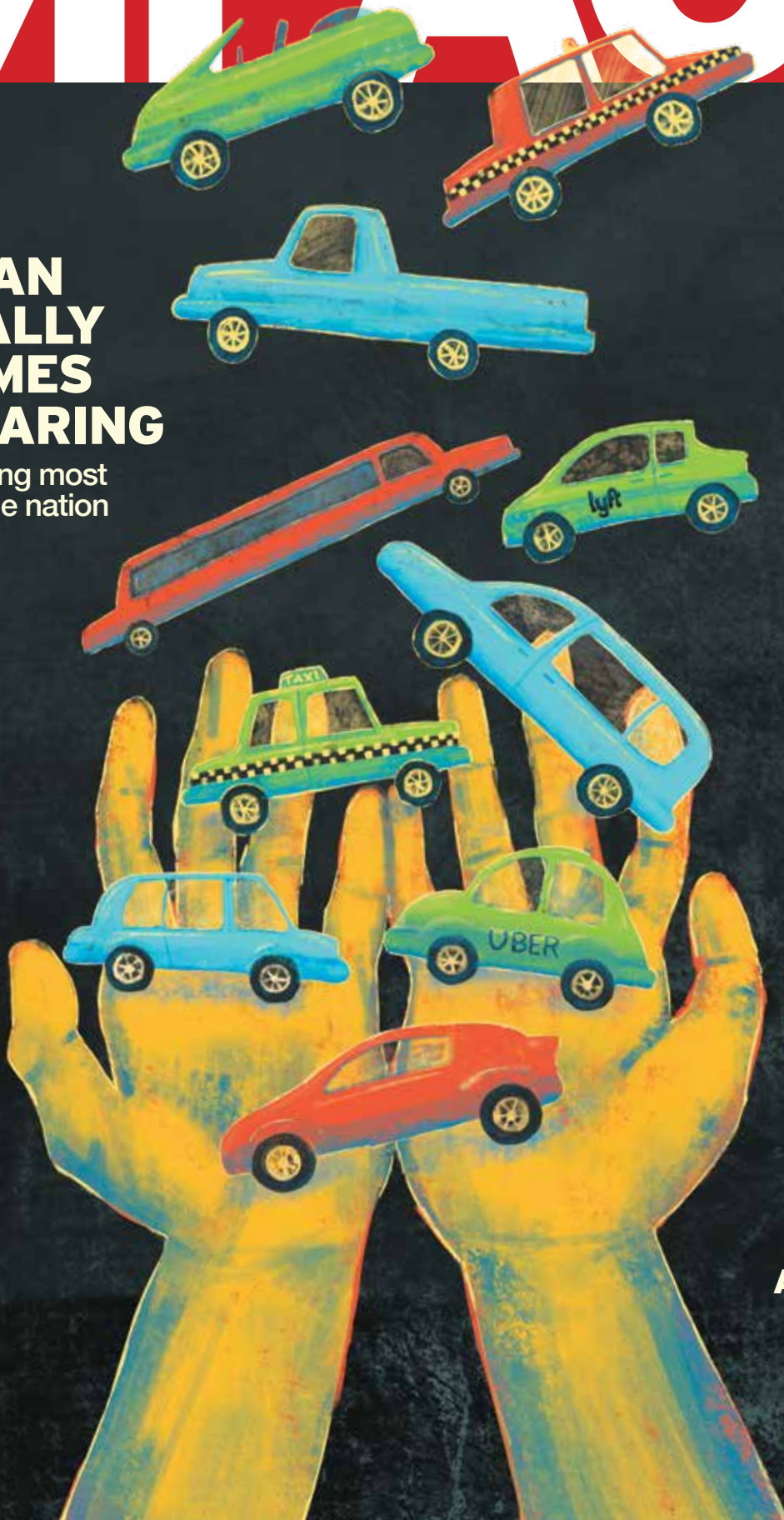


IMPACT

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DETROIT
**CHILDREN'S
BUSINESS**
FAIR

Children's Business Fairs grant kids the opportunity to create a product, business model, marketing strategy and then sell a product to the public in a safe environment.

The **2nd Detroit Children's Business Fair** is coming up!

When: May 13, 2017
11:00 am to 1:00 pm

Where: The Streets of Old Detroit
The Detroit Historical Museum

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for more information and details.



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WHAT FOLKS ARE SAYING ABOUT THE MACKINAC CENTER

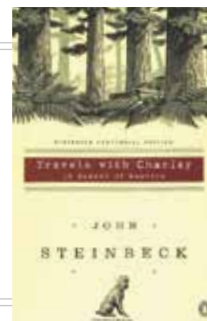
“The relevant and consistently updated research provided by Mackinac Center Labor Policy Director Vincent Vernuccio and his team was critical to the success of our hard-fought effort to bring right-to-work to Kentucky. Their efforts mean more opportunities and a better future for our state and its citizens.”

— Jim Waters
President, Bluegrass Institute for Public Policy Solutions



ILIA ANDERSON RECOMMENDS “TRAVELS WITH CHARLEY: IN SEARCH OF AMERICA” BY JOHN STEINBECK

I found “Travels With Charley” to be an immensely refreshing read during a year of disappointments and uncertainty. John Steinbeck brings us along as he and his French poodle Charley drive almost 10,000 miles from New York to Maine to California and back to New York. The goal of the journey is to reconnect with and rediscover America — America of the early 1960s — and while he travels, he takes notes and recounts his interactions with those Americans he finds along the way. While some suggest that this book may be expanded for the sake of a better story, for Steinbeck was indeed first a novelist, it describes an act of slowing down and observing, with just the intent of learning. Steinbeck suggests that to some degree we all have a yearning to go, to travel, to explore and to ask: What is America? Who are Americans? And what does it mean?



*Joseph G. Lehman*

The Most Dangerous Lead in Politics or Hockey

Everyone talks about Donald J. Trump's unusual qualities, but most remain unaware of the very unusual political alignment he now commands. His election marks the first time in 54 years, and only the second time in 96 years, that a Republican succeeded a Democrat president when the GOP controlled both houses of Congress.

Republicans also control the executive branch and both legislative houses in 25 states (including Michigan) while Democrats have this advantage in only 5, a historic disparity.

In any other context, these thoughts could be misconstrued as partisan or an endorsement of the Trump administration, but this is a peculiar moment in history. For the first time in decades, tremendous opportunities await for those of us whose ideals align more closely with the majority party.

It may be tempting to sit on this lead and just wait for the policy payoff. But this would be a terrible mistake. The value of a political victory is not the victory itself, but in how one uses it to drive positive policy changes.

We at the Mackinac Center won't assume anything other than what has always been true: Good ideas aren't inherently persuasive, and we can't assume just because a politician's name is followed by an "R" he will do the right thing. Good ideas require competent development, clear and patient exposition, energetic advocacy, moral suasion, and above all, relentlessness.

A commanding position isn't the time to coast, it's the time to hit the gas. Every big-government political operative whose bags were packed for Washington before Nov. 8 is now likely working full-time to undermine our ideas, attack our credibility, and regain power to finish what they started with Obamacare and more. Every single Democrat who immediately succeeded a Republican president in the 20th and 21st centuries (all six of them,

from Wilson to Obama) enjoyed his own party's control of both houses of Congress on Day One of his first term.

JOSEPH G. LEHMAN

Democrats or Republicans who campaign on the ideas of free-markets and limited government can count on us to defend those ideas and help them do the right thing. We don't shy away from reminding them what they said they stood for. If we won't do it, who will?

Trump is unpredictable. Some of his rhetoric suggests he wants to curtail free trade, amp up corporate welfare and push government spending higher. In other areas, he is off to an excellent start. He has, for example, nominated Mackinac Center friend Betsy DeVos for education secretary and issued an executive order to dial back some harmful Obamacare provisions.

Michigan Republicans also need help to do the right thing. Some of their ideas are clunkers, such as the attempted \$2 billion tax increase voters obliterated at the ballot box 80-20. Even Gov. Snyder's recent State of the State Address outlined 12 different ways to expand government compared to only one limitation of it.

Voters' expectations are very high after they gave Trump and Republicans astounding victories. If the GOP doesn't deliver, the 2018 midterm elections could be devastating to the progress of free-market policies. The time to act is now.

If you're a Mackinac Center friend, you know our plan: Study and predict government failure, report on government failure and seek justice for those harmed by it, and give citizens information and ideas so they can take action. We will continue to do this regardless of who is in office.

My colleague John Mozena, vice president of marketing and communications, noted that the most dangerous lead in hockey is two goals. It's a big enough lead to tempt you to ease up, but the other team is only one goal away from making things too close for comfort.

Time to remain on offense. ■

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IMPACT is published six times a year by the Mackinac Center for Public Policy, a nonprofit, nonpartisan, tax-exempt research and educational institute classified under section 501(c)(3) of the IRS code.

GENEVA RUPPERT Editor

ILIA ANDERSON Designer





Practical, Moral Arguments Bolster School Choice Advocates

Even after losing an intense, months-long legislative battle to create a Detroit Education Commission that would tighten the reins on charter school options, opponents of parental choice haven't relented. Supporters of choice need to stay engaged and not let down their guard.

The Legislature, on June 8, 2016, approved a Detroit schools bailout and reform package that excluded the charter-rationing commission. Within a couple weeks of that major victory for choice, other hits came. A new academic study sought to lay much of the blame for some school districts' financial woes on the state's choice laws. Michigan State University Professor David Arsen made a case that charters and cross-district options "powerfully exacerbate the financial pressures of declining-enrollment districts."

Yet the same week Arsen began to tout his findings, which covered data through 2012, Michigan officials released their updated school district fiscal watch list. The number of districts in deficit dropped from 41 to 23, with 16 of the 23 making progress toward getting out of the hole. One of the seven losing ground was Detroit, which was on the verge of a legislative bailout and restructuring. Highlighting this reversal formed a key part of the Mackinac Center's response to Arsen's critique.

The updated watch list challenged Arsen's research findings. More districts are improving their financial bottom line even as statewide enrollment continues to slip and choice grows in popularity.

Nearly one-quarter of Michigan public school students last year enrolled either in a charter school or in a district outside their residential one through the state's 20-year-old Schools of Choice program.

**BEN
DEGROW**

As Arsen's claims about choice and district fiscal health lost some luster, a Bridge Magazine series took a new, sensational turn. The reporting alleged that the Schools of Choice program has created a new trend of white flight and segregation.

In response, my Detroit News op-ed examined the reporting by using rigorous research from Michigan and other states and found it wanting. But it also delivered a potent point: Rolling back choice to assign students to schools strictly by home address won't increase racial integration.

But neither the Arsen study nor Bridge's reporting could match the latest torrent of vitriol. The pre-Thanksgiving Day announcement that a champion for choice from our state, Betsy DeVos, had been nominated to serve as U.S. secretary of education unleashed a new barrage of criticism. Much mainstream media attention veered toward critiques of educational choice and charters in Michigan, and Detroit in particular, as a means of discrediting DeVos' high-profile advocacy work.

Article after article mischaracterized our state's choice policies, their results or both. Journalists used the phrase "Wild West" so often to describe the Motor City's charter landscape that it became clichéd. But we and our allies have shown how that description misses the mark. Charters face real and growing

oversight, plus tougher accountability than their district counterparts. More than 20 underperforming Detroit charters have closed since 2010, while traditional schools have been immune from the ultimate sanction.

The best available evidence we have on school performance is inconvenient to those who wish to discredit Michigan's policies. Stanford's Center for Research on Education Outcomes found that attending a Michigan (or more specifically, a Detroit) charter increases student learning by two to three months each year. About half of Michigan charters have significantly better results than district schools, while only 5 percent produce worse outcomes. CREDO labeled Detroit's charter sector as one of four "essential examples of school-level and system-level commitments to quality."

Even as we tout new evidence about the effectiveness of educational choice to defend existing policies and advocate ways to strengthen them, we also need to emphasize the underlying moral argument. The Fordham Foundation's Robert Pondiscio eloquently made the point in a recent U.S. News column. He asked, "Why deny low-income families the ability to do exactly what affluent parents have long done: to choose schools not on 'evidence' but on personal prerogative?"

Let's not lose sight of this penetrating point as we continue working to empower more Michigan parents and open the doors of opportunity for more Michigan students. ■

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



A MACKINAC CENTER REPORT

MICHAEL D. LAFAIVE, TODD NESBIT, SCOTT DRENKARD

CIGARETTE TAXES AND SMUGGLING

A
2016
UPDATE

MACKINAC CENTER
FOR PUBLIC POLICY

Read the Mackinac Center's new study on cigarette smuggling online at mackinac.org/s2016-09

CIGARETTE SMUGGLING STUDY RELEASED

The Mackinac Center for Public Policy closed 2016 with a major update of its nationally recognized work on cigarette smuggling. The study ranks 47 states by the degree to which cigarettes are smuggled in or out of each and confirms that Michigan's smuggling rate has declined in recent years. It also contains an expanded review of ongoing research on the topic.

In 2008, the Mackinac Center released the report "Cigarette Taxes and Smuggling: A Statistical Analysis and Historical Review." That document was inspired by arrests involving a cigarette smuggling cell operating in North Carolina and Michigan. At the time, its authors estimated that one-third of all the cigarettes consumed in the Great Lake State were contraband.

The authors developed a statistical model that compared legal paid sales to published smoking rates in nearly every state in the union. The difference between the two, they contended, was explained by smuggling and the desire to profit from different tax rates in different states.

Some states, like Minnesota, tolerate a modicum of cross-border cigarette shopping, but Michigan does not. Because it is impossible for scholars to tease out the difference between legal and illegal cross-border activity, they lump the two together as "smuggling" or "diversion."

Before developing the updated estimate, based on data through 2014, authors Michael LaFaive, Todd Nesbit and Scott Drenkard reviewed other studies on the topic, which came from academic journals, government officials and consultancies. They found a range of estimates, but most of those show that smuggling is a significant problem, especially in states with high excise taxes.

The literature – published between 2005 and 2016 – fell into three major categories. Some involved survey work. A second

category observed people's behavior and a third was based on statistical estimates made from data on consumption versus legal sales. Some of the 24 studies reviewed looked at the U.S. as a whole while others zeroed in on a particular state or city.

The most recent state-specific study found in the Center's literature review was from the consultancy IHS Global, which estimated that 62 percent of New York state smokes were contraband. A 2015 study by the National Research Council's Institute of Medicine pegged America's smuggling rate at 8.5 percent while the authors pointed to other research that suggested it could be as high as 21 percent.

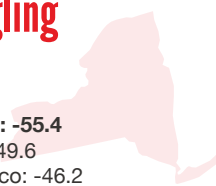
The Mackinac Center calculates – based on 2014 data – that 24 percent of all cigarettes consumed in Michigan were smuggled into the state. That gives Michigan 12th place in a ranking of states by their illicit tobacco consumption. That's a drop from the highest ranking, which was 10th place.

The nation's top inbound smuggling states are New York (55.4 percent), Arizona (49.6 percent), New Mexico (46.2 percent), Washington (45.2 percent) and Minnesota (35.5 percent). We expect to see California's smuggling rate leap dramatically in the next two years. Its voters approved a \$2.00 per pack excise tax increase (to \$2.87) in 2016, which takes effect in April.

The popularity of the Mackinac Center's work with other scholars, law enforcement officials and industry leaders is one reason the Center works to update and publicize these smuggling figures each year. By educating the public, press and lawmakers and others around the country, the Center hopes that smarter cigarette excise tax policies are used around the nation. ■


LaFaive is the director of fiscal policy at the Mackinac Center. Nesbit is a member of the Mackinac Center Board of Scholars and a professor at The Ohio State University in Columbus, Ohio. Drenkard is an economist at the Washington, D.C.-based Tax Foundation.

Nation's Top Inbound Smuggling Rates



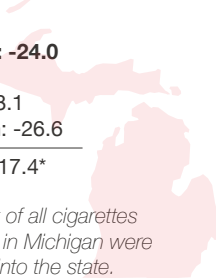
New York: -55.4
Arizona: -49.6
New Mexico: -46.2
Washington: -45.2
Minnesota: -35.5

Biggest Change in Ranking



Massachusetts moved up from 22nd to 7th
Minnesota moved up from 16th to 5th
Rhode Island moved down from 5th to 19th
Vermont moved down from 34th to 37th

Inbound Smuggling Rates of Surrounding States



Michigan: -24.0
Ohio: -6.0
Illinois: -18.1
Wisconsin: -26.6
Indiana: +17.4*

24 percent of all cigarettes consumed in Michigan were smuggled into the state.

**Indiana is a net export state, probably because people in Michigan, Ohio and Illinois use it as a source state. That is, casual smugglers in Michigan, Ohio and Illinois cross into Indiana to buy their smokes.*

Revenue Lost or Gained from Smuggling



Michigan: -\$279,965,970
Ohio: -\$49,313,545
Illinois: -\$189,100,328
Wisconsin: -\$209,322,579
Indiana: +\$61,527,907*

**Note that Indiana enjoys a gain of \$61 million thanks to the shopping habits of smokers outside their state.*



DONOR PROFILE

It is not an easy thing to continue to fight when everyone seems against you.

Ida Salisbury was referring to the Mackinac Center when she said those words, but they apply just as well to her own life.

Born and raised in Michigan, Salisbury and her family have a history many of us would recognize. She has seen the state and country undergo many changes, and she was involved in many of them.

Ida and her husband have supported the Mackinac Center for many years, and she loves to read CapCon. But they are active in the public sphere in other ways as well – working on campaigns and attending rallies in Washington, D.C., for example.

“What’s going on is nuts,” she said. “If we don’t stay informed and know what’s going on, we’re all going to suffer for it.”

Salisbury has long kept vigilant for signs of government malfeasance. When her son had a teacher who worked part time for the school and part time for the union, she complained. “She didn’t teach, but she was getting paid by the district and by the union,” Salisbury said, describing arrangements that are all too common in Michigan schools. “We didn’t pay our taxes for you to be gone!”

Looking back, Salisbury wishes she could have given her children an alternative education, privately or at home. She had run-ins with public school teachers who inserted their

political opinions into the classroom and worries that state schools strive to lower every student to the same level, rather than raise them all up.

But Salisbury is not just passionate about education issues. Right-to-work hits close to home as well. “It’s something I think we should have had years ago!”

she said. “I think it’s a catalyst to get more jobs to Michigan, and lower the costs on the jobs that we do have.” And she has firsthand experience with union membership.

During her time working at Central Michigan University, Salisbury had to join the United Auto Workers. “I worked in the office!” she said. “I thought that was strange.”

Ida was not forced into union membership her whole career, but her husband, Randall, was. After 31 years at General Motors Co., he was, she said, just as excited about right-to-work as she is. Both ran up against union officials over where their dues ended up. Ida had no interest in supporting groups that didn’t share her political views.

Randall had similar reasons to object to the charity his union chose for him.

“It didn’t make him very popular,” Ida said, but the Salisburys prefer principles over popularity.

Salisbury is still very happy to call Michigan home. “Michigan is a great place to live, it’s a great place for kids

to grow up, and it’s a great place to work,” she said. “It used to be everyone worked at GM plants, and now there are so many other businesses. We only have one nephew who works for GM now; everybody else works somewhere else. ... It’s just a land of opportunity

where you can go and do what you want to do.”

The job opportunities in Michigan have enabled the Salisburys to keep their family close, and the recreational opportunities enable them to spend time together. They love to take their grandchildren on camping trips and will be joined this spring by their first great-grandchild. “It’s a joy for us,” Salisbury said. “We enjoy going up north; we love to motorcycle through Michigan; we love the water. I just can’t imagine being any place else.” ■



Ida Salisbury, pictured here with her husband Randall.

Does the Union Label Mean Higher Wages?

New study investigates

Unions often claim that their members earn much more, on average, than nonunion workers. The AFL-CIO, for instance, says on its website that union workers make 27 percent higher wages. If this were universally true, you would expect unionization rates to be climbing, but just the opposite is happening. This suggests that the truth about the union wage premium is more complicated than unions let on, and a new paper published by the Mackinac Center tackles this issue directly.

The study, "Problems With Estimating the Union Wage Premium," is the product of Christopher Douglas, chair of the economics department at the University of Michigan-Flint and a member of the Mackinac Center's Board of Scholars. Douglas finds that, contrary to the AFL-CIO's claim, the average union wage premium was less than 15 percent in 2014 and had fallen by 33 percent since 1985.

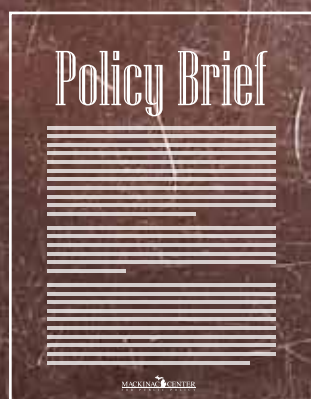
But Douglas dove deeper into the government data and discovered other interesting findings. For instance, in two entire sectors in 2014 – nondurable goods manufacturing and wholesale trade – the union wage premium was zero and in two others it was less than 10 percent. Also, in nearly every sector with a substantial



Christopher Douglas, author of the Mackinac Center's study.

union presence, average nonunion wages are growing faster than average union wages.

Douglas also highlights a recent study that compared the performance of two types of businesses: those that had narrowly voted to unionize and those that had narrowly voted not to unionize. What he found was surprising. Firms that unionized were more likely to reduce their payroll, pay lower average wages and hire fewer workers. They also were more likely to go out of business. This study is about as close a comparison as one could hope for in assessing the real effects of unionization on workers and businesses, and for workers, it raises questions about the value of unionizing. ■



Read the Mackinac Center's policy brief on estimating the union wage premium online at mackinac.org/s2016-08



MICHIGAN OFFICIALLY WELCOMES RIDESHARING

New laws among most innovative in the nation

Although the 2016 lame-duck legislative session had more thorns than limited government proponents might have preferred, there was at least one rose:

transportation regulations. Michigan is now among the best in the country when it comes to helping people get around.

For the past several years, six cities in Michigan have had access to ridesharing platforms like Uber and Lyft, which provide a quick, convenient alternative to taxis through a smartphone app. Research shows that the introduction of Uber drastically lowers drunken driving incidents and some other crimes. Ridesharing has provided safe, reliable transportation for countless Michiganders and a new source of income for many others.

But since they entered the state, ridesharing companies have operated in a legal gray area. Some cities welcomed them, but others were less receptive. Ann Arbor issued cease-and-desist orders to the companies. When drivers operated there anyway, dozens received tickets for operating vehicles without the proper licenses — despite the fact that there wasn't a license set up for this kind of work.

The best solution to these problems was a statewide standard for ridesharing companies, drivers and vehicles that would let a driver follow the same laws whether she operated in Detroit or Grand Rapids.

It would open up the industry to growth in new cities. But the Legislature also considered allowing cities and airports to create and enforce their own regulations — even banning these companies altogether. This approach would have spelled disaster, especially in and around Detroit, where each city, along with the airport, could have created its own draconian rules for drivers to follow. This concept could have eliminated the industry in Michigan.

At the beginning of 2016, we went out to learn more from ridesharing drivers themselves. They had compelling stories to tell. There was Kevin, who saved his family's house from foreclosure using funds from Uber. Tim, who quit his job in restaurant management to launch his own company while supporting himself during the transition by driving. Larry, who found a new life and income for himself after he retired from General Motors Co.

But there were dark sides to some of these stories as well. All of those drivers knew someone who had been ticketed, or had received tickets themselves. It's hard to make a living when the legality of that living isn't completely clear, and many pursued it with trepidation.

Fortunately, the Michigan Legislature acted to preserve ridesharing with sensible statewide regulations. Now, no matter where they are, drivers are in the clear as long as they drive responsibly and follow the rules laid out by Uber and Lyft. This alone is remarkable, as cities around the country make headlines for going in the opposite direction. But this new legislation went a step further, reducing and standardizing the regulatory burden of taxis and limousine companies. This extra step puts Michigan at the forefront of transportation reform.

The new law, signed by Gov. Rick Snyder in December, is a win for Michigan as well as Michiganders. The state is officially among the most innovative in the nation when it comes to transportation regulations, and that innovation is sure to bring rewards in the future. ■

Geneva Ruppert is a communications associate at the Mackinac Center.

**GENEVA
RUPPERT**



REBECCA
METZ



ANGELA
STEFFKE



NANCY
RHATIGAN

FINAL VICTORY FOR THE TAYLOR TEACHERS?

When Angela Steffke, Nancy Rhatigan and Rebecca Metz were denied their right-to-work freedoms in February 2013, they did not know how long they would be denied that right. The Taylor School District and the Taylor Federation of Teachers collaborated to force them to pay union dues or fees until 2023. If the three teachers didn't pay, they could be fired at the union's discretion.

Now their lengthy legal battle may be at an end after the Michigan Court of Appeals ruled that the district and union had made a deliberate and impermissible attempt to deny them their rights.

The union, an affiliate of the American Federation of Teachers, together with the district, had maintained that a 10-year union security agreement was valid. They said that even though the agreement denied teachers their rights, it was valid because it was made after the right-to-work law was enacted, but before it took effect. But the courts agreed with the teachers that it was invalid when it was made. They said

the union and district tried to deny teachers their rights for too long and the agreement was therefore excessive and unreasonable.

The Mackinac Center Legal Foundation has represented the teachers from day one. After they secured a victory at the Michigan Employment Relations Commission, the union and the school district appealed to the Michigan Court of Appeals. On Dec. 13, 2016, the court of appeals upheld the teachers' prior victory.

The court said the employment commission was correct in finding that the union and the district were "attempting to nullify a state law for ten years." They had, it said, interfered with the ability of the employees to exercise their rights. It added that the union security agreement could be "fairly characterized as interfering with, restraining, or coercing public employees in the exercise of their right ... to choose not to support a labor organization." The teachers, the court said, were "coerced into financially supporting the union." Furthermore, it said, "It is a reasonable inference that

the school district acted with hostility toward" the teachers.

The court said it was reasonable for the commission "to conclude that the union took deliberate action, in entering into the union security agreement to its own financial advantage, that would essentially subvert and undermine the plain language and intent of state law in a manner that was reckless and indifferent to the interests of persons to whom it owed a duty of fair representation." It agreed that the union "acted to sustain and protect itself financially, and that it had not acted in accordance with its fiduciary duty."

The Taylor teachers are waiting to see whether the union and school district will appeal their loss to the Michigan Supreme Court. If they do, it is unlikely that the court will hear the case, as it only hears a very small number on a discretionary basis. In all likelihood, this is the final decision – all the teachers in Taylor are free to leave the union and cannot be forced to pay it anything. ■



Seeing a Need and Filling It

Well before dawn, a line of people stretched around the building and into the parking lot of Manatee Technical College.

CHANTAL LOVELL

They'd assembled — some as early as the prior afternoon — with the hope of seeing a dentist or doctor. For some, it would be the first medical visit in more than a decade.

For many others, the free treatment offered by Remote Area Medical was nothing short of a miracle.

"You guys are going to save my daughter's life," Donna Souza said, while waiting for her daughter, Lisa Ayala, to have an infected tooth treated.

She explained that Ayala had undergone open-heart surgery earlier in the year and developed a tooth infection during recovery. Doctors warned the infection could become lethal if ignored, but Ayala was unable to pay for the necessary care.

Remote Area Medical, or RAM, treated her infection free of charge and offered similar services to nearly 1,000 other adults and children who walked into its volunteer-operated clinic in November 2016. Stories like Ayala's were common.

The first few people to receive treatment were elderly women who smiled through the pain of the dental work they'd received and tried to mouth "thank you." Children given their first pairs of glasses grinned ear-to-ear, seeing the world around them clearly for the first time. Even those who had been waiting for over 10 hours were happy, knowing they would eventually have their ailment addressed.



Patients receiving dental care at Remote Area Medical.

Each year, Remote Area Medical provides free dental, vision and medical services to tens of thousands of the country's most underserved populations, thanks to the generosity of volunteer medical professionals and donors. RAM officials hope to bring clinics to new areas, including Michigan, but are confined to a handful of states due to strict licensing laws that prohibit medical professionals from donating their services.

The need for quality medical care doesn't stop at state borders. The ability to help people like Lisa Ayala shouldn't stop there either. ■

Chantal Lovell is media relations manager at the Mackinac Center.

People Help People, if Government Doesn't Get in the Way

Remote Area Medical (RAM) is a nonprofit organization that provides free clinics for people who need medical, dental or vision care. It also offers food for people, including donated fresh fruits and vegetables to take home, and occasionally performs services for pets.

JARRETT SKORUP

I recently had the opportunity to attend a clinic in Florida, meeting the nurses, doctors, dentists and veterinarians who volunteer their time. Many of them came in from other states. I was also able to sit down with the leaders of RAM, founder Stan Brock and CEO Jeff Eastman.

Why did I have to go all the way to Florida to volunteer in a clinic? Because RAM can only operate in states with the right kind of regulations. Eastman and Brock explained to me that while their highest needs are money and volunteers, a state's licensing



Chantal Lovell and Jarrett Skorup hand out food at Remote Area Medical.

apparatus often determines whether they can hold a clinic. Many of the professionals who volunteer at a clinic come from out of state. So unless a state accepts licenses from other areas, RAM cannot help people there.

RAM has long wanted to do a clinic in Detroit. Doing so would require drawing on doctors from elsewhere, including people from nearby Canada or Ohio. A chunk of professionals who come to many RAM clinics from the Buffalo, New York, area may also come over to help.

But Michigan's licensing laws make it a felony for out-of-state practitioners to work here — even if they are volunteers. This is not unusual.

So, for now, RAM operates in states like Florida, Illinois and Tennessee. The latter has a lower regulatory barrier, allowing the nonprofit overseeing the clinic to verify that their professional volunteers are licensed. So as long as they have a license somewhere, they can volunteer in the Volunteer State.

Remote Area Medical relies on donations and volunteers. It doesn't look for taxpayer help. But it'd be nice if the government at least allowed it to operate. ■

Jarrett Skorup is a policy analyst at the Mackinac Center.

Lawmakers Say No to Business Subsidies

Michigan taxpayers are still paying off billions in business subsidies offered during the Granholm administration in a bipartisan manner. So it's odd that last year, Republicans in state government were considering bills to put those types of programs back on the books. Fortunately, House Republicans ended their session without taking up the idea.

Before 2012, Michigan offered incentives to selected business projects through tax credits. These credits were “refundable,” meaning that they were worth more than a company’s tax liabilities and taxpayers would be sending these companies checks. In addition, these tax credit deals could last up to 20 years, meaning that it would be up to future taxpayers to come up with the cash to pay these subsidies.

We made the case — as we have for years — that these programs are unfair to other businesses that are not offered such deals and are more about creating press releases than actual jobs. We’ve also shown that they invite corruption and don’t justify their costs.

JAMES HOHMAN

As part of a Snyder administration endeavor, lawmakers decided to stop offering these kind of deals. They instead created a program of direct subsidies, which needs to be approved as part of the state budget each year. They also decreased the total level of taxpayer generosity going toward the companies.

But bills were introduced last year to reintroduce unbudgeted subsidies. One was targeted at residential and retail developments and another at business expansions.

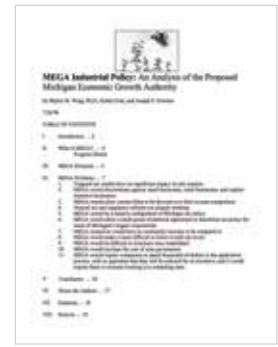
We made the case — as we have for years — that these programs are unfair to other businesses that are not offered such deals and are more about creating press releases than actual jobs. We’ve also shown that they invite corruption and don’t justify their costs.

Our work did not seem to sway members of the Senate, who passed the bills with some dissent from Republicans and no dissent from Democrats. But House Republicans denied their passage, with Local Government Committee Chair Lee Chatfield, R-Levering, explaining, “I didn’t feel like it was the best direction for our state to take.”

It is good to see legislators take a “fair field and no favors” approach to developing the economy. ■

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

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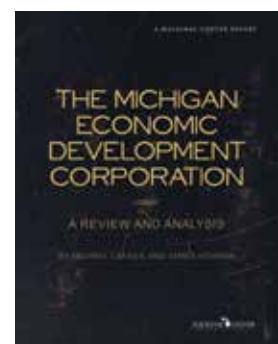
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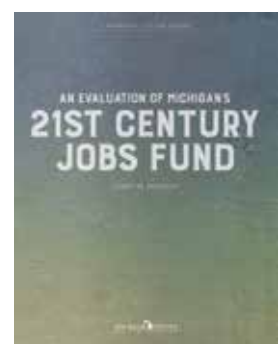
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2016



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MICHIGAN LAME-DUCK ENERGY POLICY

Some good and some not-so-good news

After over two years of intense political pressure and lobbying, the Michigan Legislature passed two major lame-duck bills that regulate electric utilities across the state. Senate bills 437 and 438 — now enrolled as Public Acts 341 and 342 of 2016 — appear to protect Michigan’s small electricity choice program

— a good thing. But the bills kept in place the state’s problematic net metering provisions and increased the renewable portfolio standard to 15 percent, thereby expanding government intervention in state energy markets.

Advocates of the new legislation pointed to Obama administration regulations that were forcing the closure of Michigan’s coal plants, ensuring statewide electricity shortages in the near future. PA 341 was drafted to provide a way to fund natural gas and renewable facilities to replace those plants. But the Mackinac Center had argued that given President Trump’s promises to kill anti-coal regulations, immediate closures were unnecessary and forecasted energy shortages would be self-inflicted and avoidable. A wait-and-see attitude was the more prudent option for the state.

Michigan’s two regulated utilities — DTE and Consumers Energy — continued to push for the new laws, arguing that they had already committed to “keep building renewables and . . . retire our coal fleet” regardless of how federal regulations may change. Unfortunately, closing low-cost, reliable generation facilities and replacing them with unreliable, subsidy-dependent renewables actually ensures a less stable energy system.

Under the new laws, all companies in Michigan’s energy sector must show that they can meet the projected demands of their customers. To do so, they can either

build sufficient generating capacity or contract to purchase at least a three-year supply. If a company falls short, the Michigan Public Service Commission can hold public hearings to establish how much its customers must pay in additional capacity charges to access electricity generated by DTE or Consumers Energy.

JASON HAYES

The legislation also upped the state’s renewable portfolio standard by mandating that 15 percent of Michigan’s electricity must come from renewable sources — primarily wind and solar — by the end of 2021. This increase represents a significant setback for Michigan residents, as government mandates harm customers by restricting their choices and forcing them to rely on more expensive and less reliable energy sources.

The state’s net metering — or distributed generation — program escaped any immediate changes as the final bills grandfathered participants at current compensation rates. But those rates, often criticized as cost-shifting from the rich to the poor, were the reason there was pressure to change the net metering law in the first place.

People living at or below the poverty line cannot typically qualify for long-term solar leases or afford solar panels. But they do pay retail electricity rates, which include charges for the electric system’s infrastructure. This means net metering participants receive an indirect subsidy from all other electricity customers when they are paid retail rates for the excess electricity their solar panels produce. Net metering supporters, though, argue that they provide the state with an essential service by diversifying the electric grid away from the monopolistic control of the two big utilities.

In the final legislation, the utility commission was directed to determine an “equitable charge” for new net metering customers. But it must first determine the effects of those customers on the state’s electricity system, considering both their costs and benefits.

Protecting electricity choice helps keep Michigan’s electricity system more diverse and competitive — that’s a clear win for Michigan residents. However, doubling down on plans to close coal and nuclear plants will force Michigan to depend on fewer energy options — expensive and unreliable renewable sources and natural gas, which is inexpensive but prone to price swings. Mandating that Michigan rely on even more renewable energy guarantees our electrical system will be less reliable. The final cost of the net metering tariff, meanwhile, is currently anyone’s guess. ■

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



Lame-Duck Legislature Takes Two Steps Forward on Criminal Justice Reform

The Legislature passed two measures in lame duck that are good steps forward for Michigan's criminal justice system.

The first is the elimination of the "successor judge veto." In Michigan, judges who hear criminal cases and sentence offenders to jail can later step in with a veto should one of those offenders appeal a decision by the parole board. And until the lame-duck reform, so could the judge who took over when the original sentencing judge retired or moved to another post.

The new law is designed to prevent judges who never heard an offender's case from being allowed to deny parole to someone, although the judge is still allowed to weigh in on the parole review. This move ensures fairness in the re-entry process. It also encourages offenders to work hard to earn parole, because it removes an element of uncertainty.

Now, offenders seeking release from prison know that it's up to their own behavior and their judge's good opinion to ensure their release.

The other important move the Legislature undertook in its lame-duck session was to remove the bonding requirement from Michigan's civil asset forfeiture scheme.

Civil asset forfeiture allows law enforcement officials to seize (and often keep) private property belonging to individuals they suspect of wrongdoing. Citizens need not be convicted of or even charged with a crime for the police to forfeit (that is, retain) their property. And, until recently, citizens who wanted to challenge the seizure of their property had to post a bond to start the proceedings.

The bond requirement, which was ruled unconstitutional by the Michigan appeals court earlier this year, demanded that property owners pay 10 percent of the value of the contested items. The value was assessed by the forfeiting agency, giving it an incentive to inflate the value.

The elimination of this bond passed both houses of the legislature overwhelmingly, but lawmakers should finish the good work they've started by requiring law enforcement agencies to wait until a criminal conviction before seizing private property. ■

Why Pension Reform Failed and How to Move Forward

Over the past few years, state revenue in Michigan increased significantly. But instead of delivering on a promised tax cut, the Legislature has kept feeding an ever-growing budget. In the meantime, groups like school administrators, state employees and unions claim they are feeling the pain and want more money.

In many cases, this is just political posturing. As Thomas Jefferson said, "The natural progress of things is for liberty to yield and government to gain ground." Everyone wants more money, and government agencies want it more than most, since they are spending other people's money rather than their own.

Even though Michigan taxpayers are spending an increasing amount of money on state and local governments and public schools, public employees are feeling the squeeze, too.

How can that be? Blame the ever-increasing burden of the school pension system.

It has a debt of nearly \$27 billion, meaning the system is taking up a larger part of school budgets each year. Fifteen years ago, only 12 percent of school payroll was spent on pensions. Today, it is 37 percent. And it still hasn't been enough to chop down the liability.

The state and many local governments, not to mention nearly all private sector employees, have moved away from a defined

benefit pension plan. That's what Michigan has kept for its public school employees, however. In other words, the state has been racking up liabilities for years, pushing the cost onto future generations. Unfortunately, we are the future generation; today's taxpayers are paying yesteryear's mistakes.

Decades of underfunding and mismanagement led to this problem. We're trying to solve it now. The solution is simple: Stop the bleeding. Close the plan to new workers and continue paying the debt so current employees and retirees are protected. That's what the Mackinac Center has been advocating, and the Legislature was set to do it. A fiscally sound solution was working its way through the Senate during the end of the 2016 legislative session.

But wouldn't you know it — the arm of the state that oversees the pension system stepped in, lobbying hard against reform. Michigan's Office of Retirement Services — which has grossly mismanaged the system for decades, leading to today's problems — misled lawmakers and the public about the cost of the plan.

This was a setback, but the problem isn't going away. As long as Michigan politicians can underfund and borrow from a large pool of pension funds, they will. It's up to true reformers to solve the problem. Legislators should tackle this again in 2017 — and we'll be there to help. ■



MACKINAC CENTER
LEGACY SOCIETY
Luncheon
2016

If you need an example of economic freedom that is found across the globe and in most cultures, Doug Bandow suggests the flea market.

“Almost anywhere you go, people go out, they put out a blanket and they bring out things to sell,” Bandow told guests at the 2016 Mackinac Center Legacy Society luncheon on Nov. 15.

Flea markets exemplify the true notion of capitalism, he said, because “we can go out there and make decisions about what we want to sell and how we want to labor and make economic decisions with one another.”

Bandow was the keynote speaker at the luncheon, held each year to honor Legacy Society members for their generosity in naming the Mackinac Center in their will or estate plan. The guests – 33 in all this year – heard his speech, “Morality of Capitalism.”

A senior fellow at the Cato Institute, Bandow is a specialist in civil liberty and foreign policy issues who formerly

worked as an assistant to President Ronald Reagan.

He used both philosophical and practical grounds to present capitalism as a moral system.

“To my mind, the whole philosophical notion of allowing human beings to control their own labor and their own economic future really affirms the basic dignity and human rights of an individual,” Bandow said.

But there also are practical benefits of capitalism that can be considered moral, he said.

“There is extraordinary value in terms of the enrichment of the human person and family and community that comes from economic productivity, new technologies and transformations of one’s economy,” Bandow said.

When a nation’s economy is not free, we see hardships like those Bandow experienced during a visit to Russia. At the close of a conference there, he

and others gave their pens, pencils, aspirin and other everyday items – “anything that we had” – to the Russian journalists they had met because those basic goods were in such short supply.

“There is something that is undignifying in the notion that you can’t even get the necessities of life that all of us agree have extraordinary benefits,” he said. “We’re not talking about wonderful toys. ... We’re talking about things that are important for the operation of our lives, families and communities.”

The Mackinac Center greatly appreciates the role of our Legacy Society members in advancing the freedom and dignity that Bandow described. If you are interested in joining the Society by naming the Mackinac Center in your will or estate plan, we invite you to call our Advancement department at 989-631-0900 for more information. ■



Risk and Reward

The concept of risk has been a theme at work recently. Calculated gambles are perhaps the most important part of a free-market economy. When they pay off, everyone reaps a benefit. But risks are not limited to the economic sphere. How do you determine which bets – personal or professional – are the right ones for you?

This has been a struggle for me throughout my life. I am fundamentally a creature of routine. I love my family and part of me would be perfectly happy to continue on indefinitely as I am now. But my life is always richer when I take risks, which is why I have been known to drag myself, screaming internally, into new experiments.

When I was 16, I was lucky enough to have the opportunity to study abroad, spending the summer with an aunt to improve my German. All my friends were jealous, and if the roles were reversed, I would have been, too. But as the day of my flight crept closer, I didn't get excited, I just became more terrified. When people asked how I was feeling, I lied and said I couldn't wait. But I didn't want to spend two months away from my friends and family, with relatives I barely knew, speaking a language I had studied for only nine months.

I was right to be worried; that summer was certainly one of the hardest of my life to that

point. I learned the true meaning of homesickness. I learned how to forge ahead when my tenuous grasp of the language got me into sticky situations (or, in one case, into a city I'd never visited when I accidentally boarded the wrong train). I learned the difference between a healthy relationship and a dying one. And through it all, the most valuable lesson I learned was how to recognize a good risk. That was a tough summer, but it prepared me to keep venturing far out of my comfort zone.

Taking a risk is not a comfortable step. Even the most attractive risk can feel like taking a swan dive into a tar pit. And sometimes it seems as though each plunge just leads to another, deeper one. Every time I'm presented with a new diving board, my first instinct is to take a step back, rather than forward. But if it's a good risk, it doesn't take me long to look over my shoulder at what has already happened, take a deep breath and jump.

We have all made it through birth, through loss, over icy roads, beyond bad decisions and at times, pain so intense we don't feel human. And we're still here. Those experiences make us human, and they are born of risks and gambles. So I vow to go as far as I can with a smile, even if I have to force it. What's the worst that could happen? ■

BY THE NUMBERS TAYLOR TEACHERS

1,384

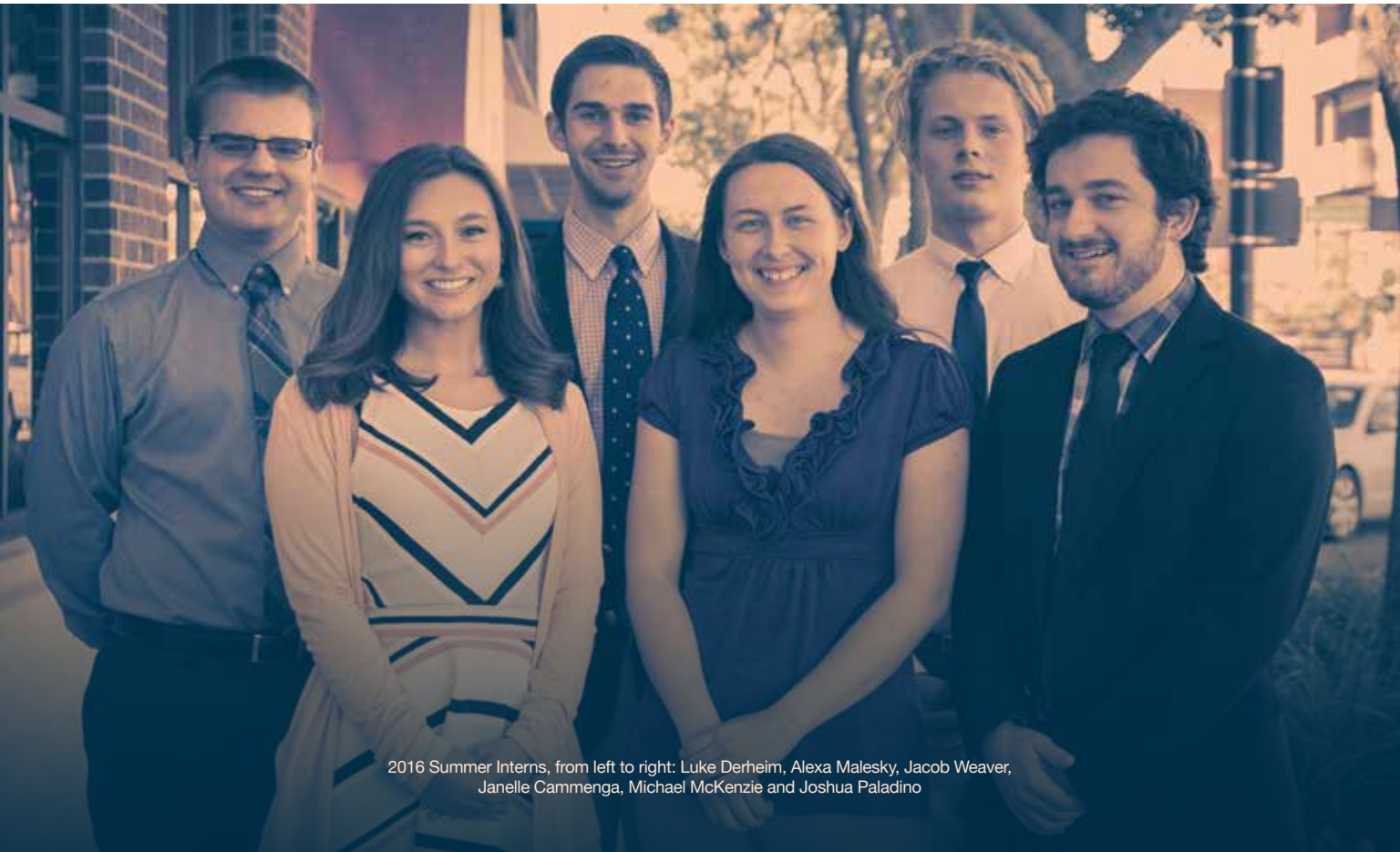
Days from when we filed our lawsuit until the court of appeals decision defending the rights of Taylor teachers to opt-out of their union.

223

Approximate number of pages of briefs and exhibits we filed on this case.

10

Years before our clients would have been able to exercise their rights to opt out of the union without our help.



2016 Summer Interns, from left to right: Luke Derheim, Alexa Malesky, Jacob Weaver, Janelle Cammenga, Michael McKenzie and Joshua Paladino

Is there a liberty-loving student in your life?

The Mackinac Center is now seeking summer interns. Students have the opportunity to work on a wide variety of projects and gain valuable experience in policy, in addition to being paid. Many current staff members started in the internship program, and can highly recommend it!

Applications are due by Friday, Feb. 24, so don't delay!

More information is available at

mackinac.org/employment