

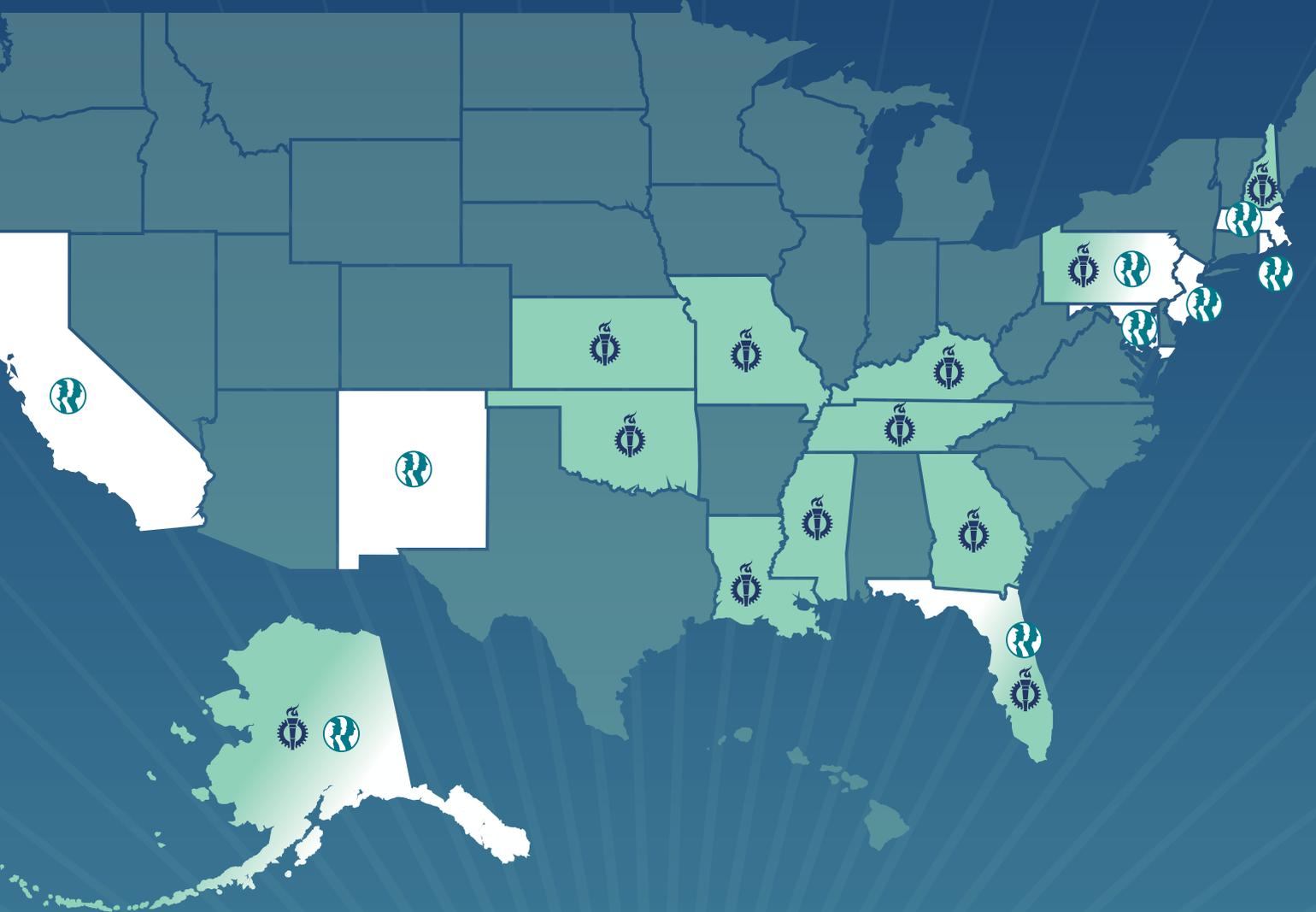
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FROM
THE
WEB

BLOG

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“Thanks to the Mackinac Center and California Policy Center, about 100,000 government workers resigned from unions [in California].”

— Will Swaim, president of the California Policy Center and co-host of National Review’s Radio Free California Podcast.



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SAVE THE DATE!

Planning for Life WORKSHOPS

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Whether you are just beginning to think about your will or estate plan, or need to update your current documents, you will leave our workshop energized and equipped to move forward. Join us in a comfortable, small-group setting with guest speaker Gregory T. Demers of Warner Norcross + Judd LLP to learn more about leaving a legacy that reflects your values.

All workshops are free of charge, and nothing is sold. You are welcome to include family members, friends or your personal adviser in your registration.

The 2019 workshops schedule is:

Wednesday, June 5

11:30 a.m. – 1 p.m.
The Townsend Hotel
100 Townsend Street
Birmingham, MI 48009

Tuesday, August 6

11:30 a.m. – 1 p.m.
Stafford's Weathervane Restaurant
106 Pine River Ln.
Charlevoix, MI 49720

Tuesday, September 10

11:30 a.m. – 1 p.m.
(Venue to be announced)
Grand Rapids, MI

Luncheon is provided at all workshops.

Our supporters will receive invitations by mail for these events. If you would like to make sure you are on the invitation list, or would like to reserve your seat now, please contact **Sandra Darland** at **989-698-1905** or **events@mackinac.org**.



LETTER FROM THE PRESIDENT

Joseph G. Lehman

Government Perspective vs. Taxpayer Perspective

JOSEPH G. LEHMAN

A sign above the cash register at a homey Midland restaurant reads, "Ninety percent of the friction of daily life is caused by tone of voice." I'm guessing the other ten percent arises from differences in perspective.

Mackinac Center analysts repeatedly show that government school funding continues to increase, especially on a per-student basis. I say "repeatedly" because many teachers, administrators and lawmakers still claim that school funding is declining. Legacy media outlets just rebroadcast those woeful claims uncritically, misleading many to believe schools are receiving fewer tax dollars.

We fulfill our educational mission, in part, by challenging such untrue claims on important matters. We crunch the numbers, publish the research and disseminate correct information with our Michigan Capitol Confidential news service.

We must have touched a nerve. David Arsen, a professor of education policy at Michigan State University, recently coauthored a report that seemed to find school funds declining, not increasing. How could this be?

MSU's education policy center has had its problems. For example, its former director had to leave after Mike Van Beek, then our director of education policy, discovered that his research critical of the Mackinac Center contained plagiarism and was impossible to replicate.

We didn't find those problems again, but we did find a crucially different perspective underlying Arsen's work. He chose to view school funding through the eyes of government, instead of the eyes of taxpayers.

Instead of adjusting for inflation (which is necessary for meaningful comparisons over time) by using the Consumer

Price Index (the common way inflation adjustment is understood and reported to the public), he selected a different inflation factor, or deflator. The professor wrote, "The best available price deflator for school district finances is the U. S. Commerce Department's GDP price deflator for state and local government purchases."

Does this choice make the MSU report faulty? Not necessarily, although my colleague Ben DeGrow argued that better metrics were available to the MSU authors if they sought "the best available" deflator for school finances. They happened to choose a somewhat exotic inflation index that produced dramatic results opposite of those built on the common understanding.

It didn't surprise me that people paid by a tax-funded educational institution found a way to argue for more tax dollars for educational institutions. Not a single media outlet, except our beloved CapCon, informed readers that the study is built around an inflation index different from virtually every other study.

Perspective matters. Every government bureaucrat's "revenue shortfall" might just as accurately be described as "government overspending" from the taxpayer's perspective. The government perspective is revealed again by the question of how to "pay for" a tax cut. The taxpayer may wonder how he will pay the rest of his bills without that tax cut.

I prefer to think of government as being "of the people, by the people, and for the people." I fear some in government think the people are there for the government.

Maybe perspective accounts for even more than ten percent of the friction of daily life. ■

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JOHN LAPLANTE Editor
ILIA VANDERHOOF Designer

A HISTORY OF CIVIL ASSET FORFEITURE IN MICHIGAN

Michigan Now Requires You to Be Guilty Before Losing Your Property — This is How We Got Here

With a bipartisan press conference featuring Republican and Democratic legislative leaders and the Democratic Attorney General, the 2019 legislative session kicked off with a show of unity. The issue? Civil asset forfeiture.

**JARRETT
SKORUP**

With a political split between the governor (Democratic) and Legislature (House and Senate both Republican), criminal justice reform was an area of widespread agreement. And, sure enough, after the committee hearings and debate was done, Michigan became among the 15 states to require a criminal conviction for most cases of civil asset forfeiture. The bills were passed nearly unanimously.

Civil forfeiture is the process of transferring assets — typically money, cars or houses — from people to the government. It began, and still mostly operates, as a way to deprive criminals of the proceeds of illegal activity. Think drug lords or mob bosses.

But along the way, some law enforcement agencies realized something: The law does not require you to actually be shown to be a criminal before they can take and keep your stuff. An asset is seized based on probable cause but, regardless of whether charges are ever filed, it is transferred to the government, either through a lower standard of evidence or because its owner doesn't file a claim to the property.

According to retired Detective Sgt. Theodore Nelson, who taught a program on forfeiture procedure for the Michigan State Police from the late 1980s until the early 2000s, what started as a program for going after major drug dealers has changed.

Over the past few years, around 1,000 people lost their property without even being charged with a crime or after the charges were dropped. The typical value of the assets? A few hundred dollars or in the case of cars, around \$2,000.

The Mackinac Center first wrote on this issue in the mid-1990s and published a study from adjunct scholar Dan Kochen in 1998. At the time, it was almost entirely off the radar of politicians and most citizens. That study documented horror stories such as people who lost their homes without being charged, shop owners who had money seized out of the register because dogs sniffed drug residue, and a woman whose art was seized because she used feathers, which she found on the ground, from a bird on the endangered species list.

National groups began getting involved. The Institute for Justice, a libertarian public interest law firm, started raising awareness. The American Civil Liberties Union filed lawsuits as well, and its state branch was instrumental in getting reform in Michigan.

But progress was slow, especially in the Great Lake State. For most of the 2000s, Michigan only expanded the use of law enforcement forfeiture:

- expanding its use for “terrorism-related offenses” (2001),
- streamlining the process for acquiring homes (2003),
- expanding its use for crimes against children (2004),
- expanding its use for working as a construction contractor without a license (2006),
- allowing more ways for forfeiture funds to be distributed (2006),
- expanding its use for identity theft (2010),
- allowing law enforcement to use the funds for almost any purpose (2011),
- expanding its use for cases of animal fighting (2011),
- expanding its use for cases of human trafficking (2014) and,
- allowing it to be used more easily when it comes to nonnative aquatic species (2014).

It's important to note: Human trafficking, terrorism and other activities listed above are horrible and rightfully considered to be a crime. But there already are and were



Dr. Wally
Kowalski

penalties for them and assets gained from them could already be forfeited. But the new laws typically just used these crimes to further loosen the forfeiture statutes. Each of these bills was passed unanimously or nearly so.

Perhaps it should be no surprise that Michigan then experienced a series of horror stories. As noted in our 2015 report on the issue:

- In 2004, Krista Vaughn was giving her friend and Red Cross co-worker Amanda Odom a ride home from work. She dropped Odom off at a bank in Detroit and then circled the block before picking her up again. While Odom was waiting for Vaughn, an officer with Wayne County Sheriff’s Morality Unit accused her of making eye contact with nearby motorists and solicitation of prostitution. On this suspicion, police issued her a ticket and seized Vaughn’s **2002 Chrysler Sebring**. Odom’s ticket was eventually dropped and neither woman was charged with a crime, but police still charged Vaughn \$1,400 to get her car back. Vaughn reluctantly paid the fee, because she believed it would be less expensive than trying to fight the case.
- In 2008, more than 40 people had their vehicles seized by law enforcement after attending an event at an art institute in Detroit. The gallery was serving alcohol, allegedly without a proper liquor license, which meant the vehicles unknowingly transported people to a place involving “illegal activity.” The people were never convicted of anything, and charges against them for “loitering” were quickly dropped, but police wanted \$1,000 — or their forfeited cars — from each.
- In November 2012, the Cheung family, living just outside Detroit, had \$135,000 in a bank account frozen, presumably because it was making routine deposits of slightly less than

\$10,000, a threshold under federal law. As a result, the Cheungs could not pay their property taxes or the expenses of their restaurant and got into financial trouble. No criminal charges were ever filed.

- In November 2013, Thomas Williams of St. Joseph County said he spent 10 hours in handcuffs while police searched his home and property. They took his car, television, cellphone and the cash he had on hand. As a result, he was stranded at his home for three days. It was a year before charges were filed.
- In 2013, Tarik Dehko and his daughter Sandra George had \$35,000 seized by the IRS from funds they used for their grocery store in Fraser. Federal officials never pressed charges and were forced to return the money only after a public outcry.
- In 2014, **Dr. Wally Kowalski (pictured left)** from Van Buren County had his bank accounts frozen and expensive tools and equipment taken from his home and held for months before being charged with a crime.
- In 2017, Gerald and Royetta Ostipow had their property, including a **classic muscle car**, seized by Saginaw County police. Law enforcement officials found marijuana on property they owned — but was occupied by their adult son. They lost some of their property anyway, without ever being charged with a crime.

These stories, combined with a newly formed coalition, began turning the tide. In 2015, the free-market Mackinac Center, the state chapter of the liberal ACLU and the National Federation of Independent Business testified with national allies in support of a package of bills. The bills established transparency requirements for every forfeiture taking place in the state and raised the standard of evidence in civil court. In 2013, these bills couldn’t even

get a hearing in the Legislature, but after less than two years of work, they passed with the support of Attorney General Bill Schuette and Oakland County Sheriff Mike Bouchard.

In 2016, further reform was achieved when lawmakers repealed a forfeiture bond requirement. Previously, Michigan was one of only five states that required people to pay 10 percent of the value of their assets to begin the proceedings to get them back.

And, in 2019, Michigan passed a package of bills that require a criminal conviction for most cases of civil asset forfeiture. Forfeiture now requires either that a person sign away the rights to property in a criminal court or be found guilty of a crime. (People who don’t claim their property or whose disputed assets are worth more than \$50,000 are still processed under the old laws).

This was a long battle — more than two decades for the Mackinac Center — and it could not have been won without help from partners across the political and policy perspective. Several law enforcement officers across the state spoke out in favor of the changes, and the national group Law Enforcement Action Partnership did valuable work on behalf of that community. Grassroots activists did tremendous work pushing the issue, showing up to legislative hearings and promoting local municipal initiatives to prevent the practice.

It may seem strange to some for a “conservative” organization to get involved on this issue. But private property rights and a fair and just rule of law are cornerstones of a free-market economy. While civil asset forfeiture mostly affects “the least of these” (to borrow a Biblical phrase), it was the right thing to do. ■

Jarrett Skorup is the director of marketing and communications at the Mackinac Center.



ARKANSAS

KENTUCKY

MICHIGAN

Michigan Watches a National Legal Battle Over Medicaid Work Requirements

By Lindsay Killen

A legal dispute in Kentucky and Arkansas could affect the people of Michigan, but it may not be resolved for years. In March, U.S. District Judge James Boasberg ruled against those two states in a case involving work requirements and Medicaid, a federal-state medical welfare program. The two had imposed work and community engagement requirements on some people who are newly eligible for Medicaid, after first getting permission from the federal government. The Centers for Medicare and Medicaid, also known as CMS, approved the waiver requests the states had filed, but the judge said the requirements run contrary to Medicaid's purpose. This is the second time the judge ruled against Kentucky, and he told CMS to revisit the waiver it granted and review his position on the law. After his latest ruling, both states, supported by CMS, filed petitions with the highest federal circuit court in the land, asking it to place the case on its docket for the 2019-20 court year.

The ruling has implications for at least five other states, including Michigan, which are moving forward with Medicaid work and community engagement requirements of their own. Gov. Gretchen Whitmer, who is on record as being skeptical of the new requirements, may use the dispute as a reason to slow-walk their implementation. Officials in other states may do the same.

CMS cites this potential limbo for states that have received federal permission for

similar changes as one of many important reasons to resolve the legal dispute quickly. In papers it filed with the U.S. Court of Appeals for the District of Columbia, the agency argued that uncertainty over work requirements in Kentucky and Arkansas could disrupt plans elsewhere.

[Medicaid] should be a temporary bridge to self-sufficiency for those who need help in paying for necessary medical costs and a safety net to the weakest and most vulnerable.

It takes a long time to plan and carry out requirements, the agency said, so the court should expedite its process for hearing an appeal. That's not something the court usually does. Should it acquiesce in this circumstance, that would speed up the case on its way to the Supreme Court, where it will likely be heard. With Michigan's work requirements set to go into effect in January, the Great Lake State has much at stake in this legal battle.

The most important point of contention is the purpose of Medicaid. In one view — suggested by Judge Boasberg — the program's aim is to give medical assistance to those who can't afford it. Under the judge's reasoning, if thousands of people leave Medicaid because of work

requirements, the state has failed them and violated the intent of the program — even if they find private insurance coverage through employment, thus satisfying the work requirement.

Many states, including Michigan, have expanded their Medicaid programs. Usually, however, the cost of doing so has greatly exceeded initial projections due to an unanticipated surge of new enrollees, calling its sustainability into question.

When Michigan expanded its program in April 2014, the state projected about 480,000 new people in Medicaid. Five years later, the number is closer to 700,000. Other states have had a similar experience, and Michigan lawmakers, like those elsewhere, looked for relief. The Mackinac Center and other concerned groups educated lawmakers about the value of obtaining a waiver from the federal government, which would let

them apply some restrictions to the new enrollees — comprised primarily of able-bodied adults without dependent children. In 2018, Gov. Rick Snyder signed the relevant legislation into law and CMS then granted the waiver request.

In contrast to Judge Boasberg’s view of Medicaid, those of us who favor market-based solutions to our health care needs give it a more focused role. Medicaid should not seek to enroll as many people as possible. Instead, it should be a temporary bridge to self-sufficiency for those who need help in paying for necessary medical costs and a safety

net to the weakest and most vulnerable. Medicaid was not intended to provide the able-bodied adult population with insurance coverage indefinitely.

Under the Trump administration, CMS has also taken this view. It has said, “There is little intrinsic value in paying for [Medicaid benefits] if [they] are not advancing the health and wellness of the individual receiving them, or otherwise helping the individual attain independence.” Work and community engagement requirements (“demonstration projects” in the official language), it said, “also provide an

opportunity for states to test policies that ensure the fiscal sustainability of the Medicaid program.”

The Mackinac Center applauds CMS and its commitment to fight on behalf of states, such as Michigan, Kentucky and Arkansas, that are trying to constrain the size and scope of their government health care programs. And we will work with the Whitmer administration and lawmakers to develop work and community engagement requirements that will pass legal muster. ■

Lindsay Killen is the vice president for strategic outreach and communications at the Mackinac Center.

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News Story

Bill Authorizes Herding Cats — Literally

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News Story

Billions In Michigan Taxpayer Dollars Flowing To Big 3

Shhhhh! State officials refuse to reveal how much



Commentary

On Road Funding, Voters May



A POSTCARD FROM THE LEFT COAST

Consider this a long-winded postcard from a friend in California — “friend” because if you support the Mackinac Center, you support people like me — Californians working to reform our nutty state.

**WILL
SWAIM**

Yes, yes, you know California for the Beach Boys, Hollywood, and perhaps Gavin Newsom, our new governor. The former mayor of San Francisco, Newsom is now positioned to give the world’s fifth-largest economy what he’s given San Francisco — job-killing regulation and taxes, the nation’s largest homeless population, a skyrocketing cost of living and (seriously) world-class public filth.

How does a guy like that get elected to govern 40 million Americans? Government unions. They’re the power behind Gov. Newsom and the Democratic supermajority in our statehouse. Each day, California’s government unions bring in \$2.7 million, or \$2 billion each election cycle. Democrat, Republican or other, it doesn’t matter: Try running a political campaign in the face of that kind of cash.

What’s this got to do with you? When the Supreme Court’s Janus decision came down, we needed help in talking to California’s union members. Enter the Mackinac Center.

Team Mack Attack (as we lovingly call them) has helped us identify California’s 1.5 million government workers — where they live and what moves them. And together, we’ve already liberated tens of thousands of state and local workers from mandatory union payments. We’re like the Dutch pushing back the North Sea — except in this case, the North Sea wants you to pay more in taxes and stop using gasoline.

In January, I told three key Mackinac staffers that the United Teachers of Los Angeles wanted higher pay and benefits and planned to walk out on students.

There were so many problems with the union’s demand that one hardly knows where to start. A majority of the district’s high school graduates can’t read or do math at grade level. Its finances are a step away from bankruptcy. Teacher merit is a nonstarter.

When the strike began 48 hours later, the union had its message. And in thousands of social-media ads, Team Mack Attack and the California Policy Center delivered an alternative one: Real teachers don’t walk out on their students; they walk out of the union.

It worked. Thousands are answering our call. Throughout California, the Mackinac Center is helping us play catch and release — that is, speak to government employees and help them leave their unions. The win-win: Each worker gets to keep an extra \$1,000 per year and the rest of California gets a union leadership with a little less cash to fund the politicians destroying our state.

Thanks to the Mackinac Center and California Policy Center, about 100,000 government workers resigned from unions here. Sure, that’s just 15% of the total, grotesque number. But it means \$100 million less to the union leaders who have destroyed our schools and communities.

When you support the Mackinac Center, you support us — your friends, your family, your fellow Americans on the nation’s Far Left Coast. We owe you. How about we pay you back by being less crazy? ■

Will Swaim is the president of the California Policy Center and co-host of National Review’s Radio Free California Podcast.

Mackinac Center's National Workers for Opportunity Initiative Already Bearing Fruit

LINDSAY
KILLEN

Seeking to build on the Supreme Court's pro-worker ruling in *Janus v. AFSCME*, the Mackinac Center launched the Workers for Opportunity initiative in February. The goal of this project, which reaches both union members and public officials,

is to reduce the perverse influence of government unions in labor relations in various states. It's carried out by a team of experts in public policy, communications, government affairs and law. This spring, they met with officials in various states

about ways they could secure workers' First Amendment rights, which the Supreme Court affirmed and restored last summer.

They identified key policies that lawmakers and administrators can use to keep the



MY PAY MY SAY

California, Maryland, Massachusetts, New Jersey, Pennsylvania, Florida, New Mexico, Rhode Island and Alaska



WORKERS FOR OPPORTUNITY

Florida, Oklahoma, New Hampshire, Tennessee, Kentucky, Mississippi, Kansas, Pennsylvania, Georgia, Missouri, Louisiana and Alaska



pendulum swinging toward greater employee freedom, whether in a state with compulsory union fees or one with a right-to-work law. And just months following the launch of this ambitious initiative, Workers for Opportunity is already having an impact.

In three states, we are educating governors and their administrations about what can be done to ensure that public employers don't deduct union dues or fees until they have proof of affirmative consent from employees.

Many states impose opt-out window policies, which say that public employees can leave a union (and stop paying dues to it) only during a short time period, such as one week a year. In Kansas, the Workers

for Opportunity team worked with allies on the ground to introduce legislation giving workers the right to opt out at any time. Two members of our staff joined the Kansas Policy Institute and Mark Janus to provide testimony on the merits of the legislation, and we continue to assist in the education effort as lawmakers consider the proposal.

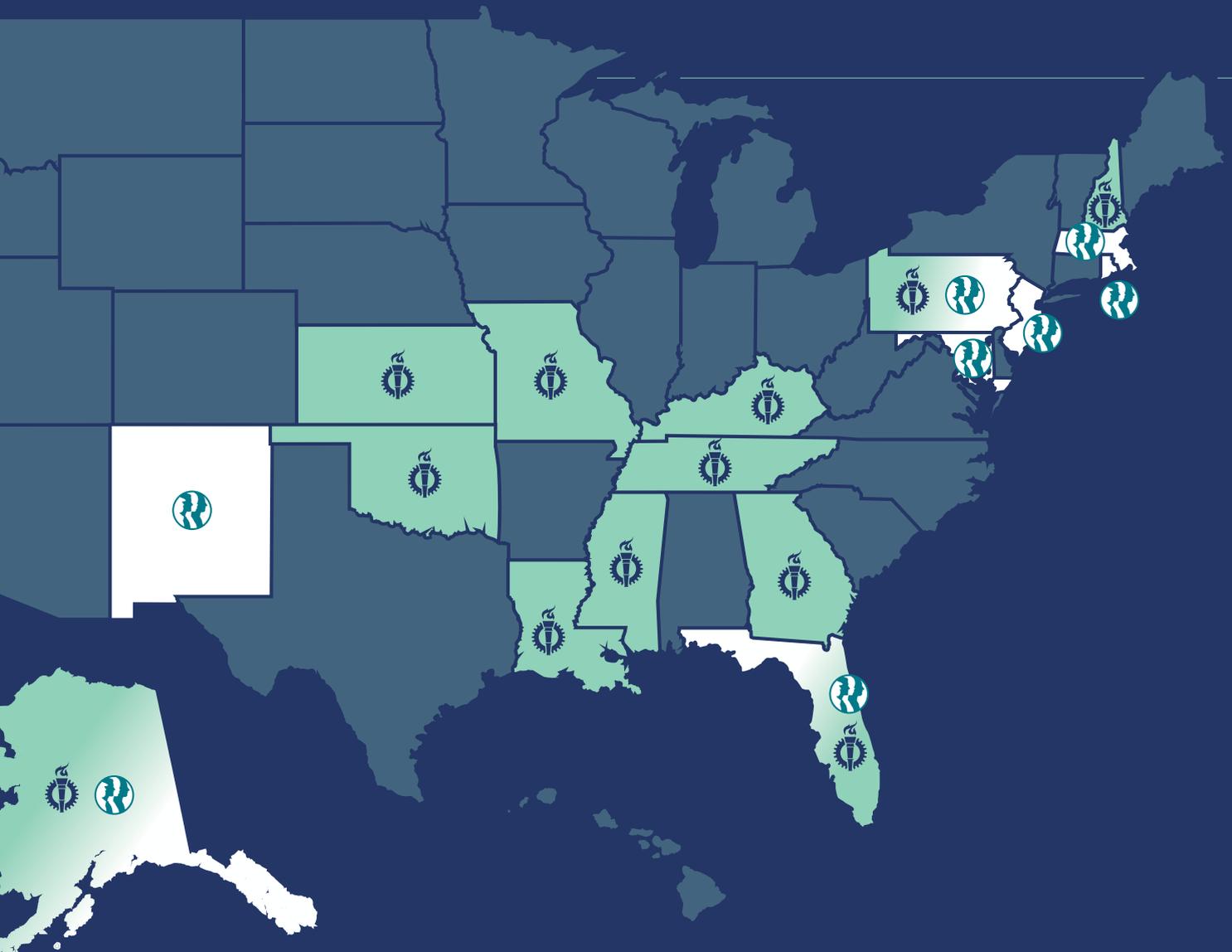
We worked with the Pelican Institute and other allies in Louisiana to introduce legislation requiring union certification. Also known as workers' voting rights, a certification requirement means that government unions must stand for reelection every two years. In this case, the legislation is made even stronger by a provision that gives public employers the freedom to not negotiate with a public

union — even if it has obtained the consent of a majority of employees.

In another three states, Workers for Opportunity is advising and supporting efforts to pass, implement, or strengthen laws on workers' voting rights.

In total, our team has held discussions with administrations, lawmakers, and others in over 12 states — some right-to-work and some not — to educate officials about how the Janus ruling effects state policymaking. We look forward to seeing these activities lead to stronger protections for worker freedom that recognize and respect employees' First Amendment rights. ■

Lindsay Killen is the vice president for strategic outreach and communications at the Mackinac Center.



The Criminal Justice Policy Primer is Complete!

On reaching a major milestone on a new road

The Mackinac Center launched a new policy initiative in 2016 dealing with criminal justice policy. Center scholars had studied topics within this issue portfolio on an ad hoc basis for years, but this was its first foray into a concentrated effort, and it would not be without challenges.

Criminal justice policy can be politically fraught because so many people have preformed notions of what drives crime and how we should deal with it. These ideas are frequently outdated, anecdotal, politically driven or simply incorrect, but they're strongly held because they form one's perception of one's personal safety. Commenting on criminal justice is further complicated by its history as a left-of-center issue. And finally, it's not always easy to grasp a free-market think tank's interest in what is very close to a social issue.

For these and other reasons, it was imperative for the Mackinac Center to develop expertise and establish a definitive point of view on its new policy area. This called for a study. We decided to create the resource we wished had existed at

the time we launched the criminal justice initiative. It would be a comprehensive overview of the major state functions

at work in this space and what their operations might look like in practice. The final, peer-reviewed resource describes how legislators create a criminal law, how various layers of law enforcement offices derive their authority and work together in Michigan, what happens during a criminal trial and sentencing, and how the state prison system operates.

Due to its breadth and depth and its many, many footnotes (for which I wish to gratefully acknowledge editor and Research Director Michael Van Beek), the primer took a long time to finish. By then, the Center had become an acknowledged source of expertise on the issue, providing an underrepresented free-market point

of view. It had founded and now leads a much-needed statewide coalition of advocates, academics and justice system

personnel. It has partnered with think tanks that wish to replicate our successes elsewhere, and it produces a steady drumbeat of publications calling for data-driven, public-safety-focused reforms. The study itself was well received.

We hope that this publication and its many references to other authoritative documents will give readers a solid foundation of information from which to weigh policy proposals. We created the publication we wished had existed when we started, and we're confident that it will help educate both professionals and the general public about this important aspect of government and community life. ■

Kahryn Riley is the director of criminal justice policy at the Mackinac Center.

KAHRYN RILEY

A Primer on Michigan's Criminal Justice System

KAHRYN A. RILEY, JD

This publication is available online at mackinac.org/s2019-02.

Mackinac Center Vice President Named Among Crain's 'Notable Women'

Benner has been with the Mackinac Center for more than 15 years

Crain's Detroit Business has named Patricia Benner, vice president of operations at the Mackinac Center for Public Policy, among the "notable women in HR" for 2019.

The business magazine noted:

Patricia Benner's ever-increasing competence and capacity for high-level work are the primary reasons Mackinac Center for Public Policy promoted her to vice president of operations.

She has been integral to the development of the center's mission and vision statements and in ensuring staff reconnect with that vision as a team or in collaboration with trainers and consultants.

Further, Benner conceived of and implements the center's robust hiring process and developed targeted training opportunities for staff members.

Benner has worked at the Mackinac Center, based in Midland, for more than 15 years. She has over 20 years of accounting and management experience



with a variety of companies, ranging from small businesses to a Fortune 500 firm. She has experience in virtually every aspect of accounting and helped manage audits from the Internal Revenue Service, the Michigan Department of Treasury and various private accounting firms.

Benner has a master of business administration degree from Saginaw Valley State University, where she graduated with honors, and she earned her

undergraduate degree from Northwood University. She has taught principles of economics as an adjunct instructor for SVSU, and she has been an adjunct business instructor at Delta College.

"The only thing better than getting professional development is knowing that everyone who works for you is getting it too. Pat Benner saw a need for customized professional development on our staff. So, she created a program and made sure that all of our colleagues have access to it," Joseph Lehman, president of the Mackinac Center for Public Policy, told Crain's. ■

This article was originally published on the Mackinac Center Blog.

2019 Detroit Children's Business Fair

We were thrilled to once again host one of our most exciting events of the year: the Detroit Children's Business Fair. The fourth annual fair was held at TechTown Detroit, located right in the heart of downtown Detroit.

Children's business fairs give kids the opportunity to try their hand at creating and running their own business. For many of the participants, the fair was their debut venue. For others, the fair was a chance to sell their already-established products to a different audience.

This year, we were joined by 25 business, all of which were run by children ages 6-15. With so many unique products being sold, including painted rocks, bow ties and slime, it's safe to say there was no shortage of creativity.

In addition to the revenue from their sales, some business owners got to take home a cash prize. Prizes came in three categories: originality, business potential, and presentation and creativity. You can view the winners on the next page.

One of the best parts of the fair is seeing how the kids support each other. While many adults purchased products from the businesses, many of the participants took some of their earnings and bought things from their peers. The encouragement and support that they showed to one another is truly inspiring.

The event is a great opportunity for partnerships to come together, and this year we were pleased to work with America's Future Foundation. And the Detroit Children's Business Fair would not have been possible without the hard work of Acton Academy, which created and distributed the model it is based on. ■



Noah's Lemon is the winner of "best business potential" in the younger group. Seven-year-old Noah Harris took a fun twist on the original lemonade stand, selling delicious lemonade, sweet tea and his "best in the D" Noah's special.



Joke cards, dino snot, and a coloring book of farting animals are just a few of the items Landon Borkowski sold. His business, Laugh Out Landon, won the prize for originality in the younger category.

ren's



Christen Elliott's business, Polished Puckers by Devani, won for best presentation in the younger category. She sold lip gloss, lip scrubs and lip balm.



Totally Totes, a handmade handbag business started by Reygan Lowery, won the award for originality in the older category. Reygan made unique totes and purses in a variety of patterns and colors.



Kaniya Moore's business, PYT, won for best presentation in the older category. She and her friends sold an edge control hair product with a lovely cherry scent.



TC Comics, a business run by Timothy Abrahms, won for best business potential in the older category. In addition to handmade comics, Timothy sold a hand sanitizer/bug spray combo and other body products.



A MACKINAC CENTER REPORT

Byron Schlomach, Stephen Slivinski & James Hohman

MULTILATERAL DISARMAMENT:

A State Compact to End Corporate Welfare

MACKINAC CENTER
FOR PUBLIC POLICY

1889 INSTITUTE

This publication is available online at mackinac.org/s2019-04.



Byron Schlomach is the director at the 1889 Institute as well as scholar-in-residence at the Institute for the Study of Free Enterprise at Oklahoma State University. Byron holds a B.S. and Ph.D. in economics from Texas A&M University.



Stephen Slivinski is a senior research fellow and director of the Doing Business North America project at the Center for the Study of Economic Liberty at Arizona State University. Stephen holds a B.S. from Florida State University and a master's degree in economics from George Mason University.



James M. Hohman is the director of fiscal policy at the Mackinac Center for Public Policy. He holds a degree in economics from Northwood University in Midland, Mich.



An Interstate Compact to Eliminate Corporate Welfare

In an attempt to create jobs, the state government gives taxpayer money to businesses it deems qualified for handouts. These subsidies are unfair, ineffective and impede mutually beneficial trade. Nevertheless, they persist. Not just in Michigan, but in every other state. That's because these special favors for select businesses serve a political function, if not an economic one.

**JAMES
HOHMAN**

Lawmakers want to control the discussion about their state's economic performance, and distributing handouts gives them something to point at to bolster whatever story they want to tell. Want your state to be in on the ground floor of the tech revolution? Subsidize data centers. How about attracting young creative minds? Subsidize film production. Want to address the critical need for farm-to-table citrus? With enough subsidies, Michigan could even "compete" with Florida by growing subsidized oranges.

Even reluctant politicians justify the programs as necessary to compete with other states that offer subsidies. (Never mind that Michigan already spends the third most among all states on corporate handouts.)

These reluctant lawmakers feel like hostile countries in an arms race. They don't enjoy spending money on special favors, but they feel like they have to keep up. That's why we worked with friends in other think tanks to craft an interstate compact to eliminate corporate welfare.

States that sign onto the compact agree to stop subsidizing new companies once enough states have signed on.

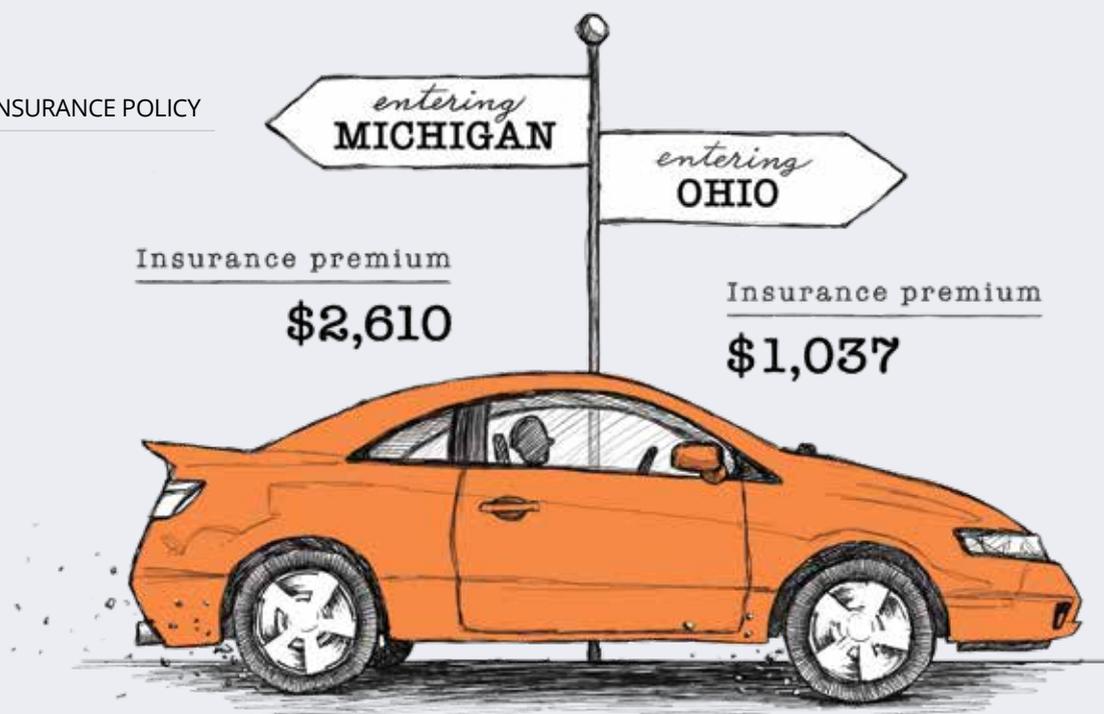
The tricky part of setting up the compact was to define corporate welfare. Lawmakers often try to hide the fact that companies get taxpayer dollars. When I looked at the state's reports, I counted 23 different terms for taking taxpayer money and using it to subsidize or support private businesses. In Michigan's annual 164-page report about corporate subsidies, the only acknowledgment that the money used for its programs came from taxpayers appeared in a single footnote.

But all corporate welfare shares a similar quality: It only goes to select businesses or classes of businesses, not to all companies. Reducing the business tax is an improvement that benefits the entire business climate and

is not corporate welfare. Handing out tax credits to particular firms, on the other hand, is corporate welfare. That distinction informed the language we use in the compact.

Competing over quality of life and business climate is healthy. Corporate welfare, however, marks a race to the bottom. It would be good to see Michigan become the first state to agree to stop such harmful competition. ■

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



Auto Insurance Reform ... Finally?

My move to Michigan last summer coincided with the renewal of my auto insurance policy. While I had anticipated having a state income tax dock my take-home pay (Texas does not have one), my jaw dropped when my auto insurer quoted me a 73% premium increase on my Michigan policy.

**DAVID
GUENTHNER**

In one of my first legislative meetings in Lansing, no matter what policy topic we were discussing, every five minutes or so one of the other participants redirected the conversation back to auto insurance. After the eighth or ninth time, I was explicitly asked for the Mackinac Center's help in fixing this disastrous system.

Michigan has the most expensive auto insurance policies in the country, with premiums 64% above the national average and more than double what our neighbors in Wisconsin, Ohio or Indiana pay. Detroit residents are the hardest hit; one state senator shared with me the story of a constituent who had to shell out \$7,000 a year to insure a vehicle valued at \$3,000.

Michigan's no-fault system has notoriously resisted reform, as the hospitals and trial lawyers benefit tremendously from the

current system and have formidable trade associations and political influence. But Michigan motorists have felt the pain so acutely that legislators feel compelled to act, and 2019 may finally be the year a bill reaches the governor's desk.

On May 7, the Michigan Senate passed SB 1 by Sen. Aric Nesbitt. This bill provides consumer choice for personal injury protection (PIP) coverage, allows senior citizens to have Medicare rather than auto insurance pay their accident-related costs, and imposes a fee schedule on medical services in auto accident claims. It also would restrict "common ownership of, and referrals between and among, entities that provide legal, medical, and transportation services," which is an attempt to root out some of the shadier profiteering that Michigan's no-fault system enables. Finally, it begins the wind-down of the Michigan Catastrophic Claims Association, which pays for lifetime care for the most severely injured accident victims and just announced a 15% increase in its annual premium assessment.

Earlier this year, Matt Coffey, a member of the Mackinac Center's Board of Scholars, testified before the Senate Insurance

Committee. He told lawmakers that several reforms could help motorists, but the greatest opportunity for delivering significant savings would be to provide PIP choice and impose a fee schedule on medical providers.

Last year, a reform effort imploded on the House floor, but reducing the cost of Michigan auto insurance is a top priority of both chambers' leaders, as well as for Detroit Mayor Mike Duggan. And Quicken Loans founder Dan Gilbert is laying the groundwork for a ballot initiative if legislators fail to act. If Michiganders continue to share their horror stories with lawmakers, that may be enough to finally get a fix to our state's horrific auto insurance system. ■

David Guenthner is the senior strategist for state affairs at the Mackinac Center.

Recent Mackinac Center Events

For information on upcoming events or to view past ones visit mackinac.org/events



Feb.
12

Economic Freedom: What it is and Why it Matters

Economist Dean Stansel presented on how public policy choices can have profound consequences on the decisions individuals make about their own opportunities.



Feb.
27

How Criminal Justice Works in Michigan

Mackinac Center Director of Criminal Justice Reform Kahryn Riley spoke at an event in Lansing, Michigan, on how criminal justice policy works in the state.



Mar.
12

Victory & Vision Reception

Mackinac Center President Joe Lehman greets guests at our newly renovated Midland headquarters.



Mar.
20

Civil Asset Forfeiture in Michigan

Jarrett Skorup of the Mackinac Center was joined by Sen. Peter Lucido and Detective Sgt. Ted Nelson to discuss civil asset forfeiture in Michigan.



April
23

Lessons from Ronald Reagan

Author Larry Schweikart delivered lessons from Ronald Reagan, based on his new book, "Reagan: The American President."



May
14

Local Control or Too Much Control?

State Rep. James Lower, Anthony Minghine of the Michigan Municipal League and Chance Weldon from Texas Public Policy Foundation were part of a panel discussion on local and state government control.



Mackinac in the Media

The Mackinac Center continues to maintain a strong presence in media outlets in Michigan and throughout the country. Our policy staffers often are sought after for interviews and comments by reporters and oftentimes will write pieces themselves. Recently, a few of our staff members teamed up and wrote about topics that span multiple policy areas.

Two very different policy areas, environment and labor, joined forces in an op-ed published in The Detroit News. Jason Hayes and Morgan Shields wrote on how the policy focuses of the Whitmer administration sometimes cause conflict between two of her most vocal support groups. As they explained in the piece, “When looked at in terms of the blue/green divide — where loyalties to environmental activism conflict with traditional blue-collar concerns — the Whitmer administration has clearly sided with green at the expense of blue.”

While it’s nice to see collaboration within our organization, it’s great when we can work with members of other organizations. James Hohman recently teamed up with Carol Park from the Maryland Public Policy Institute to write about what Maryland can learn from Michigan’s pension reform success for an op-ed published in The Washington Post.

The streak of collaboration continued in another op-ed when Lindsay Killen partnered with Jase Bolger, former speaker

of the Michigan House of Representatives, in The Detroit News. They wrote on how Michigan’s Medicaid work requirements “will reward the dignity of work that promotes the health and well-being of those served, help fill the strong demand for workers created by Michigan’s rebounding job market and foster stronger communities.”

The fight for worker freedom is still ongoing, and many national outlets have turned to the Mackinac Center for comments. Jarrett Skorup spoke to The Washington Times and used our calculations on union membership to explain how unions such as AFSCME have experienced a substantial drop in members. Bloomberg News quoted Patrick Wright on the same issue and The New York Times quoted a Mackinac Center blog post from 2017 on union membership and revenue.

As labor issues continue to gain national attention, Vinnie Vernuccio, a senior fellow with the Mackinac Center, wrote an op-ed on how union members prefer several different presidential candidates, which was published by Fox Business. Vernuccio was quoted by Fox News on how critical union support is in an election, saying “They are the Get Out The Vote. They are the money. They are the ones that are going door to door and really providing the political oomph behind a lot of Democrat candidates.” ■



Holly Wetzel
Communications Coordinator

Collaboration Among State-Based Think Tanks Makes for Better Energy Policy

Michigan residents already pay the highest electricity rates of anyone in the Great Lakes region, and they do so for electric utility services that rank in the top five nationally for outages. That means we pay more than adjacent states but get less reliable electric service. Worse, the long-term plans for the state's two big regulated monopoly utilities indicate that Michigan's electricity rates will become even more expensive and less reliable.

JASON HAYES

The Environmental Policy Initiative at the Mackinac Center was happy to welcome David Stevenson, policy director at Delaware's Caesar Rodney Institute, to our offices in March. Stevenson has a rich background in energy policy, having served on President Donald Trump's Environmental Protection Agency transition team in 2017. He also regularly takes part in electricity planning and rate issues at Delaware's Public Service Commission.

We sought his input on two documents — 20-year “integrated resource plans” — published by Consumers Energy and DTE, Michigan's two, big regulated monopoly utilities.

As he and I worked through these plans, we confirmed that Consumers and DTE plan to close many of their large baseload generation facilities to pursue a self-imposed 50-percent clean energy goal by 2030. We found a string of problems with their plans:

- **The state does not require the utilities to meet a 50-percent clean energy goal.** Under state law, utilities must produce 35 percent of their electricity from a mix of renewable energy sources and energy efficiency measures by 2025. But recent University of Chicago studies showed that while renewable portfolio standards and energy efficiency measures might reduce emissions from electricity generation, they do so at negative rates of return and cause double-digit increases in electricity prices.
- **A heavy and growing reliance on renewable energy sources could leave Michigan residents cold and in the dark.** Extreme cold temperatures this last January demonstrated the inherently unreliable nature of wind generation. As temperatures plummeted, wind generation all but disappeared, dropping below 4 percent of the region's electricity mix. That left the coal, nuclear and natural gas facilities — many of which are now targeted for closure — to keep the lights and heat on.
- **The vast majority (80 percent) of utility customers are unwilling to pay even \$10 a month for an increase in renewable energy.** A 2017 University of Michigan survey asked people across the country how much they would be willing to pay for more renewable energy production: 34 percent would refuse to pay any more; 28 percent would only pay \$1 to \$50 per year; and 18 percent would pay \$50 to \$100 per year.

Collaborating with other state think tanks helps to ensure that we stay up-to-date on best practices and learn from policy experts who already work in areas of importance to our supporters.

Our work with allied think tanks like the Caesar Rodney Institute is another example of the valuable relationships we enjoy through State Policy Network. Collaboration is one of the things that helps to make sure that we are taking every opportunity to push Michigan's electricity policy in the direction of free markets, improved reliability, fewer subsidies, and competitive rate reductions. ■

Jason Hayes is the director of environmental policy at the Mackinac Center.

BY THE NUMBERS WORKERS FOR OPPORTUNITY

12

Number of states the Mackinac Center is working with through Workers For Opportunity

8%

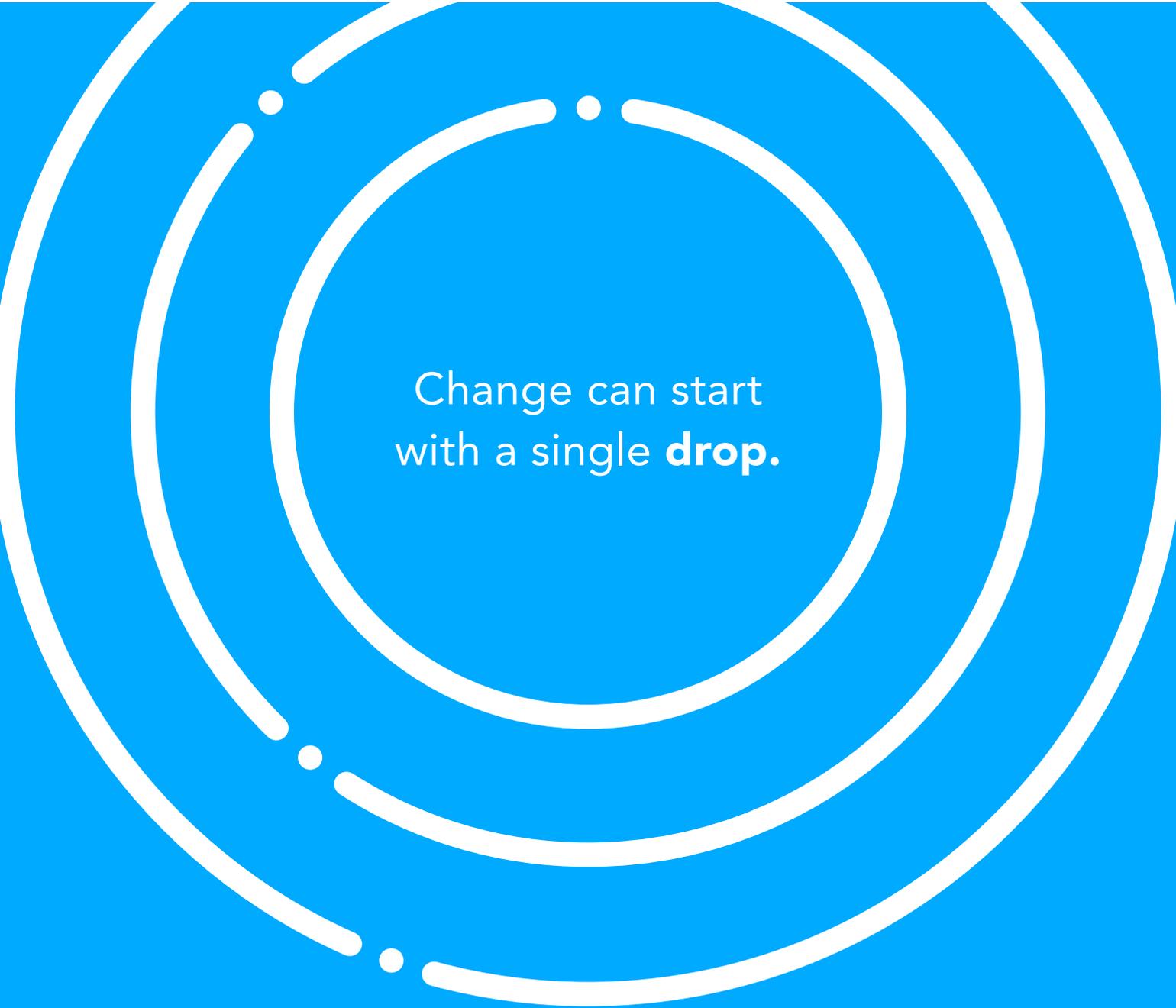
AFSCME national has experienced a 8% drop in total dues/fee payers

5.2%

SEIU national has experienced a 5.2% drop in members/fee payers

2.8%

National Education Association national has experienced a 2.8% drop in total dues/fee payers



Change can start
with a single **drop.**