

The Magazine of the Mackinac Center for Public Policy SEPTEMBER/OCTOBER 2017

# IMPACT

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## *Planning for Life* WORKSHOPS

We all have a legacy. What will your legacy be — a plan by default, or a plan by design? We invite you to attend one of our complimentary estate planning workshops, open exclusively to our members and friends. If you are beginning to think about your will or estate plan, or need to update your current documents, you will leave this workshop energized and equipped to collaborate with your own professional advisers.

These events are complimentary and nothing is sold. Refreshments will be provided. Preregistration is required.

Seating is limited, so please reserve your space today for the event below. You are welcome to include a guest. Refreshments will be served.

WHEN	Wednesday, November 1, 2017 Check-in opens at 9 a.m. Program runs from 9:30 - 11:00 a.m.
WHERE	Westin Southfield Detroit 1500 Town Center Southfield, MI 48075
RSVP DATE	Friday, October 20 at 12 noon

For more information or to register, please contact Lorie Shane at **989-698-1909** or email [events@mackinac.org](mailto:events@mackinac.org).





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 **ASHLEY KEIMACH RECOMMENDS** “ASK MORE: THE POWER OF QUESTIONS TO OPEN DOORS, UNCOVER SOLUTIONS, AND SPARK CHANGE” BY FRANK SESNO

"Ask More" is a compelling book that describes the power of asking questions. Author Frank Sesno, former news anchor and White House correspondent, has spent most of his career asking questions and studying the power behind them. Sesno breaks questions down into 11 categories: diagnostic, strategic, empathy, bridging, confrontational, creativity, mission, scientific, interview, entertaining and legacy questions. Sesno argues that "asking the right question, at the right time ... takes thought, skill, practice and — sometimes — luck... [and] they can change lives." I recommend this book to people who want to add depth to their conversations, influence their peers or simply learn more about the power behind a memorable question.



## Blog

Keep up to date on the latest policy stories from Mackinac Center analysts.

**Mackinac.org/blog**

## MichiganVotes

Want to know what your legislator (and others) have been voting for? MichiganVotes.org helps keep Michigan politicians accountable to their constituents.

**MichiganVotes.org**

## CapCon

Our flagship news source for the state of Michigan. Breaking news like never before.

**MichCapCon.com**

## Databases

Labor contracts, superintendent salaries, school grading and more. Our online databases provide easy access to important information.

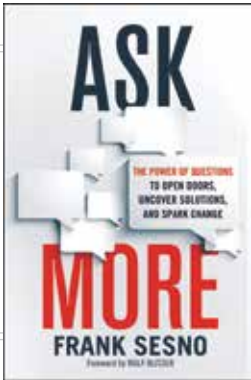
**Mackinac.org/databases**



WHAT FOLKS ARE SAYING  
ABOUT THE MACKINAC CENTER

“This is what democracy is all about. It's giving people the opportunity to speak and the respect to listen to them. We may not agree with everybody, but I think it's great we give everyone the opportunity to speak.”

— Petoskey Mayor John Murphy after hearing opposing views on renewable energy in Michigan from environmental groups and the Mackinac Center.



*Joseph G. Lehman*

## Corporate Welfare and the Art of the Possible

A Mackinac Center supporter and I recently discussed Michigan legislation that subsidizes select businesses. He had wondered if some forms of subsidies might be needed or at least useful in the grand scheme of political tradeoffs. Both of us wanted a nuanced understanding of the other's views, not just a stark reduction of our positions, which in my case might have sounded like, "Free markets good, corporate welfare bad." It takes more than that to increase understanding and find common ground.

The bills Gov. Snyder signed into law were dubbed by their supporters as the "Good Jobs for Michigan" package. MichiganVotes.org, our legislative database, describes bills according to what they actually do rather than what their sponsors intend. Our description reads, "Transfer state revenue to certain business owners."

I laid out eight problems with corporate welfare.

**It doesn't work.** Most of the empirical research (ours and others') shows negative or tiny positive economic outcomes. Even if the deals achieved the official job projections, they would constitute only a minute fraction of all jobs. Ending the deals isn't "unilateral disarmament" in the competition with other states, as some claim, when the deals don't work in the first place.

**It isn't fair.** Only certain companies get the special favors, and they're usually the ones with political connections or ones large enough to hire lobbyists to navigate the politics of getting chosen. The rest (more than 99 percent of companies) must keep pulling their own weight plus that of their subsidized competitors. Government shouldn't be "picking winners and losers," a phrase one political journalist credits us with coining and deeply embedding in the political lingo.

**It isn't honest.** Job projections are exaggerated. Economic impact claims are inflated. Unprovable threats are invented. Real harms are ignored. Companies are enticed to claim they can't thrive without special deals.

**It's secretive.** Michigan's last big corporate welfare program wouldn't even release the names of subsidized companies. The agency

in charge is notoriously secretive and was set up as a private-public entity in part to skirt the law governing public records.

**It breeds corruption.** Mixing tax dollars with secrecy inevitably attracts some of the wrong people to the party. We've discovered fraudulent attempts to grab cash by falsely inflating property values, creating fake companies, and more.

**It's expensive.** The state will take \$884 million from taxpayers for these programs next year, which would be enough to lower the personal income tax rate from 4.25 percent to 3.9 percent. It also requires paying state employees to select the companies, write up reports, and hand out cash.

**It gives political cover to lawmakers who avoid tough choices.** Giving free money to big companies is easy and fun and good publicity when people think it creates jobs. In contrast, controlling entitlements, reforming pensions, freeing workers from union compulsion, fixing infrastructure and balancing budgets all create more jobs. But they occur without the fanfare.

**Every costly deal makes it harder to lower everyone's taxes,** and every big company that gets a special deal loses the incentive to support broad-based relief.

I conceded to our supporter that in some ways the Good Jobs package is not as bad as the corporate welfare programs that are winding down. He readily agreed that we must not let Good Jobs morph into something bigger, less accountable, and worse, as the last program did. (His firm, by the way, does not seek the special deals.)

He said, "We're not really very far apart on the spectrum" of opposing corporate welfare in principle. He also reminded me in his own words of something we should never forget: All policy moves through a political process. And politics is full of compromises where a smaller defeat coupled with a larger win is considered a win overall. For instance, we still hail Michigan's right-to-work law as a huge victory even though unionized police and firefighters were carved out and receive no protection from having to pay a union to keep their job.

Politics is said to be the art of the possible. The Mackinac Center's job is to make yesterday's impossible ideas possible today. ■

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140 West Main Street, P.O. Box 568  
Midland, Michigan 48640  
989-631-0900, Fax 989-631-0964  
www.mackinac.org mcpp@mackinac.org

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GENEVA RUPPERT WISE Editor

ILIA ANDERSON Designer



# Giving Some Ex-Cons a Clean Record Makes Sense

KAHRYN  
RILEY

This year, the rate at which Michigan offenders committed new crimes fell to its second lowest-level ever. This puts Michigan among the 10 states with the lowest rates for repeat offenders, but with 29.8 percent of Michigan offenders returning to prison within three years of their release, it's still unacceptably high. The Michigan House is considering legislation that would make it easier for some offenders to clear their criminal history and obtain steady housing and employment, which are critical factors to successfully re-enter society and productive citizenship. Michigan lawmakers should pass this proposal as one step toward continuing to reduce the percentage of offenders caught in the revolving prison door.

In 2015, Michigan altered its expungement laws to make it easier for some offenders to wipe their criminal records clean. The possibility of expungement was previously only available to people with one conviction and two minor offenses on their record. Thanks to the recent changes, individuals can petition to have a felony expunged. But their record must contain no more than one felony and two misdemeanors. They may also have one or two misdemeanors expunged if their record contains only one or two misdemeanors. Many serious offenses — human trafficking, criminal

sexual conduct, DUI, and some others — can never be expunged.

Rep. Dave Pagel, R-Berrien Springs, has proposed further alterations to the law. He suggests automatically expunging certain offenses after 10 years if the criminal has not committed another offense during that time. This proposal provides a fresh start to offenders who have had to live with the stigma of criminality for years and even decades. It would be especially helpful for those who may not have the resources to pursue an expungement petition in the court system. A clean criminal history may open new avenues to employment — particularly in skilled professions with stringent licensure requirements. Too often, these requirements disqualify former offenders on the basis of a crime which may be decades old and wholly unrelated to the work covered by the license.

Research from the Manhattan Institute shows that an offender who has a job is 20 percent less likely to commit a new crime that results in jail time. In Maryland, where the re-offense rate was about 40 percent, not a single offender who stayed in a job for six months committed a new crime.

Reducing the rate at which offenders commit new crimes is good for public safety, and it saves a lot of money too.

My back-of-the-napkin math estimates that averting a murder saves society nearly \$2.5 million in costs and lost revenue, not counting the social trauma to the community where it took place. But it's impossible to put a price tag on social cohesion and peace of mind. These two factors are reason enough to make sure that our government is performing up to an acceptable standard when it comes to enforcing the laws, administering justice and rehabilitating offenders.

Michiganders should feel good that thanks, in part, to our criminal justice system, fewer people are repeat offenders. With \$2 billion spent in corrections alone, we should expect that prisoners will be prepared to reintegrate successfully once they return to society.

The stigma of a criminal record does not end when someone leaves the prison walls. To the extent that this stigma contributes to further crimes, we should carefully consider when to let it go. Expunging relatively low-level offenses from the records of offenders with very few convictions in the decade after being labeled a criminal is a step in the right direction. Especially when you consider how far that step might end up taking those to whom we give a clean slate. ■

Kahryn Riley is a policy analyst at the Mackinac Center.



# THE INTERNET

KAHRYN RILEY

The conclusion of the summer means the departure of the Mackinac Center interns. This year we hosted 12 university students and one high school student, our largest class ever. We take this program seriously – not only because student workers provide a valuable boost to our research efforts each year, but because these young individuals are the future of the freedom movement and we want to prepare them well. That fact is front-of-mind at an organization where the number of former interns on the full-time staff numbers in the double digits. In addition to setting aside stimulating projects for them, we take them on day trips to places like the Capitol building in Lansing and the Kirk Center for Cultural Renewal in Mecosta. We invite members of our Board of Scholars to lecture them on a variety of policy topics and current events, and we give them the opportunity to develop their ideas by writing for their own blog.

But this past summer, we also did something new – something for interns across the country. We launched an innovative speaker series called the InternNet. The InternNet is a virtual forum where we host a series of weekly lectures from free market experts for audiences of interns at free market think tanks all over the country. Each Thursday, we spent the lunch hour interviewing people like the Cato Institute's health policy guru Michael Cannon, higher education expert Richard Vedder, legal mastermind Richard Epstein, civil society advocate Kay Hymowitz and Arizona Supreme Court Justice Clint Bolick. Students listened live to these talks from their jobs at 18 think tanks in states from Wisconsin to Texas, Nevada to South Carolina.

And this was only the beginning. After a successful inaugural season, we're already racing to line up more VIP speakers for next season, and to get the word out about this incredible opportunity. Chances for free market students to hear from like-minded thought leaders used to arise infrequently outside of Washington and New York. But, from now on, we can ensure that all of the newest members of the liberty movement have ample opportunity to be informed and inspired by the movement's most accomplished experts and visionaries.

To get a taste of how the program sounded this year, visit [www.mackinac.org/theinternnet](http://www.mackinac.org/theinternnet). There, you'll find a recording of our conversation about civil discourse with Justice Bolick. You'll also find a list of the 2017 season speakers and registration information for next season. Please share it with the liberty-loving student in your life! And stay tuned for more updates as this exciting program grows and develops. ■



# OCCUPATIONAL LICENSING



**LEE McGRATH**

Legislative Counsel at the Institute for Justice

“Licensing is a violation of the concept of social justice. It is used to exclude minorities and those striving for the first rung of the economic ladder. When you prescribe a certain educational requirement, what you’ve also done is devalued on-the-job learning. You have taken away the opportunity for people to grow over time in their profession in the hands-on way in which so many people become proficient.”

# HEALTH POLICY 101



**MICHAEL CANNON**

Director of Health Policy Studies at the Cato Institute

“The real danger of ObamaCare is that it has destroyed the innovations that were delivering for healthcare what we expect in every other sector of the economy, which is falling prices and improving quality. And if we want to see that happening in healthcare again, we have to make a lot of changes. ObamaCare is not the only problem we face, but that’s where we have to start. We have to set that process of innovation in motion again.”

# MAKING THE CASE FOR LIBERTY



**JOHN TILLMAN**

CEO at the Illinois Policy Institute

“Our biggest and harshest opposition to this day comes from Republicans, not Democrats. You have to be willing to provide accountability for politicians on both sides of the aisle and for the political system in general. You have to commit your policy agenda, and that was the number one decision we made early on that we stuck with.”

# THINK TANKS & LIBERTY INFRASTRUCTURE



**JOSEPH G. LEHMAN**

President of the Mackinac Center for Public Policy

“Ideas don’t spring from thin air, and neither does public policy. Idea originators are the rare individuals who put new ideas there, but intellectuals are the only ones who access or understand them. Intellectuals are second-hand dealers in ideas, like people at think tanks, universities and newspapers, who take original ideas and make them available and comprehensible to the culture at large. Only once the culture accepts and understands ideas do they become policy.”

# SUPPORT SERVICE CONTRACTING AT RECORD LEVELS

In 2001, public school district officials knew that private companies might be able to save them money – which could then be funneled into the classroom – by providing support services. But they also knew that

asking for proposals for service contracts could inspire a backlash from their unions. Attitudes changed a lot over the past 16 years, though, and our survey of school districts shows just how much.

Back in 2001, we knew that some districts had been able to find private contractors to help them, but we didn't know how many. So we called those we could and heard back from most of them. It was enough to estimate that 31 percent of districts contracted out for food, custodial or transportation services.

We tried again in 2003. This time, we

heard from enough districts to get a good handle on which services were most frequently contracted out. We found that 28.6 percent of districts had contracted out food services, and only small numbers contracted out for custodial or transportation services.

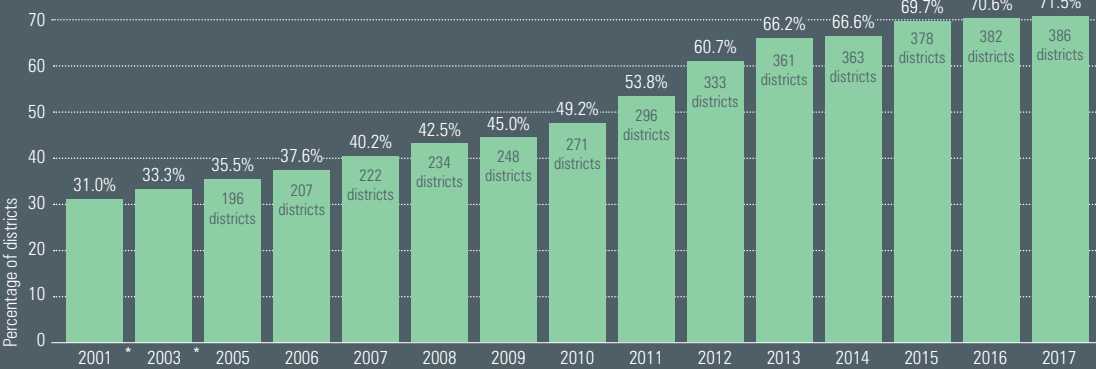
Today, 71.5 percent of districts contract out for these support services. More than half use private vendors to clean and maintain district property. More than a quarter use private bus companies and employee

leasing agencies to transport students to and from school.

Privatization has saved districts and taxpayers millions, and we've helped them do it. Districts have been able to point to their neighbors to show that contracting out is an acceptable practice. And thanks to its increasing use, school officials today experience less pushback when they explore the option. ■

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

Outsourcing by Michigan School Districts



\*Data were not collected in 2002 and 2004.

## James Barrett Joins Mackinac Center Board of Directors

In May, the Mackinac Center was thrilled to welcome a new board member, James (Jim) Barrett.

Barrett was president and CEO of the Michigan Chamber of Commerce for over 30 years. During that time, he built it into the most effective lobbying organization in Lansing and the most principled chamber in the country, according to Clifford Taylor, chairman of the Mackinac Center's board of directors.

The Mackinac Center long appreciated Barrett's consistent opposition to corporate welfare – even as head of the Michigan Chamber – as well as his support for the concept of the universal tuition tax credit.

We look forward to working with Barrett more closely in the future! ■





# MICHIGAN NEEDS AUTO INSURANCE REFORM



There aren't many facts that are universally accepted in Lansing. But a leading candidate for such a distinction might be the fact that auto insurance in Michigan is just too expensive. A growing number of policymakers and voters are waking up to the idea that maybe there's something wrong with this state's auto insurance laws. To help matters out, the Mackinac Center recently published a new report that describes in detail what's wrong with the way Michigan regulates auto insurance, and it provides recommendations to reduce costs for all Michigan drivers.

As is true of many problems besetting complex systems, Michigan's auto insurance woes don't have a simple root cause. There are lots of moving parts that all interact to influence the cost and effectiveness of insurance. The aim of this new report is, as simply as possible, to identify and explain what causes the problems and suggest how to fix them.

Broadly speaking, there are two approaches states can take to auto insurance. They can rely on a "tort system," which lets accident victims sue at-fault drivers for the injuries they sustained. Alternatively, states can use a "no-fault system," which mandates all drivers purchase a certain level of insurance so that they are covered if they are involved in an accident, no matter who was at fault.

Michigan opted for the no-fault system in the early '70s, because, it was thought, the tort system was too expensive and slow. No-fault promised to deliver speedier benefits at a reduced cost.

## MICHAEL VAN BEEK

The Center's new study shows that after almost five decades, the no-fault experiment has failed. Michigan's auto insurance premiums are among the highest in the nation. An exact number is hard to pin down, but several different attempts by different organizations all conclude that the average rate in Michigan is at or near the top of the rankings. A second shortcoming is that Michigan's system is not more efficient; drivers file lawsuits here as commonly as they do in states without a no-fault system.

The report identifies reasons for these problems. Most notable is the state's mandate that all drivers purchase unlimited "personal injury protection." This feature of insurance policies means that accident victims are guaranteed an unlimited amount of insurance benefits for the rest of their life. No other state in the nation does this, and it is a key driver of Michigan's costly premiums.

Another reason is the lack of "fee schedules" for medical services paid for by auto insurers. Other health insurance systems — private insurers, Medicaid and Medicare, most notably — establish specific prices

they'll use to reimburse medical providers for certain services. No such fee schedules exist for auto insurers. As a result, medical providers can essentially charge auto insurers any price they please.

Another problem identified in this new report is the renewed use of tort. Through a series of court decisions, Michigan has effectively reopened the tort system for auto accident victims. So drivers pay for no-fault benefits while also paying for access to courts. This combination contributes to the costliness of insurance premiums.

The report recommends reforms to directly confront what has broken Michigan's approach to auto insurance. Namely, the state should stop requiring everyone to purchase unlimited insurance benefits, create a fee schedule for auto insurance reimbursements and restrict access to the tort system for damages related to auto accidents.

There's genuine interest in the Legislature in reducing auto insurance premiums. But many special interests benefit from the current system — at the expense of the rest of us, of course. By clearly articulating the problems and solutions, this report will, we hope, help convince more lawmakers that the policies governing auto insurance need serious reform. ■

Michael Van Beek is director of research at the Mackinac Center.

# Top Five Energy and Environment Policies for an Incoming Governor

In 15 months – November 2018 – Michigan residents will elect a new governor. To date, there has been very little discussion on the policies the next governor should promote to ensure Michigan residents continue to enjoy a clean, healthy environment and access to affordable, reliable and clean energy.

As we look forward to next year’s race, the Environmental Policy Initiative suggests the following five key energy and environmental policy ideas as the place for an incoming governor to start.

1

## Eliminate Michigan’s renewable energy mandate

Renewable energy advocates have made two very clear pronouncements: First, they are convinced that, regardless of what energy policies might be implemented at the state or federal level, renewable energy is here to stay. Second, they argue that, with advances in renewable technologies, renewable energy is competitive with, and in many cases less expensive, than other energy options.

Our next governor should take renewable energy supporters at their word. If renewable energy is competitive and here to stay, it should have no difficulty competing with other energy sources without special government favors, mandates or protection. Eliminate the state’s renewable portfolio standard.

2

## Expand electricity choice

Since Michigan effectively re-established a regulated monopoly system of energy distribution in 2008, electricity prices have rocketed upwards. According to the Energy Information Administration, at 15.3 cents per kilowatt hour, Michigan had the highest retail electricity rates in the Midwest in 2016. But when Michigan’s electricity market was open to competition, we led the pack on keeping price increases down.

Our next governor should remember that electric monopolies discourage competition, keep prices high and diminish electricity reliability. Competition and free markets, which exist only in Michigan’s “electricity choice” markets, benefit Michigan residents by providing low-cost, reliable electricity. Remove the 10 percent cap on Michigan’s electricity choice markets, let people choose their electricity provider and make energy producers compete.

## Keep a level head about Line 5

There is an intense debate over the safety and long-term reliability of the pipeline, Line 5, that traverses the Straits of Mackinac. The Great Lakes are an important international resource and Michigan’s government must take every reasonable step to protect water quality.

At the same time, the energy resources transported by Line 5 are essential to meeting energy needs across the state of Michigan, meaning demands to “shut it down” are simply not realistic. Line 5 has undergone strict testing, maintenance and inspections under the supervision of state and federal government agencies. Those tests have yet to identify safety concerns sufficient to close or limit its use.

Our next governor should take the lead in ensuring Line 5 continues to operate safely. Or, the next governor should ensure we have realistic, workable options in place to replace Line 5 with newer, even safer and more reliable equipment.

## Make Michigan a natural gas hub

The Energy Information Administration reports that, with 1.1 trillion cubic feet of underground storage in 2015, Michigan had more capacity to store natural gas than any other state.

Our next governor should recognize that Michigan’s geology and location – near to northeastern states that are increasingly turning to natural gas as a primary fuel source – makes us a natural hub for those rapidly expanding natural gas markets. Additionally, major companies, like Dow Chemical, rely on a steady and affordable supply of natural gas for their daily operations. Make it a statewide goal to increase Michigan’s ability to transport and store natural gas.

Additionally, Michigan was 18th and 19th in 2016 for oil and natural gas production, respectively, out of the nation’s 32 oil producing states. Our next governor should also ensure that permitting and taxes do not discourage energy companies, already pressured by low oil and natural gas prices, from operating in Michigan.

## Stop arbitrary environmental regulation decisions

Our Detroit News op-ed, “A state-made wetland problem,” described how arbitrary DEQ decisions cost one Michigan business owner hundreds of thousands of dollars in legal fees and years in court over an issue regulators later said had literally evaporated. Many other Michigan business owners and land owners have made similar complaints about the DEQ overexerting their regulatory authority.

Our next governor should recognize the value of a healthy, thriving business community to Michigan’s economy. Essential environmental protection is an obvious need, but arbitrary regulatory decisions can harm the state’s environmental and economic health. Adopt a standard that requires Michigan’s Legislature to approve any environmental regulations that go beyond federal standards.

3

4

5



# Securing Right-to-Work Freedom for Ann Arbor Teacher

Success builds a foundation for more success. When the Mackinac Center Legal Foundation took the case of Ron Robinson, a highly regarded teacher at Ann Arbor's Pioneer High School, our fight for the Taylor schoolteachers was waiting for a decision in the Michigan Court of Appeals. When the court ruled in favor of the Taylor teachers, the decision had positive repercussions on Robinson's case.

When the Legal Foundation brought this case last summer, IMPACT told its readers about Robinson's educational accomplishments: He has been declared "National Educator of the Week" by the Eisenhower National Clearinghouse. He was just one of three high school teachers to be accepted into an astronomy project from the National Science Foundation. And he directs the first and longest-running high school planetarium in the country.

But when he tried to leave the teachers union after the school system entered into a new contract, he learned that a provision in one of several past contracts still prevented him from refusing to fund the union. The new contract between the school system and the union in 2015 should have triggered his right-to-work rights. The Mackinac Center Legal Foundation represented him before the Michigan Employment Relations Commission, where the matter was heard before an administrative judge.

In the meantime, the Legal Foundation's Taylor teachers case was decided by the Court of Appeals, which held that contracts entered into after right-to-work was enacted but before it went into effect were suspect. At the least, the court said, those contracts could be void if their intent was to circumvent the law and deny teachers their rights.



Ron Robinson, a teacher at Ann Arbor Pioneer High School

The administrative law judge who heard Robinson's petition held that the court's ruling applied to his situation, stating:

I find that, in light of [the Taylor decision], the only question properly before me is whether the circumstances in this case are sufficiently distinguishable from those in Taylor to warrant a conclusion different from that reached in that case. ... As with the union in Taylor,

[the teachers union officials here] also knew that they were limiting the ability of members of their bargaining unit to exercise a right explicitly conferred upon them ... the right to refrain from financially supporting their bargaining unit. ... [The court] repeatedly emphasized the timing of the agreement, what the Court saw as the [union's] attempt to thwart the intent of the Legislature, and the fact that the [teachers] were prevented by the agreement from exercising a right that they had. ... I conclude that ... in accord with the Court's findings in Taylor, the union security agreement contained ... in this case was unlawful and unenforceable.

The next step in this case is a hearing before the Michigan Employment Relations Commission as a whole. The commission can adopt the recommendations of the administrative law judge, or it could rule for the either side on different grounds. The unions sought this further review, hoping to persuade the whole commission to reject the recommendations of the administrative law judge. The Legal Foundation will take its argument to the commission soon.

The Legal Foundation will continue to represent Robinson and strive to build future successes on the hard-fought gains made so far. ■

# On Economic Development, Michigan Repeats MEGA Mistake

Imagine starting a small business and building it into a going concern by putting in long hours of hard work and sacrifice, along with countless personal financial risks. Now imagine the tax dollars you've sent to Lansing are given to your competitors to entice them to move to Michigan and compete directly against you. That is what could happen very soon now that Senate Bills 242-244 have become law.

The "Good Jobs for Michigan" legislation lets certain big businesses keep the personal income taxes of new employees they hire as part of a deal with the state. The state's Senate Fiscal Agency estimates it could cost the treasury \$200 million over 10 years, provided lawmakers do not expand the program once it is in place — something they did with the original Michigan Economic Growth Authority (or "MEGA").

MEGA was a colossal failure of a business incentive program, and it appears to be the model for the "Good Jobs" legislation. No fewer than 12 major identical or near-identical words or concepts from the MEGA law were cut-and-pasted into the new law, which is why we at the Mackinac Center call it "New MEGA."

Old MEGA cost taxpayers billions of dollars and had little to show for it. Five studies have been performed on it since 2005 (two by the Mackinac Center) and four found a zero to negative impact. A fifth was positive but not largely so. We believe that critical reviews of the program, combined with its spiraling costs, were the reason Gov. Rick Snyder chose to end the program shortly after he entered office.

The Mackinac Center has researched and published papers on state and local economic development policies going back to the late 1980s. Our original, scholarly research on MEGA, film production tax credits, subsidies to promote tourism and the economic development consequences of adopting right-to-work laws has helped shape Lansing debates on incentives.

The Mackinac Center worked hard to educate Michigan's legislators about the ineffectiveness and expense of programs

like New MEGA, but the program's key piece ultimately passed the House on a 71-35 vote and the Senate 32-5. This was unfortunate, but there was progress, too. In 2008 the state's film incentive program was adopted 108-0 in the House and 37-1 in the Senate, with Nancy Cassis of Novi casting the only "no" vote. The film subsidy program would cost the state \$500 million before dying an ignominious death due to its failure to create much of an economic impact.

The Center's research on economic development is not the only evidence for lawmakers to consider in close analysis and debate. A mountain of evidence about such programs exists, and it is compelling. One study focused on a Kansas program with similarities to the New MEGA law. The author found the program didn't create jobs, and we brought that and other evidence to the attention of lawmakers, repeatedly. Unfortunately, Lansing politicians sometimes have an incentive to be impervious to hard facts.

One goal on their mind was landing a new plant of the multinational corporation known as Foxconn. The possibility of the state doing so was part of the backdrop for this debate and likely played a role in New MEGA's passage. One headline in Crain's Detroit Business was particularly blunt. It read, "Promise of Foxconn project serves as bargaining chip for Michigan incentive

legislation." According to a Lansing newsletter, one political consultant said, "It would be fun to create the mail piece that blames a member for losing good paying manufacturing jobs to Wisconsin thanks to their 'no' vote" on New MEGA.

Despite the passage of New MEGA, the big Foxconn plant appears destined for Wisconsin. But Michigan may have won by losing out; the Chicago Tribune and other news outlets have reported the deal may cost Wisconsin taxpayers \$230,000 per job. Michigan is apparently in the running for a different Foxconn investment, but lawmakers should offer the company no New MEGA deals. There are already plenty of reasons for the company to locate here without corporate handouts.

Lawmakers likely fear being seen as opposed to new jobs, and that fear may be strong enough to trump scholarship. We are sensitive to their predicament but continue to believe that good policy makes for good politics. If only Lansing politicians would learn that lesson.

For a great essay and related video of the debate over New MEGA, see "MEGA 2 Hearing Demonstrates Desperation" at [www.mackinac.org](http://www.mackinac.org). ■

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





# An *Ordinary* American Couple

Arlene and Bill Williams are an ordinary American couple. This, of course, is not how I would describe them. Native to Michigan, Arlene and Bill have experienced the ups and downs of the Michigan economy. But their love for this state and their vision of its possibilities remain strong.

Before retiring, Arlene worked as a teacher for 30 years, and Bill worked as an engineer at GM. Because of their occupation, Arlene and Bill had frequent encounters with labor unions. While they both witnessed the benefits unions provided, they also saw their greed. Over time, through

firsthand encounters with union overreach, Arlene and Bill began to evolve in their political thinking.

Arlene and Bill were both raised in the homes of Democrats and because of this, free-market principles were a distant thought. They were not involved with politics and instead focused their attention on their careers and families. It wasn't until later in life that Bill began to realize that the American political party system was riddled with hypocrisy. They were no longer attracted to what Democrats and Republicans had to offer. As Bill put it, both

parties are "always happy to give without taking into account the consequences it might have on society." This reality check forced Bill and Arlene to increase their involvement with the world of politics in hopes of finding a better solution than what the two parties were offering.

Arlene and Bill began to involve themselves more with the political arena and were exposed to free-market ideas and policies as a result. They were immediately attracted to policies like right-to-work because they offered a direct solution to the greed they saw in unions, unlike the policies offered by career politicians of both parties. Impressed with the freedom right-to-work gave employees, Bill and Arlene became avid supporters of liberty-friendly policies. In the words of Arlene, free-market policies "just work."

Arlene and Bill wholeheartedly believe that free enterprise is integral to a free society. Because of this belief, the Williams family has been supporters of the Mackinac Center since 2008. Neither Bill nor Arlene can recall exactly how they learned about the Center, but they continue their support because they "believe in the things the Mackinac Center is pursuing." They believe that "[the Mackinac Center is] actually making a difference and doing stuff. [It] has defended freedom when no one else would." While the Williams family is not actively involved in Mackinac Center events, Arlene and Bill faithfully read all our publications and share them with their family and friends frequently.

Both Arlene and Bill say that our work toward establishing right-to-work in Michigan is their favorite Mackinac Center victory by far. While they believe that unions do some good, they also believe that choice is a fundamental human right that fosters accountability.

Arlene and Bill Williams currently reside in the greater Flint area with their two dogs. ■



# Nearly One in Four Public School Students Exercises School Choice

The results of a new poll from Education Next briefly caused my heart to sink. In one year, support for charter schools dropped by 12 points, to 39 percent. Opposition to them rose from 28 to 36 percent. Clearly, public opinion appears to have turned and is now closely divided.

Unfortunately, the result is not easily dismissed.

Education Next is a well-respected publication and one sympathetic to reform. The survey reached thousands of Americans, yielding a tiny margin of error. The question had the same precise wording for the 10th straight year, and favorability to charter schools reached an all-time low.

Opinions on private school choice initiatives, meanwhile, bucked the trend and provided a brilliant silver lining. Public opposition to tuition tax credits and vouchers fell nearly as much as opposition to charters grew.

But that good news hardly eliminates dangers for charters, which stand on the front lines of Michigan's school choice political debate. Since the 1990s, state dollars have followed students who enroll in public schools outside their assigned district school, whether in a charter school or in another district that receives students through Schools of Choice.

The share of families exercising their educational choices grew to reach 23 percent of all public school students last year. Researchers can tell us that families who use one of these options are more likely to be nonwhite and poorer than the average family. They also can tell us that attending charter schools provides a small but clear benefit to students, while Schools of Choice offers no real measurable academic benefit.

But until now, we have known very little about why these parents exercise choice, or how satisfied they are with the experience. Earlier this year the Mackinac Center commissioned a survey of more than 800 parents across Michigan whose children either attend a public charter school or participate in Schools of Choice. When these parents speak, their answers offer a compelling contrast to the skepticism

expressed about charters found in the Education Next poll results.

Our survey measured parent satisfaction in three different ways. First, 80 percent of the Michigan choice parents rated their chosen school an A or B. Second, by a four-to-one ratio, they would recommend the school choice experience to others.

Most importantly, though, 65 percent said using school choice has made them more optimistic about their own child's educational success. African-American and low-income parents responded positively at even higher rates. Only a handful of parents said they had lower expectations.

Our survey also helped us learn more about what parents look for when they choose and what shapes their decisions. Two-thirds cited academic reasons as the driving factor, though they didn't necessarily rely on standardized test scores. Three of every 10 parents choose based on "academic performance or test scores," but even more sought a different type of educational philosophy or program. Small but significant shares of respondents were guided by concerns about smaller class sizes or issues related to safety and discipline.

Perhaps not surprisingly, when asked what source of information most influenced their decision, parents most commonly said conversations with other parents (31 percent). Others pointed to websites with academic performance data or their own visits to a school.

In response to August's Education Next survey, the National Alliance for Public Charter Schools rightly observed: "The opinions about charter schools that matter most are the opinions of parents and students who have chosen charters schools." In Michigan, that observation applies to everyone who exercises public school choice.

While opponents of school choice may make hay out of the Education Next survey, the views of Michigan parents who have exercised educational choice ought to leave a deeper, more lasting impression. ■

Ben DeGrow is director of education policy at the Mackinac Center.

**BEN  
DEGROW**

## *A Survey of* **MICHIGAN PARENTS WHO USE SCHOOL CHOICE**

BEN DEGROW

MACKINAC CENTER

Our new study on Michigan parents and school choice is available online at [mackinac.org/s2017-06](http://mackinac.org/s2017-06).







# Learning to be Flexible

When I was a child, I wasn't what you'd call an athlete. (I'm still not, actually.) I wasn't very coordinated, and I hadn't learned yet that I could have fun without having any kind of athletic talent.

But physical education is part of every public elementary school experience, and in my case, so was the Presidential Physical Fitness Test. I loathed it. It didn't test for anything I was good at, like riding horses or reading a book while walking. Instead, it tested for things like how far you could reach past your toes on a ruler. I reached as far as I could, but I still fell 3 inches short of my toes, while the girl next to me (a dancer) stretched 6 inches beyond hers with ease.

At the time, I thought she must be naturally flexible, and I resented having been born to parents who were unable to pass along genes for flexibility, unnatural endurance or coordination.

It wasn't until later that I realized those traits need not be inherited. I took a few gymnastics classes and found that muscles could learn to stretch, flex and extend. With some practice, I could reach 6 inches past my toes, too — I could even do the splits — and soon it didn't hurt. It felt like breathing.

I didn't stick with gymnastics for long, but the flexibility stayed with me. Fifteen years later, it only takes a few minutes to put my palms flat on the floor again.

It's been a chaotic summer. I'm a newlywed and a planner, so naturally, my brand-new husband and I came back from the honeymoon and promptly got to work

laying out the next five years. Then a metaphorical bomb dropped on that plan; after a lot of discussion we came up with a lovely replacement. And then another bomb dropped.

You can see the pattern here. Big surprises and unexpected changes are the nature of the world. We've had a lot of opportunities

to practice a different kind of flexibility. But our brains can be elastic the way the rest of our bodies are. We can learn to snap back; we can learn to adapt; we can learn to be cheerful in the process. It doesn't always have to hurt.

I can't predict the next five years, for myself or for the world, as much as I'd love to. History tells me that things will only change faster and less predictably. I still have a plan for the next five years, but sometimes it feels more like a maze than a path. When we know how to be flexible, though, we can enjoy the detours and find unexpected shortcuts. As long as we keep going in the general direction of True North, we'll make it to the prize at the center of the maze: a good life and a freer world. ■



Photo by Eugene Lim

## BY THE NUMBERS AUTO INSURANCE

**\$1,351**

The average cost of auto insurance in Michigan, according to the National Association of Insurance Commissioners.

**3rd**

Michigan lags only New Jersey and Louisiana in the cost of annual auto insurance.

**0.5% and 43%**

The most expensive personal injury protection claims — representing 0.5 percent of all claims — were responsible for 43 percent of the costs.

# DONOR-ADVISED FUNDS

## Are they for you?

One increasingly popular tool for donors to use in planning their giving is a donor-advised fund. Donor-advised funds allow you to establish a fund within a sponsoring organization and then direct charitable gifts to the organizations of your choice from that fund.

You will receive an immediate tax deduction when you put money in the fund and generally can recommend how the fund invests. Over time, you can advise the sponsoring organization to make grants from the fund to one or more charities, such as the Mackinac Center.

In addition to making grants during your lifetime, you also may designate a charity to receive a grant after your death. That way, the funds continue to serve your values and principles even after you have passed.

The Mackinac Center itself does not sponsor donor-advised funds, but we are fully eligible to receive gifts from them. Over the years, we have received numerous gifts through such funds. The sponsoring organizations have included the Barnabas Foundation, National Christian Foundation West Michigan, Fidelity Charitable and various community foundations. We have also received gifts through Donors Trust, which supports organizations that promote free markets.

Hillsdale College also acts as a trustee for donor-advised funds, and the Mackinac Center has partnered on planned gifts with Hillsdale in the past.

### Why people like donor-advised funds

Some of the reasons people choose donor-advised funds as a giving vehicle include:

- Receiving tax benefits, including tax planning: A full charitable deduction is available in the year that the gift is made, but you can decide later where to give.
- Enjoying relatively easy and cost-effective services, especially when compared with administering a private foundation.
- Being able to give anonymously and benefit from an extra layer of privacy if desired.

- Receiving help in ensuring your philanthropic vision over time.
- Giving a consistent amount each year despite ups and down of income; for example, you might set aside \$100,000 in a donor-advised fund and then use that to augment giving from other resources in low-income years.

### Disadvantages of donor-advised funds

You must also consider the disadvantages of a donor-advised fund. Perhaps the biggest drawback is the loss of control. It is called an “advised fund” for a reason. When you set up an account at a sponsoring organization, you give to it legal control of the money you entrust. That legal framework makes it important for you to set up a fund only with a sponsoring charity that shares your values.

You also should be aware that donor-advised funds come with fees for management and administration.

### What you can donate

In most cases, you can make gifts of cash or appreciated securities, and many donor-advised funds also handle real estate, private business interests and private company stock.

### Make grants at the donor’s convenience

You can make a gift to a donor-advised fund in one calendar year, but delay making a grant until a different year. The organization that holds your account conducts due diligence to ensure that your money will be granted to IRS-qualified grantees only.

### Grow your donation, tax-free

While you, as a donor, decide which charities to support, a donor-advised fund could grow, based on your investment preferences, making more money available to further your values through philanthropy. Similar to what you would do with other investment decisions, you would want to discuss this with the foundation acting as trustee of the donor-advised fund.

*The information provided in this article is not intended to provide tax or legal advice to readers. The Mackinac Center recommends that you talk with your attorney or financial planner about donor-advised funds or other giving vehicles as you plan your charitable giving.*