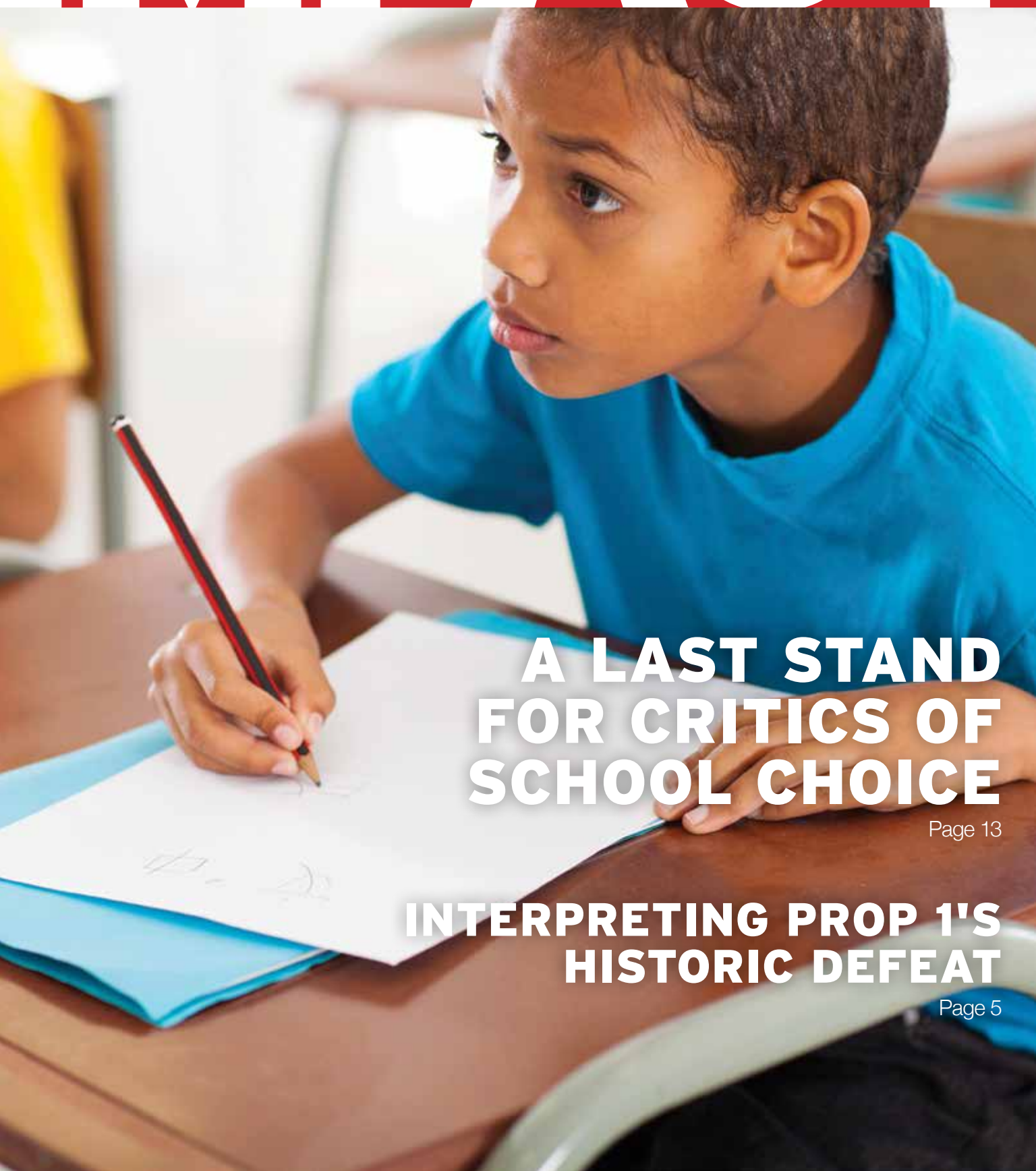


The Magazine of the Mackinac Center for Public Policy MAY/JUNE 2015

IMPACT



A LAST STAND FOR CRITICS OF SCHOOL CHOICE

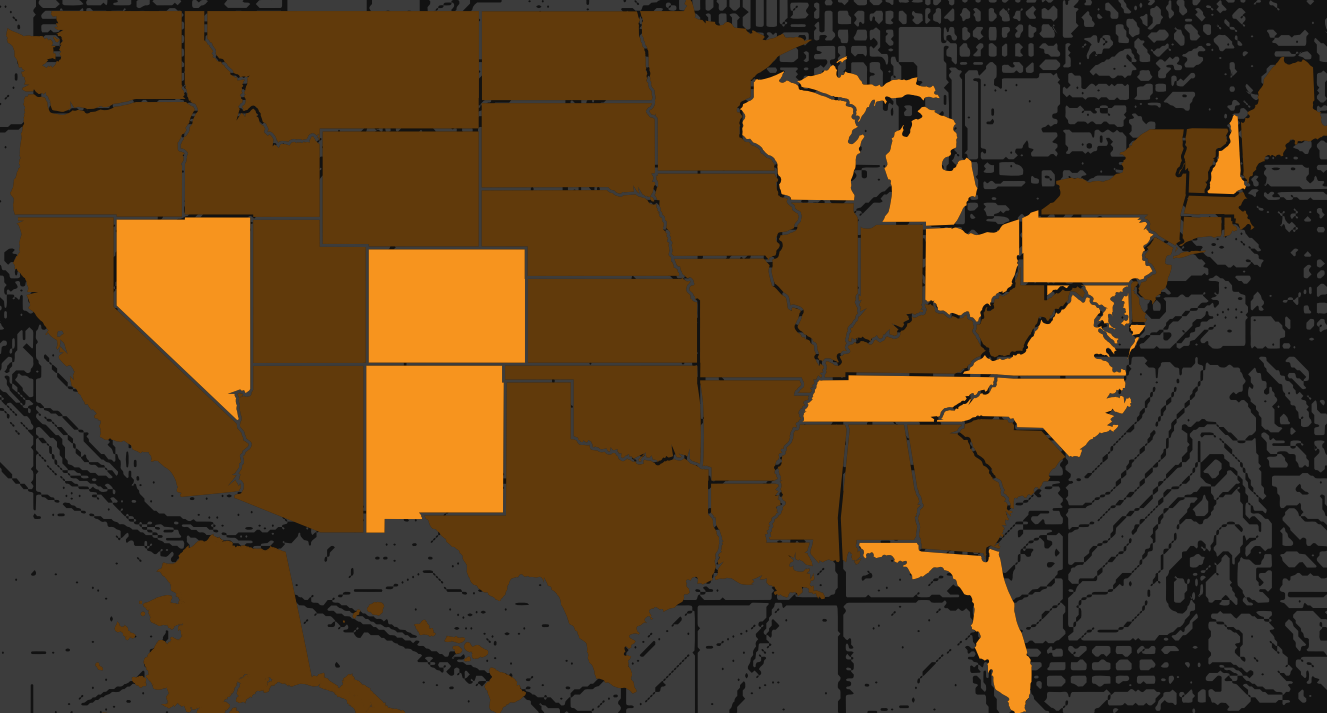
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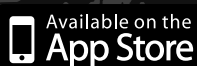
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Warmer Weather, Worker’s Choice and Warning Against Corporate Welfare

Hope this latest edition of IMPACT finds you well and enjoying the warmer weather.

The Mackinac Center has also been turning up the heat on its involvement in the areas of its expertise. The center’s most recent study, “Worker’s Choice: Freeing Workers and Unions from Forced Representation,” proposes a fix to the issue of unions having to represent workers that don’t want to pay them (the study is available at Mackinac.org/S2015-03). The study’s author, F. Vincent Vernuccio, recommends giving individuals who have exercised their right-to-work choice the ability to represent themselves. In addition, he proposes that unions should be able to deny representation to workers who don’t want it. On WJRAM760’s Frank Beckmann show, the host said of Worker’s Choice, “It is an interesting idea, a common-sense concept.” Sean Higgins of the Washington Examiner said “unions would benefit” with Worker’s Choice. Read more about it on page 11.

The policy of public sector pensions is complicated, which is why we’ve included an easy to read and understand visual explanation of Michigan’s pension underfunding problem on page 10. It’s also available at Mackinac.org/20884. Lawmakers have recently showed interest in switching school employees over to a 401(k)-style plan in which workers get to keep their money if they leave public employment early. A critical feature of such plans is that they aren’t subject to the political game in which governments promise benefits to employees but then fail to make the required contributions to deliver them.

If you haven’t been to a Mackinac Center event recently, you’ve missed out on something special. In this issue, hear about an event regarding the topic of big business, big government and liberty. Please see page 8.

On June 25, there will be a debate regarding the topic of money in politics. Should private citizens be required to disclose every penny they give to charitable and political organizations? Hear from both sides of this argument at the Lansing Center June 25. You can sign up at Mackinac.org/21072.

Opponents of school choice want to limit the ability of families to select the best school for their children in the Motor City. Director of Education Policy Audrey Spalding and Senior Investigative Analyst Anne Schieber produced several video clips of Detroit families who benefit from school choice and the harm that would be done if their choices were taken away. Those videos are at Mackinac.org/21191. Read more of this issue in our feature story on page 13.

Policy Analyst Jarrett Skorup spoke at the appropriations committee in the Florida Senate regarding the issue of spending tax dollars on film subsidies. Florida is considering reforms to its film program and Skorup shared how Michigan’s film incentive program has not been an effective use of tax dollars. Read his testimony on page 12.

Thank you for supporting the Mackinac Center. It’s a privilege to advance liberty and opportunity for all people. ■

Dan Armstrong is director of marketing and communications at the Mackinac Center.



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WHAT FOLKS ARE SAYING ABOUT THE MACKINAC CENTER

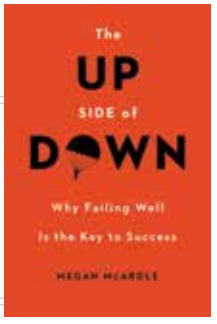
“Maybe it’s a little strange to have someone like myself up here at a Mackinac Center event, but I think it actually speaks to the power of the argument.”

— Jeff Irwin, State Representative (D-Ann Arbor) May 20, 2015, speaking on the need to reform Michigan’s civil asset forfeiture laws.



MICHAEL REITZ RECOMMENDS “THE UP SIDE OF DOWN: WHY FAILING WELL IS THE KEY TO SUCCESS” BY MEGAN MCARDLE

What can a bad breakup tell us about the GM bailout? Bloomberg View columnist Megan McArdle writes about economics, business, and public policy, and her new book focuses on the value of experiencing failure. Drawing on personal experience and examples from the business world, McArdle argues that setbacks and outright failure are key ingredients of success for individuals and society. “Learning to fail well means learning to understand your mistakes, because unless you know what went wrong, you may do the wrong things to correct it.”



*Joseph G. Lehman*

Five Road Funding Principles

One might live a lifetime without witnessing a political trouncing like the one voters delivered to Proposal 1 on May 5. The complex measure to annually devote \$1.2 billion more for roads by raising taxes \$2 billion didn't just fail, it was vaporized in an historic 20-80 rout.

Some Prop 1 proponents say they now discern a new consensus to raise taxes to fix the roads, even though that is not the most obvious interpretation of their 60-point margin of defeat. While Prop 1's failure may have made even a small tax increase more difficult, the Mackinac Center's ideas remain untarnished by the blowout.

So what are the Mackinac Center's road funding principles? We point to the free-market ideal – True North, if you will – and chart a path that leads there even when it's not yet politically possible.

We have a way of patiently helping the politically impossible become politically inevitable, to borrow Milton Friedman's phrase. Our two-decade march for right-to-work comes to mind.

Might a consensus now form around our approach to roads?

- Advocate for high quality, well-funded roads as a public good that serves taxpayers' interests. Taxpayers will pay for poor government roads one way or another – through excessive taxes, vehicle repairs, or an impeded economy. Even Adam Smith, the famed originator of the free market's "invisible hand," did not oppose basic government infrastructure.
- Illuminate inefficient road spending practices and recommend reforms within road agencies. Repealing the prevailing wage law is a modest start.
- Retain the user-fee principle. Those who drive more should pay more. The per-gallon fuel tax approximates a user fee. Our road tax structure should easily

accommodate emerging technology, which will make pay-by-the mile, pay-by-the-ton, or both, instant and frictionless for any type of vehicle, including hybrids. Oregon is experimenting with this.

- Identify and recommend ways to assign more money out of current revenues to roads. This means reassign state spending from programs with lower priority to the roads until they are adequately funded (and we believe an additional \$1.2 billion is the right number). My colleagues Mike LaFaive, James Hohman, and Jarrett Skorup have done more than anyone to identify more than \$2 billion in questionable spending that could be devoted to roads. The Michigan Economic Development Corporation consumes hundreds of millions of public dollars, much of it doled out as corporate welfare in a program cloaked in secrecy and whose results hardly ever match its boastful claims. So start with the MEDC. It's hard to think of a state asset more central to economic development than decent roads.
- Refrain from advocating for bigger government overall. Imposing new road taxes should be a last resort as long as lower priority spending remains untouched.

State House leaders recently introduced a plan that embraces most of these principles, even prioritizing future state revenue growth for roads so that they get more resources with no tax increase. If a final compromise does include a tax increase, we'll be cheering in direct proportion to how much of the total road funding package comes from reprioritizing current spending. That would represent progress compared to the conventional mindset of seeking all the new road money from a tax hike. And it's one step in the direction of True North. ■

**JOSEPH G.
LEHMAN**

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DAN ARMSTRONG Editor

JONATHAN VANDERHOOF, ILIA ANDERSON Designers

Media, Voters, Draw on Mackinac Information on Prop 1

Proposal 1's defeat on May 5 was historic. No ballot proposal offered under Michigan's current constitution, enacted in 1963, was defeated so soundly. For every one person who said "yes," four said "no."

JAMES
HOHMAN

I hope that this clear decision is due to voters knowing what was in the proposal and not simply a gut reaction in the ballot box. We made it easy for people to understand the question before them with a plain-language description of what the proposal did, what it would cost, and what it attempted to do. It is not our role to tell people how to vote, but it is our duty to answer the questions that citizens have about a proposal.

So we informed people that the increased sales and fuel taxes would cost the average household roughly \$500 annually – and that the new fuel tax had errors that ensured its rates would increase above inflation. We laid out where our policymakers were going to spend the money from this tax increase.

No one else in Michigan seemed to care much about providing that kind of information. News reports rarely listed the price tag of the proposal.

I spoke to Republican, Tea Party, and even a chamber group about what was in Proposal 1. Media interest remained high throughout the months running up to the vote, and our work was covered by radio stations across the state, TV stations in Flint and Traverse City, and all of the major newspapers. Even The Wall Street Journal covered our work on the proposal.

I hope that our work meant that when voters rejected the proposal, they understood the consequences of the proposal.

It is now up to the Legislature to interpret the message the people sent with a vote of such a large margin. And it seems clear: Voters care about the roads but would rather the state re-examine its own spending practices before asking taxpayers to re-examine theirs. ■

James Hohman is assistant director of fiscal policy at the Mackinac Center.

Michigan Legislature Considers Bills to Simplify Criminal Code

In October 2014, the Mackinac Center and the Manhattan Institute for Policy Research published a study noting that Michigan has more than 3,100 criminal laws in statute. The study recommended that the state review the criminal law and eliminate unnecessary or duplicative crimes.

MICHAEL
J. REITZ

In February 2015, House Republicans announced plans to reform the criminal code, starting with a working group led by Rep. Chris Afendoulis, R-Grand Rapids Township, and Rep. Kurt Heise, R-Plymouth. The committee began its work by identifying criminal statutes that could be repealed, as well as adjusting penalties to more appropriately reflect the severity of the crime.

Among the crimes that would be repealed:

- Using orange dog collars in public places, currently limited to individuals who are deaf or audibly impaired;
- Playing "The Star Spangled Banner" as a medley or as dance music;
- Using of "indecent" or "insulting" language in the presence of women or children;
- Using "contemptuous" language toward a person who refuses to fight a duel;
- Organizing or participating in walkathons; and
- Selling artificially dyed baby chicks, rabbits or ducklings.

To many observers, these activities fail to rise to the level of criminal activity, but an individual convicted of the actions could still face fines and jail time. Eliminating antiquated or unnecessary criminal laws is a good first step toward addressing the problem of overcriminalization in Michigan.

The House is also considering reforms to the state's civil asset forfeiture law, which allows law enforcement agencies to seize the private property of individuals who have not been charged with a crime, much less convicted of one.

Meanwhile, the Senate is considering a bill that clarifies whether criminal defendants can be convicted even if they did not know they were committing a crime.

These changes would help ensure that the state's limited resources are concentrated on truly serious crimes, while also reducing the likelihood that a well-meaning person is caught up in a criminal investigation. ■

Michael J. Reitz is executive vice president of the Mackinac Center.



The study co-written by the Mackinac Center and the Manhattan Institute is available online at Mackinac.org/20644

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INTERVIEW WITH A SUPPORTER



The Mackinac Center for Public Policy is funded solely by freedom loving individuals and organizations that find value in its conviction of free-market principles. For this issue of IMPACT, we hear from **John Joslin**, pictured here with his family.

Mackinac Center: Where are you originally from?

John Joslin: I'm originally from Lansing. I've lived in Michigan most of my life. I've been in Clarkston since 1968. I consider it my hometown. I live there now with my wife, Rosemarie. We have a daughter, Ariel (20) and a son Derek (16).

MCPP: What do you do for a living?

Joslin: The company my wife and I own is Dawnco. We sell large commercial satellite antennas and fiber optic products. Many of our customers are television stations in Michigan and across the country. The satellite antennas are 10 feet to 15 feet in diameter. We've been in business for 27 years. Rosemarie directs purchasing and finance. I'm responsible for sales and marketing.

MCPP: What got you interested in owning your own company?

Joslin: Since I was young, I've had an entrepreneurial spirit. I started selling newspaper subscriptions when I was 12 and continued for years on my paper route. My youthful enthusiasm helped sell quite a bit. I would identify the homes not receiving newspapers and try to persuade them to purchase the paper. The Detroit News would hold contests where if you sold enough newspapers you would win trips. I remember winning trips to New

York, Virginia, Florida and Canada. It was empowering. I felt that I could improve my life with a solid work ethic. I would work my paper route two hours a day. I knew if I put the effort in, I would get good results.

MCPP: How did you transition into the satellite antenna industry?

Joslin: Studying business at Northwood University, I learned about anticipating trends and technology. I wondered what would be the next big thing and what products and services were growing. I saw that with cable and satellite technology. This was the early 1980s. It was fascinating going from a few channels to dozens of channels. The student lounge at Northwood had cable (none of the dorm rooms had it) and it garnered a lot of attention.

After college, I started working for a cable company in Bay City selling door-to-door. From there, I found a job in New York working for a distributor for the cable industry and its new satellite division. Another company bought us out and I was on my way to Chicago for a high-ranking job in a much bigger company, but I wasn't sold on moving. I had gotten to know a woman who was from New York and we developed a relationship. I didn't know what to do. I didn't want to leave her, take this job, and possibly never see her again. A trusted friend gave me good advice

about his mistake of allowing a good woman to get away from him. So I told my boss I wasn't moving to Chicago. I canceled the apartment I had leased in Chicago and further nourished my relationship with Rosemarie.

She knew I wanted to start my own business, so she encouraged me to go in that direction. I did. I had to work a different job at nights, but I built the business and landed an order from Exxon six months into my business. From there, I was able to quit my night job and bought an engagement ring. We married and worked the business very well together. It was Rose's idea to go back to Michigan. She knew I wanted to go back. There's a much lower cost of living.

MCPP: When did you first hear of the Mackinac Center?

Joslin: Larry Reed became president of the Mackinac Center and my wife and I moved our business to Michigan around the same time. Larry was one of my professors and I wanted to support what he was doing. He taught me Austrian economics, and I believed in the value of free markets.

MCPP: What value do you find in the Mackinac Center?

Joslin: It points Michigan in the right direction for a more prosperous state. It shows how government can impede development. ■

"Steve Cook" Bill Introduced After Cap Con Investigation

It started with a single entry for an obscure budget item on the Lansing

School District website that caught the attention of a Michigan Capitol Confidential reader.

The reader had noticed that the district had listed someone as "educator on loan" with a salary of \$201,613. The reader had been told that the

"educator on loan" was Michigan Education Association President Steve Cook and wanted Michigan Capitol Confidential to look into it.

TOM GANTERT

That tip led to the news site exposing a decades-old practice by the state's largest

teachers union that allowed the highest-ranking members of that private organization to use their six-figure union salaries to spike their public school pensions.

The practice was allowed under the law but had not been public knowledge. The reaction once it was exposed was outrage.

"It's absolutely inappropriate," said State Rep. Rick Jones, R-Grand Ledge. "It should not be happening."

State Sen. Marty Knollenberg, R-Troy, soon introduced legislation that would prevent similar union deals that spike public sector pensions from happening in the future.

Cook's deal allowed him to turn a 25-hour-a-week job as a paraprofessional with the Lansing School District into an estimated \$105,000 annual pension when he retires. After 15 years as a part-time teacher's assistant, Cook signed a deal in 1993 with the district that allowed him to work full time with the MEA while still accruing years of service for his public school pension.

Richard Halik, the superintendent who signed that 1993 deal, said recently the district never envisioned Cook would be "on loan" to the MEA for 20-plus years and then use his \$200,000-plus MEA salary as part of the calculations for his public school pension.

Former MEA President Iris Salters signed a similar deal with the Kalamazoo Public Schools. That allowed Salters to collect a \$140,000 a year pension when she retired from the MEA in 2011. Salters had worked 32 years with the Kalamazoo Public Schools before leaving for the MEA in 1999. She had a MEA salary of \$235,447 in her final year with the union, which she was able to use as part of the calculations for her public school pension. ■

Tom Gantert is senior capitol correspondent for Michigan Capitol Confidential, a daily news site of the Mackinac Center.



Smuggling Study Continues to Make Waves

In 2008 the Mackinac Center for Public Policy published estimates about the degree to which cigarettes were smuggled into the state. There was not a lot of hard data on cigarette smuggling in Michigan or elsewhere then, but there is a mountain of it today.

Our decision to fill a void in this sphere turned out to be a fateful one that would drive the Mackinac Center's reputation for quality research inside the state and beyond. Due to the study's popularity we now update its findings annually.

In our 2015 version, Michigan remained the 10th-highest smuggling state at 25 percent of the total market through 2013. That is, of all the cigarettes consumed within the borders of the Great Lake State, one in four is smuggled in.

Our original and subsequent studies turned out to be national in scope by necessity. We had originally developed a statistical model designed to measure the smuggling rates of just three states: Michigan, New Jersey and California. Our true interest was in Michigan because we are a state-based think tank, but telling the stories of New Jersey and California, we thought, might allow us to at least weave a wider narrative.

As it turns out our model would not work without a lot of changes and many more measurements, so we fed in data on a total of 47 American states. The

result was a treasure trove of data on American cigarette smuggling.

Since February alone Mackinac Center scholars have weighed in on cigarette tax debates in North Dakota, Ohio, Minnesota, Kansas, Rhode Island and the state of Washington.

We have also been invited to testify before legislatures in Ohio and Minnesota and have conducted 26 media interviews nationwide.

Our most recent effort warned Rhode Islanders in the Providence Journal that our model predicted another tax hike — this one of 25 cents — would result in a net loss of cigarette tax revenue as a direct result of increased smuggling.

Our research is also appearing in other scholarly papers. In February of this year the National Research Council and Institute of Medicine published a cigarette smuggling study and cited the Mackinac Center for Public Policy at length. We will be offering a lengthier commentary — and perhaps some constructive criticism — of that study in the future.

The Mackinac Center may be a state-based think tank, but its quality research and reputation often ripple out across the country in policy debates. The cigarette smuggling study is but one example. ■

Michael LaFaive is director of the Morey Fiscal Policy Initiative for the Mackinac Center.

MICHAEL LAFAlVE



Big Business, Big Government and Liberty

Is big business a danger to economic liberty? That was the question posed at a recent event hosted by the Mackinac Center that took place April 14 in Grand Rapids.

The answer is a resounding “yes,” according to Tim Carney, a columnist with the Washington Examiner. Carney, who was the guest speaker of the day, said that larger corporations have increasingly been teaming up with government at both the state and national level.

Consider the “bulb ban,” where Congress essentially outlawed the incandescent light bulb. That was done at the behest of companies making fluorescent bulbs. It’s debatable which one is better, Carney said, but it shouldn’t be a centralized government in Washington making that decision for everyone.

Transportation, energy sources, agriculture, technology – in all of these areas and more, big business is lobbying for special favors from government. Under what Carney calls “Obamanomics,” where the federal government has a stronger role redistributing money to favored businesses, crony capitalism has gotten much more prevalent.

In Michigan’s “lost decade,” the state government was a leader in special subsidy deals. But the positive economic results did not follow.

There may be hope, however. Carney said there is a coalition of congress members and senators in Washington as well as a host of free-market, conservative and left-leaning groups that are pushing back. But there is a lot of damage to undo and

big fights loom in the near future, like the reauthorization of the Export-Import Bank that gives special favors, mostly to a select few corporations. Congress is currently debating its reauthorization.

Carney said that conservatives and believers in limited government should be very concerned. Business groups hold powerful sway, especially with Republican politicians who must decide whether they will favor the short-term approach of divvying government funds or the long-term approach of favoring the free enterprise system.

That’s the battle taking place today. And that is why the Mackinac Center has fought select business tax credits and subsidies, against Republican and Democratic politicians alike, since its founding. ■

Legislature to Discuss a Simplified Path Toward Amending the U.S. Constitution

Nick Dranias is a self-made expert on Article V of the U.S. Constitution. Those long-removed from a high school government class might not recall this particular section: It enables the states to start the process of calling a convention for proposing constitutional amendments. Although the Constitution has never been amended by this means, Dranias thinks it can be, and he lays out his case in a new study published by the Mackinac Center in April.

Dranias, who is the president and executive director of the Compact for America Educational Foundation, is particularly interested in using Article V to force Congress to balance its budget. Fiscal conservatives have been calling for this amendment for quite a while – in fact,

Michigan’s Legislature approved a resolution last year to this effect – but so far, nothing’s really gotten off the ground.

Dranias’s plan is to use a state “compact” to simplify the Article V process. Traditionally, states have assumed they needed to pass several separate resolutions and bills to start the Article V process. The compact Dranias lays out rolls all state-level actions into one compact, which states would only need to take one vote on. It also protects against a “runaway convention” by limiting the convention’s scope to voting up or down on a pre-drafted amendment in a 24-hour period. In the end, the compact approach to using Article V requires only a single legislative action by 38 states, a majority vote of

Congress and a predetermined convention vote.

In the study, Dranias explains how this approach produces certainty, safety, synergy and speed when it comes to using Article V to amend the U.S. Constitution. A few states have already signed off on the compact. The issue is slated to be considered in Michigan soon, so stay tuned. ■



Nick Dranias’ policy brief, “Why Michigan Should Compact for a Federal Balanced Budget Amendment,” is available online at Mackinac.org/21229.



MACKINAC CENTER LEGACY SOCIETY

Mail call is a favorite part of our day here at the Mackinac Center.

Fan mail, angry mail, policy mail, free-market magazines and, of course, your contributions of support, are one of our windows to the world.

But “mail call” now is also something we do online.

As America spends more time on laptops, tablets and smartphones, the Mackinac Center is also spending more time learning how to reach people online and through social media.

We can’t carry out our mission – and fulfill our fiscal responsibility to supporters like you – without exploring promising ways to secure new friends and donors.

The Blackbaud Index is a rolling snapshot of charitable giving from year to year. In a recent report, it noted that total charitable giving was up by 1.7 percent in March of 2015 compared with the previous year among the 3,700 organizations it tracks.

But online giving was up by 9.9 percent.

That’s a trend we’re seeing here at the Mackinac Center, too. Our online giving in the first quarter of this year increased by 138 percent over the first quarter of 2014.

Part of that increase comes from current supporters who make gifts online, but 27 percent of the increase was in first-time support.

What’s driving this increase?

One reason is that most people are spending more time online.

Another reason is that the Mackinac Center is investing time and attention in our websites, our

email program and our social media presence, and the results are telling.

Traffic at our Michigan Capitol Confidential news site, michigancapitolconfidential.com, is up by 86 percent over last year. Traffic at our home page, mackinac.org, is up by 25 percent.

As just one example, we had more than 60,000 visits at our Web pages explaining the Proposal 1 ballot issue in May, including about 9,800 visits on the day of the vote.

More than ever, we are reaching out to our online visitors and inviting them to sign up for our daily or weekly email reports. We’re testing which website design keeps people on our pages longer, how we can meet people through Google advertising, and even the best time of day to send out an email.

Every test result helps us improve our effectiveness the next time.

Please join us at our websites, and invite your friends to connect with us as well. You can sign up for as much or as little email as you like, and you also can download our new smartphone app, VoteSpotter, which helps you remind your elected officials that they work for you and not vice versa.

Your investment in the Mackinac Center fuels all of this outreach. Thank you for helping grow the audience of believers and supporters of free markets and limited government. If you have insight or feedback on our online efforts, then I hope you will get in touch with me at 989-631-0900 or JimWalker@Mackinac.org. I would enjoy meeting with you. ■

Arthur N. Rupe Foundation Debate
MONEY IN POLITICS:
HOW MUCH SHOULD BE DISCLOSED?

The Debate will address the question of whether individuals who donate to nonprofit organizations or political causes should be able to maintain their privacy.

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Michigan's Pension Underfunding Problem



The state's largest pension plan, the Michigan Public School Employees' Retirement System, is underfunded by \$25.8 billion. This is 13 times larger than the state's general obligation debt.



Other pension systems around the state are also underfunded. Michigan's state employee system carries a \$6.2 billion unfunded liability. The state's 50 largest cities have an additional \$3.4 billion in underfunded pensions.



State Constitutional protections have failed.

In addition to making pension benefits contractual rights, the state constitution mandates pension funds be set aside as benefits are earned – governments have not abided by this policy. Detroit pensioners agreed to cuts to their benefits when the city became insolvent and declared bankruptcy.

But there's a solution to the problem.

It wasn't supposed to be like this. Governments are required by the state constitution to pay for pension benefits as they are earned, instead of kicking the costs to the future.

It's not about the generosity or thriftiness of the benefits. **It's about making sure that earned benefits are paid.**

Instead of creating long-term liabilities that have been underfunded, state and local governments should offer defined-contribution retirement plans. This allows employees to control their own retirements instead of employers promising benefits and paying for them later.

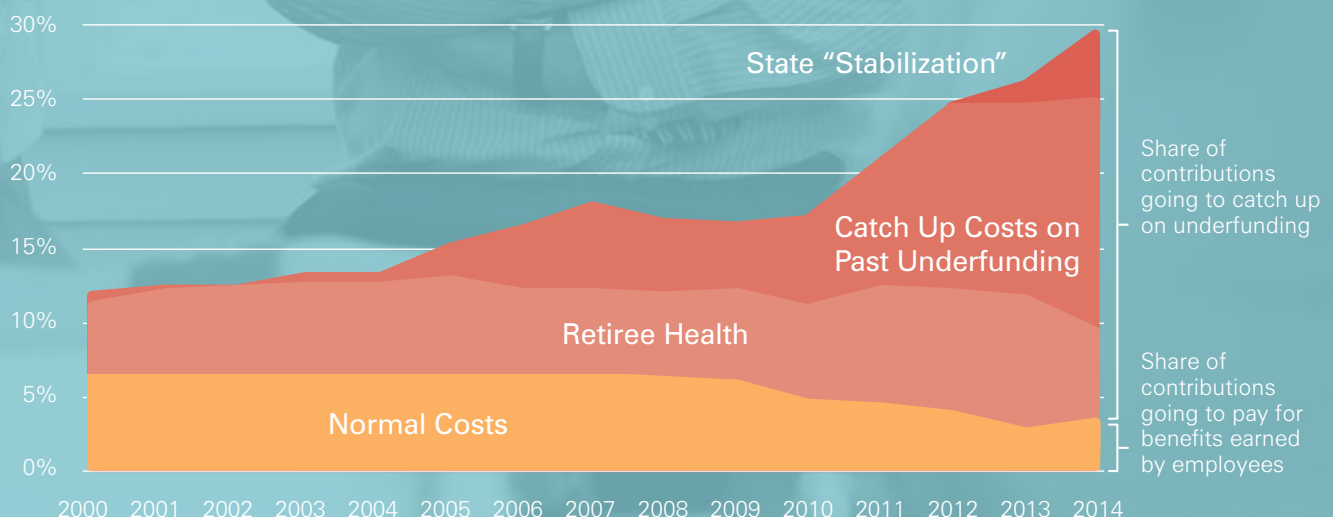
Employees don't need to look to courts to determine whether they will get a benefit, they can look to their own financial statements.

The private-sector has already largely made this transition. According to the Bureau of Labor Statistics, 69 percent of full-time private-sector employees have access to defined-contribution retirement benefits.

Michigan is a leader in government pension reform. In 1997 the state closed its state employee pension system to new members. While the plan was fully-funded at the time, there is now a \$6.2 billion underfunding gap for those remaining members of the system. Yet by offering new employees a 401(k) plan, the state saved taxpayers from being responsible for a further \$2.3 billion to \$4.3 billion in unfunded liabilities.

School Pension Fund Contribution Rates

Source: Michigan Office of Retirement Services





THE NEXT EVOLUTION OF WORKER FREEDOM:

FREEING WORKERS AND UNIONS FROM FORCED REPRESENTATION

It is time to give workers and unions a full choice regarding representation. Even in right-to-work states such as Michigan, where a union cannot get a worker fired for not paying it, workers are not truly free. Workers under a union contract must accept union representation whether they want it or not. It does not matter if they resigned their union membership and fully opted out of paying dues (as they can in right-to-work states) or are agency fee payers (in non-right-to-work states). The union still controls almost all interactions between employers and employees, from bargaining over contracts to the settling of grievances.

Unions, on the other hand, are the exclusive representative in almost all bargaining units, meaning they have a monopoly over representation. This monopoly imposes on unions the “duty of fair representation” of all workers in a unit, even those who pay them nothing. It is no surprise, then, that one of the main union complaints about right-

to-work is that it creates “free riders,” or people who receive union services without payment. But these workers could just as easily be called “force riders,” because they are forced into accepting representation.

F. VINCENT VERNUCCIO

A new Mackinac study suggests a novel solution to the free/forced rider problem: Allow workers to fully opt-out of union representation. The concept, called “Worker’s Choice”, means not only giving these workers the ability to stop paying dues but also the ability to represent themselves. The study is careful to not change collective bargaining in any other way. It includes model legislation that states can enact for their public sector workers. (Changes in private sector labor law must be initiated by the federal government.)

The suggested model legislation safeguards against any drastic changes in collective bargaining. One union, not many, would still represent anyone who wants union representation in a

currently unionized unit. New unions would still organize by getting a majority of employees to agree to unionization. The difference under the new model of unionism would be that currently unionized workers who want to represent themselves would be treated as the 60.8 percent of public sector workers who are currently non-unionized. They would have the ability to negotiate directly with their employers and not have to go through the union if a problem arose at work.

In short, Worker’s Choice gives workers the ability to say “no thanks” and unions the ability to say “goodbye”. ■

F. Vincent Vernuccio is director of labor policy at the Mackinac Center.



“Worker’s Choice” is available online at Mackinac.org/s2015-03

Who is the beneficiary of your estate? Your children? Charitable organizations? Uncle Sam?

Make sure your assets are used to support your ideals. Consider a tax-saving bequest or other estate gift to the Mackinac Center today. It requires no up-front commitment of assets.

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FLORIDA SHOULDN'T FOLLOW MICHIGAN'S FILM PATH

In 2008, reeling from the collapse of its auto industry, Michigan legislators began the nation's most generous film incentive program. The state began subsidizing up to 42 percent of the production costs of movies – literally a check written from the state treasury to companies.

It didn't work. Seven years later, Michigan has spent nearly \$500 million and has fewer film jobs than before the program began.

According to the Bureau of Labor Statistics, Michigan had 1,663 film jobs in 2008 and has 1,561 today. The Michigan Film Office, which oversees and advocates for the program, reports that there were zero full-time jobs created last year by the subsidy.

The program incentivized bad decisions. The state and local governments began entering into deals to build film studios, and those deals soon ran into problems. The largest studio, in Pontiac, needed help from the state pension system just to pay its bonds. The city of Allen Park spent \$30 million to build a studio hoping to lure Hollywood. It nearly bankrupted the middle-class community outside Detroit, which then required an emergency manager and severe cuts to the budget to save it.

The Great Lakes State has scaled back its incentive from a high of well over \$100 million to \$38 million this year. And the state House just passed a bill to eliminate the subsidy completely. That's quite a change from when every representative and senator in Michigan, save one, voted for the original program.

Film incentive programs are widely derided by economists of all stripes. From the fiscally conservative Tax Foundation to the liberal Center on Budget and Policy Priorities – virtually every independent economist says these programs are a huge waste of money. Yes, there are studies that support film

subsidies, but they are almost always paid for by the industry and heavily rely on dubious "indirect" economic benefits to make their claims.

State fiscal agencies never find a return on investment for film incentives. A few years ago, Michigan's

Senate Fiscal Agency found that the program returned only 11 cents per dollar spent by taxpayers. Louisiana

spent \$198.6 million and got back \$27 million in tax revenue according to the state (13.6 cents per dollar spent). The Massachusetts Department of Revenue found that its incentive program generated less than 14 cents on the dollar in 2012 (the latest year figures were available).

Economic central planning is hard and government picking winners and losers is poor public policy. But incentivizing films is particularly economically destructive because the industry is so mobile. States are ramping up subsidies in a race-to-the-bottom competition with each other (New York and California upped their incentives again this year).

Since the official end of the national recession, Michigan has been among the state leaders in job and income growth. The state's credit rating has improved. Things are getting better.

But it's not because of film incentives. It's because the state pursued sound policy decisions: Cutting and flattening business taxes, holding the line on spending, balancing the budget, and by becoming a right-to-work state. That's what has moved our economy ahead.

Redistributing wealth from taxpayers to Hollywood production companies that come and go is bad public policy. Michigan learned the lesson; other states should do the same. ■

Jarrett Skorup is digital engagement manager at the Mackinac Center.

JARRETT
SKORUP

Left: Jarrett Skorup testifying in Florida regarding film subsidies



A Last Stand for Critics of School Choice

Audrey Spalding

Even though she was born and raised in Detroit and attended Detroit Public Schools, Danielle Henderson wanted something different for her son.

"I didn't want my child to grow up in the system that I grew up in," Danielle said. Instead of sending her son to the same school system that she felt shortchanged her, Danielle has chosen to enroll her son in a public charter school. The ability to choose the best school for her child is something Danielle's family didn't have when she was a child. "Back when I was going to school we didn't really have a choice," Danielle said. "We had to go to the school within our district."

School choice has never been more popular in Michigan. Like Danielle, parents throughout Michigan are taking a close look at all of their educational options to find the best fit for their children. This year, more than 150,000 Michigan schoolchildren attend public charter schools. Another 110,000 students use "Schools of Choice," a state program that allows them to attend public schools outside of their home districts. Overall, close to one out of every five Michigan schoolchildren rely on some form of educational choice to attend a public school.

Despite this popularity — or perhaps because of it — entrenched special interest groups and some Democratic

legislators have aggressively pushed to limit school choice. A statewide effort to limit school choice was a major part of the 2014 November election campaign. During the campaign, some state legislators called for a halt in the growth of charter schools, and even introduced legislation that could have eliminated charter schools altogether. Though those efforts were unsuccessful, there is now a new push to limit school choice in the city of Detroit.

At the end of March, a collection of Detroit-based nonprofits and interest groups called for spending \$53 million in state taxpayer money each year to pay off some of DPS' debt. The coalition also proposed creating a bureaucratic commission to oversee all schools in Detroit, including the Detroit Public Schools district, and the city's 66 charter schools. This new commission would have the power to unilaterally close schools, and could forbid new schools from opening.

Though some critics of choice suggest that parents do not know how to make the right educational choices, Detroit parents say they can see the difference in school quality, and the power of choice is one that cannot be taken away.

"We know what's best for our kids," said LaTanya Dorsey, who sends her daughter to a charter school in Eastpointe.

Janine McKinney, a Detroit-area mom, attended Detroit Public Schools, but says that she "wouldn't like it at all" if she was prevented from choosing the best education for her child. "I feel like I would be put in a box."

However, proposals to limit school choice in Detroit are gaining some traction. Most recently, Gov. Rick Snyder has proposed his own fix for Detroit. His proposal contains several portions of the coalition's plan, including spending as much as \$72 million in state taxpayer money to pay off DPS debt. Further, the governor's proposal would create a "Detroit Education Commission," which would have the power to unilaterally close schools, or forbid new schools from opening — a recommendation that looks very similar to what the nonprofits and special interest coalition has proposed.

It is expected that draft legislation to implement the governor's Detroit school plan will be introduced. News outlets report that legislation would need to be passed in a few months in order for major changes to take effect by July 1, 2016. However, some legislative leaders have signaled that they are skeptical of the governor's proposal. Sen. Phil Pavolov, R-St. Clair Township, and chair of the Senate Education Committee, told Michigan Capitol Confidential (the Mackinac Center's news service) that he's "concerned about anything that is



going to take choice away from parents in the district.”

Rep. Tim Kelly, R-Saginaw Township, told Capitol Confidential that he’s “not in favor of [the] governor’s plan or anyone else’s that doesn’t include a private [choice] option.”

As the debate over how to solve the problem of Detroit Public Schools continues in Lansing, it is critical that Detroit parents’ voices are heard. To this end, the Mackinac Center interviewed 12 Detroit-area parents who have chosen public charter schools about the importance of school choice. You can watch these videos at Mackinac.org/OurChoice.

These families say that having educational choice is invaluable. Many of these families, like Danielle Henderson, have experience with DPS, and want to give their children something better.

Tamika Harrison, a Detroit mom, pulled her son out of Detroit Public Schools because of what she heard while working as a school bus driver. “I dealt with a lot of teachers, and didn’t like some of the attitudes,” she said.

Tamika’s son now attends a charter school. “I love the academy schools.

I love the teachers. I love how they are into the students,” she said.

In fact, educational choice is allowing Detroit-area parents to move back to the city. One parent, Toya Putnam, a mother of two boys, chooses to send her seven-year-old son to a Detroit-area charter school in Roseville. Putnam and her family are moving back to Detroit from Warren, and her son will continue to attend the Roseville charter school. The move is possible for her family, Putnam says, because she will still be able to send her son to the school that is best for him.

“My husband and I decided that we would not place our children in public schools unless the curriculum meets our personal requirements,” she said.

Nancy Clark, a grandmother, lives in Inkster, but sends her grandchildren to a Detroit charter school. Nancy visited a DPS high school, and says she “was horrified at the fact that [students] had to go through metal detectors.” Particularly disturbing to Nancy was the way students were behaving, with no apparent adult supervision.

As legislators, state officials, and interest groups debate how to address Detroit Public Schools, there is a possibility that parental choice will

be limited. But the good news is that educational choice is on the rise. Indeed, every new child using Schools of Choice or attending a charter school will make it more difficult for critics to take away the choices parents have.

With more than 260,000 Michigan students relying on educational choice, critics have likely realized that they must act now to limit it, before its growing popularity makes the task impossible. In many ways, the last eight months can be seen as choice critics’ last stand. Not only are critics trying to limit parental choice, they are trying to limit a system of schools that produces better academic results. Stanford University has highlighted Detroit’s charter schools as a model for other urban areas, because Detroit charter school students learn more than their conventional school peers.

We cannot let these positive changes be reversed. During the next few months, the Mackinac Center will work to make sure that the voices of parents, like Danielle, LaTanya, Janine, Tamika, Toya, and Nancy are heard. ■

Audrey Spalding is director of education policy at the Mackinac Center.



Watch all twelve videos in the Mackinac Center’s “Our Children, Our Voice” video playlist at <https://goo.gl/zGLKaW>





Bumblebees, Carpenter Bees, Honeybees and Busy Bees

Summer brings thoughts of warm weather, relaxing and get-togethers. It also brings pests that we haven't seen in months. No, not your relatives, I'm talking about the actual pests that take up residence in or near your home, swarm around your food and won't leave you alone. Again, I'm not talking about relatives.

I'm talking about the six-legged, winged creatures that seemingly have no fun. They're known for plugging away at the same, menial task for their whole lives. They're even singled out when describing a person who is "busy as a bee."

But the simile is incomplete. Ever see bees flying around in cooler or rainy weather? Me neither. That's because they take those days off. Even those bees whose responsibility is to keep the nest cool by fanning their wings take routine breaks too.

I wonder if bees look at our lifestyles and refer to those overdoing it as "busy humans."

Don't get me wrong, I'm all for being productive. I once taught two university courses while completing a master's degree, working a full-time job, freelancing and trying to be a good husband and father of two children (we now have four). But a hectic schedule does not necessarily produce happy people. My stress level and weight often rise in proportion to the increase in tasks on my schedule.

I'm learning that I can't do everything, and nothing I do will be perfect. So I'm trying to fill my time with important things. Sometimes, the best thing we can do at the moment is to take a break, nap or other type of respite to recharge our batteries. If we don't stop swinging to sharpen our ax, it'll be much more difficult to split wood.

My habits rub off on my children. I could share a photo of a scene from my house, but it would humiliate my children in a few years, so I'll describe it instead. It was a Thursday afternoon in late May. My three girls (ages 6, 5, and 3) had a lemonade/cookie stand set up in the driveway. While waiting for customers, they were playing their musical instruments on the sidewalk. The oldest played her cello while the middle child held the sheet music. Oh, and they were doing this while in their swimsuits as the sprinklers were spraying. They had open umbrellas nearby too, just in case anyone — even perhaps a customer — wanted a respite from the water spray.

If asked, they would tell you that all of these activities were important. Together, yes. Simultaneously? Well, I'll leave that up to my children, but it's a question I must sometimes ask myself about my own activities. So why don't we all try to re-evaluate our schedules, consider doing more of what is important and less of what is not important, value our time more and seek more balance in our lives. I've heard it's the bee's knees. ■

BY THE NUMBERS

5.4

Michigan's unemployment rate in April.

5.4

The national unemployment rate in April.

9/2000

The last time Michigan unemployment was as low as the rate for the nation as a whole.

410,000

The increase in Michigan jobs since the end of the recession.

7.6 percent

The percentage of state GDP generated by auto and auto parts manufacturing in 2012.

25.1 percent

The percent of state GDP generated by motor vehicle and equipment manufacturing in 1965.

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