



CAPCON MICHIGAN CAPITOL CONFIDENTIAL

MACKINAC CENTER FOR PUBLIC POLICY

CapCon is a product of the Mackinac Center for Public Policy

A news service for the people of Michigan — Vol. 10 No. 3 September 2016

Daily Online Coverage at MichCapCon.com

WORKING IN DETROIT

BY ANNE SCHIEBER DYKSTRA

To succeed in business, you don't always have to be first, just better. When the Abbo family failed to get reliable ice delivery for their three retail grocery stores 35 years ago, they saw an opportunity.

Saad Abbo remembers the tipping point came one hot summer weekend when his father called on

a Thursday for a delivery and the ice showed on Monday.

"My father was so mad that we lost so much business. We waited four days for ice and that shouldn't have happened," Abbo said. "He said that we could do a lot better — let's open an ice company."

The company purchased a small five-ton ice-maker, which could

make 10,000 pounds of ice a day, and two trucks. In the first year, Abbo and his brother signed up 50 customers. The following year, their customer base increased to 150. Today, U.S. Ice is the largest independent ice company in Detroit, serving 3,000 customers. Recently, the company expanded into the ice carving business.

"My father put in my mind the reason we are in business is because of service," said Abbo.

One of Abbo's customers is Detroit's Imperial Supermarket.

"If we run out, we call them and they get a truck here right away," said supermarket manager Justin Shina.

See "Working in Detroit," Page 15

INSIDE THIS ISSUE



Page 4

How Bad is Your City Pension Debt?



Page 11

Environmentalists Want to Shut Down 91 Percent of Michigan Energy Sources

Before Flint's Lead Crisis, City Council Raided Money from 'Water Fund'

BY TOM GANTERT

A few years before Flint's lead crisis, city officials were taking money from a dedicated municipal water fund to pay for other uses. These fund-raids continued — using water service revenues to pay for unrelated city spending — even as the water fund accumulated a \$9 million deficit in 2011.

Those were among the findings of a state review team that examined Flint's books, which led it to recommend that the state appoint an emergency manager to take control of the city's finances.

While that state review is now five years old, its findings warrant another look as

See "Water Fund," Page 10

Michigan to Write \$1 Billion in Secret Corporate Welfare Checks in 2016

BY TOM GANTERT

The state of Michigan will write more than \$1 billion in subsidy checks this year to favored businesses selected by politicians and government economic development officials. These are dollars paid by Michigan taxpayers, which the state then redistributes to corporate beneficiaries.

The subsidy checks are styled as "refundable tax credits," and a significant portion of them were approved during a subsidy binge

in the last two years of former Gov. Jennifer Granholm's administration, in 2009 and 2010. Each company has its own agreement with the state, and many of the agreements call for tax breaks and cash payments for as long as 20 years.

Many of these credits were not designed to encourage companies to make new investments or hire more people. Instead, the deals were offered to companies (including

See "Secret Checks," Page 13

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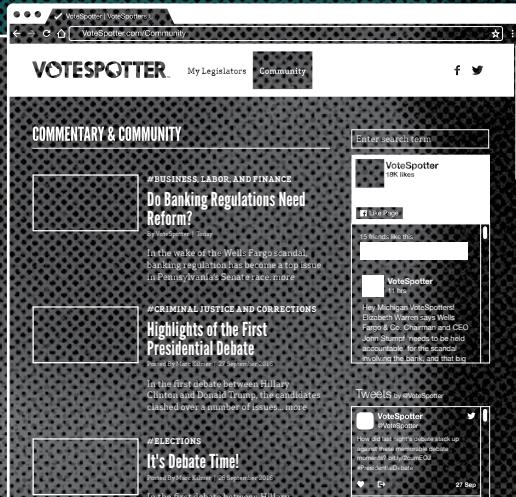
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LETTER FROM THE PRESIDENT

Seven Principles of Sound Governance

BY JOSEPH G. LEHMAN

Right principles should be backed by right actions. Public policies express the social, ethical, and economic principles upon which laws are based. Governance is the act of governing, or using force, shared values or personal traits, or some combination of the three, to cause people to do certain things. Without both good public policy and good governance – principles backed by action – officials cannot govern well.

Mackinac Center supporter Jim Rodney asked me to set forth principles of governance along the lines of a great essay by President Emeritus Lawrence Reed called “Seven Principles of Sound Public Policy.” I first rolled them out at a “Friends of Liberty” dinner hosted by another supporter, and Jim’s friend, Sheldon Rose of Bloomfield Hills.

I chose seven governing actions that policymakers must perform if they hope to govern well, no matter what policy they pursue or party they prefer. Here they are in short form.

1. Tell the truth. Be honest in and out of season. Don’t condemn dishonesty in political opponents while conveniently overlooking it among allies. Tell the truth in one’s own dealings and also about the dealings of government, even when the truth is not what people want to hear. Be honest about how much things cost and who will pay. Don’t cherry-pick data to justify pet projects.
2. Be faithful and fair. Start with fidelity to the U.S. and state constitutions and to the oath of office. Don’t appeal to exotic interpretations of those documents to justify ambitious laws. Expect government to call balls and strikes but not to stretch the strike zone for some players and shrink it for others. Protect people’s rights to earn a living, speak their minds, support their causes and worship their God, if they can do so peacefully.
3. Embrace accountability and insist on it. This means accountability of the government to the people, not the other way around. If an audit of a government agency turns up problems, responsible parties are held to account and the problems are fixed. No more toothless laws and no-fault audits. There is

no such thing as a violation of government privacy, although some public officials would violate people’s privacy under the banner of “transparency.” Transparency is for government; privacy is for people.

4. Respect the governed and respect the government. Read the bills. Don’t skip votes. Explain why votes are in accord with the constitution and the public interest. Help constituents navigate labyrinthine government programs if the unnecessary ones cannot be eliminated altogether. Make government worthy of respect.
5. Govern with humility. Acknowledge the boundaries government should not cross. Accept the limits of government action. Judge laws by their effects, not their intentions. Do not send government on errands for which it is ill-equipped.
6. Serve the governed, not the systems and people of government. Put principles before politics, before party, before personality, and before personal gain. Evaluate policies by their effects on all people, not just those in government and with disproportionate influence over it.
7. Acknowledge the nature of government, and of man. It is the nature of government to grow, and it is the nature of government to use force to accomplish its purposes. It is the nature of man to respond to incentives, and also to misbehave. If men were angels, there would be no need for government. If government were run by angels, we would have no need to limit government.

We won’t have good government without people who practice these principles. But I also believe we can be well-governed if we do. ■

Joseph G. Lehman
Joseph G. Lehman,
President



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Detroit Was Just the Beginning:

The Crisis of City Pension Systems in Michigan

BY JOSH PALADINO

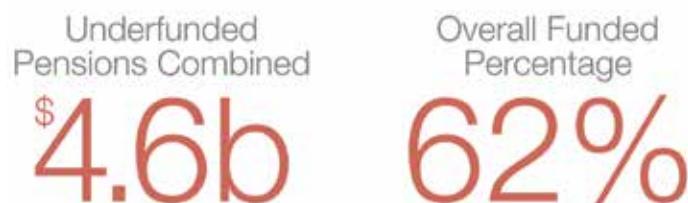
In 2014, Detroit retirees learned the consequences of waiting too long to reform pensions. Retirees took a \$1.3 billion hit to their pensions because of a mismanaged and underfunded system. Michigan taxpayers had to pay \$200 million to clean up the problem.

But other municipalities around Michigan have underfunded systems, too, and only some are taking concrete steps to solve the problem.

Michigan Capitol Confidential looked at Michigan's 100 largest cities and found that 80 of the systems were underfunded. Combined, these 80 cities and townships have only saved 62 percent of what they will need to pay the pensions of future retirees. Even after Detroit's recent bankruptcy settlement, their total unfunded liability equaled \$4.6 billion.

Five cities contributed the most to this liability, responsible

Overall Michigan Pension Funding



for over half the total. Detroit comes in at the top of the list with a \$1.6 billion liability. Flint's unfunded liability is \$285 million, Lansing's is \$246 million, Warren's is \$207 million and Sterling Heights' is \$166 million. The total unfunded liability of these four cities is \$2.5 billion.

Of the 20 cities that are not considered underfunded, most (14) offer a defined contribution retirement plan instead of a defined benefit pension plan.

Of the remaining six cities, five have closed their defined benefit plan and are paying off accrued liabilities, while all

new employees join a defined contribution plan. Only Kalamazoo has a defined benefit plan that is fully funded and still open to new employees.

Rochester Hills, the 21st-largest city in Michigan, has never offered a defined benefit pension plan to its employees. Since its incorporation in 1984, the city has never had any retiree liabilities and Mayor Bryan Barnett says this has allowed it to fund other priorities.

"Maintaining a defined contribution program has allowed us the financial freedom to invest in our infrastructure as well as quality-of-life components our residents enjoy," Barnett said. "Strong conservative fiscal management has positioned our city in the top 5 percent for financial stability in the state and certainly is one of the reasons we've been named one of the top ten places to live in America."

Pension problems vary in severity across Michigan. Grand Rapids, the state's second-largest city, closed its plan to new employees in 2014 and is now 97 percent funded.

Ann Arbor and Dearborn are funded at 88 and 89 percent, respectively. Ann Arbor has a liability of \$65 million while Dearborn is underfunded by \$20 million.

Some cities are much worse off. Taylor, Saginaw and East Lansing are funded at less than 60 percent, meaning they've only put aside a bit more than half of what will be needed.

Average Michigan Teacher Pay Nation's Highest When Adjusted for Cost of Living

BY DEREK DRAPLIN

A recent study by an Oklahoma think tank found that teachers' salaries in Michigan are the highest in the nation when adjusted for the lower cost of living here.

When salaries are adjusted to reflect the difference between prices here and the national average, Michigan teachers on average earned the equivalent of \$69,888 in the 2015-16 school year.

The study was authored by Byron Schломach of the Oklahoma-based 1889 Institute, a free-market think tank. Schломach said in an email he used salary data from a National Education Association survey.

Michigan's average teacher salary when unadjusted is \$63,878, ranking 10th nationally.

In 2013, the average beginning salary in the state was \$35,901, ranking 19th nationally. But the state moved up the chart when cost-of-living differences were taken into account. The beginning salary that year, expressed as "average 2013 beginning salary when adjusted for cost of living in 2016," was \$39,279, placing Michigan eighth in the nation.

Illinois, Pennsylvania, Wyoming, and Ohio rounded out the top five states with the highest average teacher salaries adjusted for the cost of living. Michigan's average is over \$6,000 more than that of second-place Illinois, which is \$63,765.

The five states with the lowest cost-of-living-adjusted salaries in 2016 are Arizona, Oregon, Maine, South Dakota and Hawaii, respectively.

The national average teacher pay is \$56,383, the study notes.

Ben DeGrow, the director of education policy for the Mackinac Center for Public Policy, said the

study shows Michigan teachers are comparatively well-paid.

"This report confirms that especially compared to other states, a Michigan public school teaching career is a far cry from a path to poverty," he said. "Given the significant investment our state's taxpayers are making already, we need to dedicate more dollars to educators who give student learning the biggest boost, rather than simply rewarding years of service and credentials."

DeGrow also said more Michigan school districts should be following the 2011 law that requires teachers to be evaluated and paid based on performance.

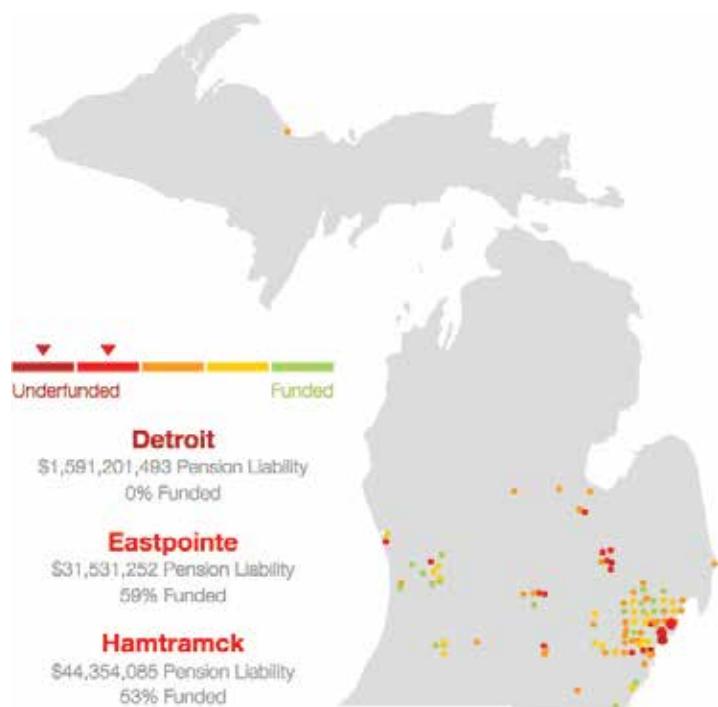
Michigan's Revised School Code says: "The board of a school district or intermediate school district or board of directors of a public school academy shall adopt and implement for all teachers and school administrators a rigorous, transparent, and fair performance evaluation system."

The code adds that tenured and nontenured teachers or administrators deemed ineffective can be fired if given a chance to improve. In 2013-14 less than one percent of teachers were deemed "ineffective" while student performance slumped.

The National Education Association ranked Michigan teachers as having the 11th-highest salary for 2014-15, making \$63,856, while the national average was \$57,420. In 2013-14 the average was \$62,166.

The Michigan Education Association did not respond to a request for comment. ■

The original version of this story was posted online on Aug. 20, 2016 and is available at MichCapCon.com/22723.



Source: City Audit Reports

Visit www.MichCapCon.com/22617 to see an interactive map showing the pension funding of Michigan's 100 largest cities.

FORtheRECORD

Hoping Against History: Clinton Calls for Millions of Clean Energy Jobs

BY TOM GANTERT

Democratic presidential candidate Hillary Clinton made a campaign stop in Michigan at which she pitched clean energy as a way to build the economy.

“Some country is going to be the clean energy superpower of the 21st century and create millions of jobs and businesses,” Clinton was quoted as saying in an MLive article. “It’s probably going to be either China, Germany or America. I want it to be us.”

ForTheRecord says: Politicians often pitch clean energy as a way to boost the economy and create jobs despite the fact that these energy sources have a track record of doing no such thing.

There were 26,878 jobs in the nation’s hydroelectric, solar, wind, geothermal, biomass and other non-nuclear, non-fossil fuel electric generation facilities, according to the 2015 edition of an annual report put out by the federal government.

That is out a total of 139.5 million U.S. jobs of all types, as reported by the Census Bureau for 2015.

In contrast, there were 163,588 jobs in U.S. electric generation operations powered by coal, gas, oil and nuclear fission. These workers are responsible for producing 87 percent of the nation’s electricity, according to the U.S. Energy Information Administration. Hydro generates another 6 percent,

wind 4.7 percent and solar 0.6 percent. Biomass, geothermal and “other gases” make up the remainder. ■

Note: The number of non-fossil, non-nuclear jobs may be slightly understated because solar, wind and biomass facilities owned by local governments are not disclosable in reports from the Bureau of Labor Statistics. Also, when the number of jobs is very small or concentrated with a single employer, BLS sometimes suppresses data to avoid revealing confidential employer-level data.

The original version of this story was posted online on Aug. 13, 2016 and is available at MichCapCon.com/22690.



Labor's Voices Sound More False Notes On Teacher Pay

BY TOM GANTERT

The president of the state’s largest teachers union claimed in a recent newspaper op-ed that a public school teacher with 16 years of seniority at the Algonac Public Schools was so underpaid he was eligible for subsidized housing from a charity.

Michigan Education Association President Steve Cook made the claim in the regular “Labor Voices” space The Detroit News gives to union officials: “In Algonac, 16-year teacher and football coach Jeff Smith recently qualified for a Habitat For Humanity house. Such levels of financial hardship are unthinkable but all too common for the dedicated professionals serving Michigan’s students.”

ForTheRecord says: As with many claims promoted by Cook, the facts tell a different story.

Jeff Smith’s total salary in 2014-15 was \$51,035, according to a state database of employees enrolled in the school pension system. That is the latest year for which this data is available.

And while Smith may have 16 years of teaching experience, according to the school district only four of them

were with Algonac, which hired him on Aug. 27, 2012. This is important because teacher salaries are determined by pay scales negotiated by the union based on two just factors — years of service and college credit hours attained.

Algonac is allowed to give teachers who worked in another district some credit for their past service, and this may have been done for Smith. Also, teachers can earn more by accepting additional duties such as coaching, which he has chosen to do.

Ordinarily, an Algonac teacher with three years of experience (Smith’s status at the start of the 2014-15 school year) would get between \$40,724 and \$46,846, depending on academic credentials. Smith received \$51,035.

If Smith had worked for Algonac for his entire 16 years of teaching — as Cook implied was the case — his salary would have been between \$62,940 and \$71,915 last year.

According to the Census Bureau, the median household income for Michigan was \$49,087 from 2010-2014. ■

The original version of this story was posted online on Aug. 19, 2016 and is available at MichCapCon.com/22721.

Hard to Find: 'Teachers On Food Stamps'

A first-year teacher would need three or more dependents to qualify

BY TOM GANTERT

A persistent theme in the narratives promoted by teacher unions is that their members are so grossly underpaid that many qualify for food stamps.

Michigan Education Association President Steve Cook made this claim recently in a weekly “Labor Voices” feature The Detroit News has published on its op-ed page for the past decade.

“In almost every Michigan school district, you will find employees — especially support staff and newer, younger teachers — who qualify for Bridge Cards (the modern version of food stamps). Without that assistance, they would not be able to feed their families,” Cook wrote.

ForTheRecord says: It is extremely rare to find a starting teacher in Michigan

who is not getting a salary of at least \$31,000 plus benefits. At that level, a first-year teacher would have to be the sole breadwinner in a household with three dependents to qualify for food stamps, according to the federal guidelines.

A National Education Association survey showed the average starting salary for a Michigan teacher was \$35,901 in 2012-13, the last year it was taken. At that level, a teacher would have to be the only income source in a household with four other dependents to get food stamps.

In East Lansing, where the MEA headquarters are located, a starting teacher gets between \$38,826 and \$42,844, depending on academic credentials. ■

The original version of this story was posted online on Aug. 18, 2016 and is available at MichCapCon.com/22716.

MEA **FACT CHECK**
Michigan Education Association

Ten Facts About Government Pensions In Michigan

BY JOSH PALADINO

1. Michigan's school retirement system has a \$26.7 billion unfunded liability.

Officials estimate that to pay the benefits promised to current and future school retirees, there needs to be \$67.7 billion invested in the pension fund right now. But persistent underfunding means the actual amount is just \$41.0 billion for the Michigan Public Schools Employees Retirement System (MPSERS). This leaves the system only 60.5 percent funded — the largest shortfall since it began. Unfunded liabilities increased \$9.1 billion over the past five years. The problem is not limited to schools, though: Pension funds at Michigan's counties and 100 largest cities have a combined shortfall of \$6.7 billion.

2. Annual required contributions (ARC) into school pensions have increased 85 percent since 2010.

The "ARC" is the minimum contribution needed each year to cover new pension promises and keep up with the state's plan to gradually catch up on past underfunding. It was \$1.2 billion in 2010, but continued underfunding drove the figure up to \$2.2 billion in 2015, which was also the sixth year in a row the state did not meet the requirement. (It actually paid in \$1.97 billion.) Increased spending on pensions crowds out other state spending and pressures lawmakers to increase taxes.

3. For over a decade, Michigan has assumed school payrolls would increase by 3.5 percent per year, but it has decreased 18 percent in the past decade.

Determining how much needs to be invested in pension funds each year requires making certain assumptions about the future, and getting these wrong increases underfunding. One of the current assumptions is that school payrolls will grow, something that hasn't happened for years. In 2005, school payrolls totaled \$10.2 billion; in 2015, payroll was down to \$8.4 billion.

4. More than one-third (36 percent) of Michigan school payrolls are absorbed by the pension system.

Just five years ago, this percentage was between 19 and 21 percent, depending on when the employee was hired.

5. Only 13 percent of the expenses schools incur for employee pensions each year goes to pay benefits earned in that year. The rest goes to catching up on past underfunding.

This means that 87 percent goes toward catching up on unfunded liabilities — and it's still not enough. As the chart below shows, catching up on underfunding crowds out spending on normal costs and health care costs. ("Normal costs" refers to the money needed to cover the obligations an employer incurred for its workers during the year.)

6. In 2000, the pension system consumed 12.2 percent of school payrolls, most of which covered new pension credits earned in that year. Today the system swallows 36 percent of payrolls.

Despite a 200 percent increase in pension contributions over 16 years, a far smaller portion of this money goes to cover benefits earned by active employees in the current year.

7. The average Michigan city has set aside just 69 percent of what's needed to cover future pension benefits.

The pension funds of the state's 100 largest cities and townships only hold 69 percent of what they should have to cover future benefits. That's actually up from 67 percent in 2014. The slight increase may be associated with the fact that some cities have closed their defined benefit plan to new employees, who get 401(k) contributions instead. It might also be associated with enrolling new hires in a less generous defined benefit plan. These 100 cities combined owe \$4.2 billion more than they have set aside.

8. Only one of the 100 largest cities with an open defined benefit plan is fully funded.

Of those that are still enrolling new employees in a defined benefit system among Michigan's 100 largest cities, Michigan Capitol Confidential found that only Kalamazoo has a fully funded plan. Another 19 cities are fully funded

but they have closed their benefit plans to new hires. Only two of 83 Michigan counties are fully funded — Bay and Kalamazoo. Both of these counties have defined benefit plans.

9. The average Michigan county has just 76 percent of the amount needed in its pension fund.

This is up 2 percentage points from 2014, when they were just 74 percent funded, on average. A number of counties have recently closed their defined benefit plan to new hires, which helps limit the increase in unfunded liabilities. Altogether, pension funds in Michigan's 83 counties are \$2.5 billion short of the amount they should have to pay their promises to retirees.

10. Ten counties have closed their defined benefit plan and are 94 percent funded.

The prudent actions of leaders in these 10 counties have contributed to their taxpayers being on the hook for far less in unfunded liabilities than they might have been. Macomb has the second-largest county workforce in the state (5,145) and closed its defined benefit plan to new hires in 2015. Genesee will complete its shift to defined contribution plans by November 20, 2017. Many smaller counties are making a shift as well. ■

The original version of this story was posted online on Aug. 5, 2016 and is available at MichCapCon.com/22653.

Why Americans Should Care the U.S. is Approaching \$20 Trillion in Debt

BY TOM GANTERT

The U.S. national debt has increased every year this century and is approaching \$20 trillion, nearly four times what it was in 2000. It has also grown relative to the national economy. While it was an amount equal to 55 percent of the nation's gross domestic product in 2000, it reached 101 percent of GDP in 2015.

While most Americans are unaware of the escalating debt, some economists warn that citizens will eventually feel the consequences.

According to U.S. Debt Clock, the U.S. national debt stands at \$19.4 trillion as of July 26. It was \$5.7 trillion in 2000 and increased to \$18.2 trillion by 2015.

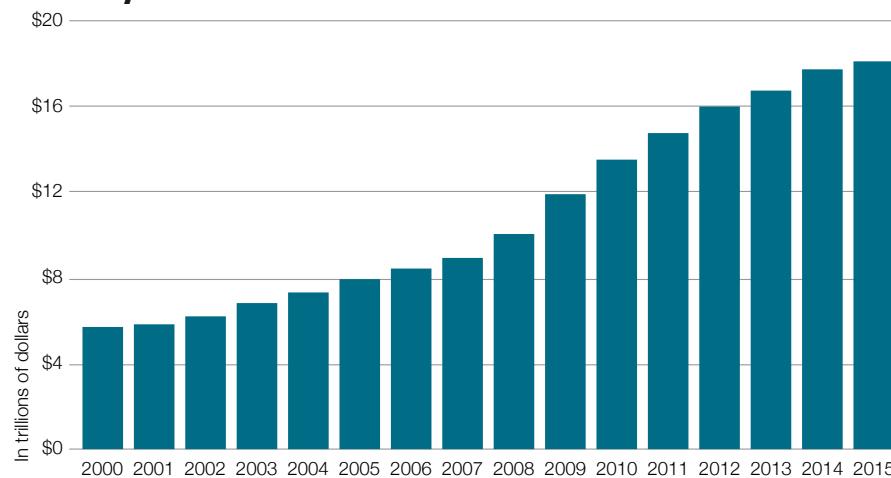
The number represents the debt issued by the United States Department of the Treasury.

GDP measures the monetary value of all goods and service produced by a nation. The U.S. nominal (not adjusted for inflation) GDP for the year 2000 was \$10.29 trillion. It rose to \$17.95 trillion in 2015.

"No one is upset about it because the consequences haven't been felt yet," said Chris Douglas, the chair of the department of economics at the University of Michigan-Flint. "Eventually, taxes will have to be increased to pay off the debt (deficit spending just means future taxes) or

See "\$20 Trillion Debt," Page 8

History of U.S. Debt



Source: U.S. Department of the Treasury, Bureau of the Fiscal Service

Detroit Had More Corruption in One Day Than John Oliver Found in Charter Schools Over 10 Years

BY TOM GANTERT

A national talk show comedian's 18-minute takedown of the nationwide charter school movement concluded the schools have been allowed to "run wild," based in part on financial scandals.

The segment from HBO's Last Week Tonight With John Oliver was applauded by the Washington Post, Rolling Stone and many other news outlets.

But critics of Oliver's pseudo-serious tirade say he cherry-picked incidents from around the country — some as far back as 2000 — to portray a charter school movement with little or no oversight.

At one point Oliver talks about a charter school in Philadelphia that was under new leadership because its former CEO had pled guilty to fraud.

"You can say, 'That's an isolated incident,'" Oliver said. "But it isn't. In Philadelphia alone, at least 10 executives or top administrators have pled guilty in the last decade to charges like fraud, misusing funds, and obstruction of justice."

Oliver's critics say it's not hard to find similar stories involving conventional public school districts.



Talk show host John Oliver. Photo via HBO.

"It would also be reasonable for your team to report on the ineptitude, corruption and self-dealing that takes place in public schools that operate under the district governance and finance model," said Jack McCarthy, president and CEO of Appletree Early Learning Public Charter School in Washington D.C., in a press release. "That is, after all, what led to the

creation of charter schools in the first place."

Gary Naeyaert, executive director of the Great Lakes Education Project, said Oliver displayed "the ultimate in cherry-picking."

"What John Oliver has uncovered in financial irregularities across the entire nation for the last decade pales in comparison to what we've seen in

Detroit in the last 12 months alone," Naeyaert said.

In fact, in a single day Detroit Public Schools outdid Oliver's example of Philadelphia charter school improprieties spread over a 10 year period.

On March 29, 2016, the U.S. Attorney filed criminal charges against 13 individuals affiliated with Detroit Public Schools, including a dozen principals and an assistant superintendent.

A few months later, Detroit Public School's former grant-development director Carolyn Starkey Darden pled guilty to charges that her companies billed the school district for \$1.275 million over seven years for tutoring services that never occurred.

Consider this list of improprieties committed by conventional public school officials that were in the news in just one state over just eight months — Michigan in 2016:

- Former Dexter Community Schools IT Director Brian Scott Tungl stole more

See "John Oliver," Page 8

We're No. 1: Unemployment in Michigan Fell Faster Than Anywhere Else

BY TOM GANTERT

Michigan's unemployment rate has been heading in the right direction — down — faster than any other state's rate since the official end of the Great Recession in June 2009.

Unemployment in the state peaked at 14.9 percent in June of 2009. But as of last month, the Michigan jobless rate was at 4.6 percent by the National Bureau of Economic Research, a decline of more than 10 percentage points.

From April 2006 through May 2010, or 49 months in a row, Michigan had the nation's highest unemployment. The state is now ranked 24th instead of first for the percentage of the workforce without a job.

After Michigan, Oregon and Tennessee had the largest declines in unemployment since June 2009. Oregon's rate fell from 11.8 percent to

4.8 percent while Tennessee dropped from 11.1 percent to 4.1 percent.

James Hohman, the assistant director of fiscal policy for the Mackinac Center for Public Policy, said there has been some criticism of Michigan's economic recovery due to the decrease in the size of the labor force.

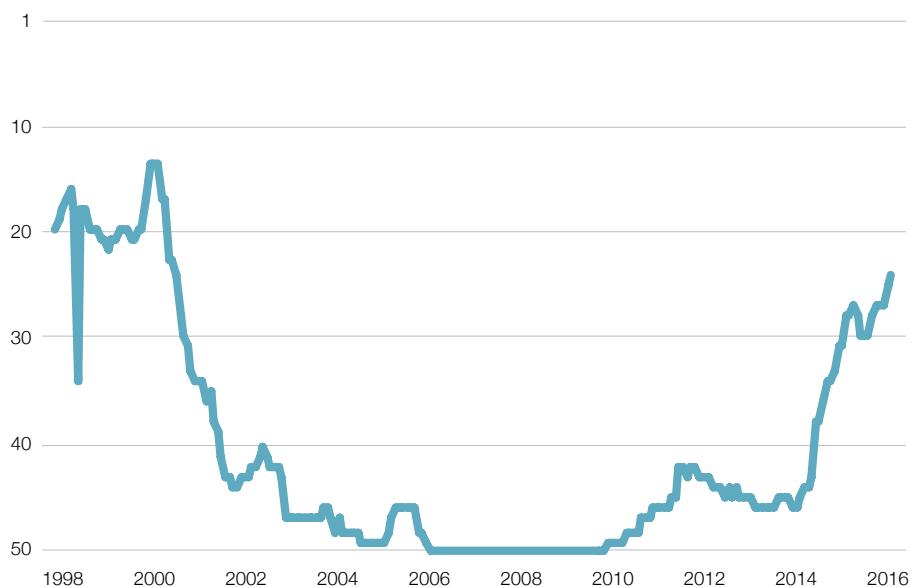
"That explained some of the state's early recovery," Hohman said in an email. More recently, the number of people working or looking for work has risen, but the number of jobs available has risen faster.

Specifically, the number of people working in Michigan has grown by 379,538 since April 2012 (9.0 percent). The number of people in the state labor force, meanwhile, grew by 177,220 (3.8 percent). ■

The original version of this story was posted online on July 26, 2016 and is available at MichCapCon.com/22638.

Michigan's Unemployment Ranking

1 = lowest rate in the U.S.



Source: Calculations based on data from the Bureau of Labor Statistics

JOHN OLIVER*from Page Seven*

than \$300,000 from the district and was sentenced to six months in jail.

- Former Jackson Public School middle school principal Kelly Gilliam-Pennington was charged with embezzlement of \$20,000 to \$50,000.
- Former Superintendent of Dryden Community Schools Thomas

Goulette has been charged with two bank robberies.

Oliver went back as far as 2000 to find reports of charter school misdeeds for his comic rant.

In Michigan, in 2014, former president of Highland Park School Board Member Robert Davis was sentenced to 18 months in prison for stealing school funds. The FBI said that from 2007 through 2010 he used

his position to get school district checks cut to companies controlled by associates, which in turn gave \$200,000 to another entity he controlled called Citizens United to Save Highland Park Schools. Davis then used those funds for personal expenses.

Even one of the largest school districts in Michigan acknowledges that fraud in conventional public schools has become a concern.

Chippewa Valley Schools in Macomb County has set up a “fraud hotline” where parents can report anonymously any activities that may be “criminal, unethical or otherwise inappropriate behavior relating to financial reporting, fraud, misappropriation of assets, or other issues. ■

The original version of this story was posted online on Aug. 26, 2016 and is available at MichCapCon.com/22732.

\$20 TRILLION DEBT*from Page Six*

spending will have to be substantially cut, especially popular spending such as Social Security or Medicare, since that is where the real spending is taking place.”

“There may not be a substantial current cost to the debt, but the future costs can be very severe,” said Douglas, who is on the Mackinac Center for Public Policy’s Board of Scholars.

Antony Davies, an associate professor of economics at Duquesne University,

compared the national debt to a household’s credit card balance.

“While it would be nice not to have a big balance on your credit card, what really matters is whether you can afford the minimum monthly payments,” Davies said in an email. “Those minimum monthly payments — called debt service — are analogous to the interest on the national debt. The federal government currently pays about 2.5 percent interest on its debt. At that rate, the interest on \$20 trillion is \$500 billion annually. And this is where the real problems of the national debt arise.”

The Congressional Budget Office projects a \$534 billion deficit for the 2016 fiscal year or a \$100 billion increase from 2015.

Davies estimated that the federal government will spend \$13.6 billion on interest just on 2016’s projected \$534 billion of red ink. He said that reduces the amount of money the government will have available to spend on public services by \$13.6 billion every year into the future until the debt is paid.

The greater the federal debt, the greater the pressure to keep interest rates low, Davies said.

“The federal debt is so large that just a one-percentage-point increase in interest rates would cost the federal government, in additional interest expense, as much as the annual costs of the Iraq and Afghanistan wars combined,” Davies said. “In short, the federal debt has painted the Federal Reserve into a corner. It can’t allow interest rates to rise significantly for fear of financially crippling the federal government.”

The original version of this story was posted online on July 27, 2016 and is available at MichCapCon.com/22639.

Ann Arbor Council Defies State Law, Bans Cigarette Sales to Adults Age 18 to 20

BY DEREK DRAPLIN

The Ann Arbor City Council voted for an ordinance that will ban the sale of tobacco products to people under 21, making it the first city in Michigan to raise the legal purchasing age from 18.

The Council voted 9-2 on Aug. 4 for an ordinance sponsored by Council Member Julie Grand, a Democrat representing the city’s 3rd Ward.

Ann Arbor officials were explicit about their lack of concern with whether the ordinance conflicts with state law, and that they hope the rest of the state follows the city’s lead.

“The tobacco lobby has inflicted enough misery on this country and I’m happy to do anything we can to play a leadership role on this effort in Michigan,” Kirk Westphal, a Democratic council member from the 2nd Ward said, according to The Ann Arbor News.

“It’s particularly important to me,” said Council Member Chip Smith, a Democrat from the 5th Ward. “But really what compels me to support this is the fact that Ann Arbor is a leader in things, and this is exactly the type of thing we should be leading on, and I’m very happy to support this.”

In addition to the apparent conflict with a state law preempting local regulations, critics of the ordinance are concerned that its effect would be to send people under 21 to neighboring cities like Ypsilanti or Canton to buy tobacco products. Jack Eaton, a Democrat from the 4th Ward, and Jane Lumm, an independent from the 2nd Ward, voted against the ordinance. According to The Ann Arbor News, they cited Michigan’s Tobacco Products Tax Act of 1993 as the cause for their concern.

The act says municipalities “shall not impose any new requirement or prohibition pertaining to the sale or licensure of tobacco products for distribution purposes.”

Stephen Postema, the city attorney for Ann Arbor, said the Home Rule Cities Act “gives broad powers to the cities to govern themselves.” Postema wouldn’t expand on any specific legislation.

Democratic Council member Sumi Kailasapathy, from the 1st Ward, said if the ordinance is illegal, it’s worth fighting for in court. Council Member Sabra Briere, a Democrat also from the 1st Ward, argued that the state law is outdated, the Ann Arbor News reported.



Tobacco 21, an advocacy organization founded by Rob Crane, a professor at The Ohio State University, inspired Ann Arbor’s ordinance. The organization claims that more than 180 cities in 12 states have Tobacco 21-inspired laws. California and Hawaii are the only states where the tobacco purchasing age is 21 statewide.

Julian Morris, the vice president of research for the Reason Foundation, studied a similar proposal in Chicago, which was later enacted. He said Ann Arbor will likely see an increase in cigarettes sold on the black market.

“As I noted in relation to the proposed ordinance in Chicago that had a similar increase in the legal purchasing age, the main consequence is likely to be an increase in the supply of cigarettes through criminal networks,” he said. Unlike Ann Arbor, Chicago added a tax increase on tobacco products.

“Raising the age at which people can legally obtain tobacco to 21 doesn’t help young adults make healthy choices at all; it simply remove choices,” Morris wrote in February. “It disempowers and infantilizes those young adults who comply and it criminalizes those who disobey.”

Kai Petainen, an Ann Arbor resident who attended the city council meeting, said he recently went to a funeral of a 23-year-old who died from a drug overdose. That friend used tobacco as a gateway drug, he said.

“It’s a funeral of a person who died at only 23 and it was from an overdose. That person began using tobacco at a young age, and eventually they were using other drugs as well,” he said. “Tobacco use can lead to other drugs and it can and does destroy lives.”

How a Government Transparency Request Can Take Months

BY PATRICK J. WRIGHT
AND JARRETT SKORUP

After the Flint water crisis came to light, multiple state employees in the Michigan Department of Environmental Quality were reassigned out of the department, which oversees water quality.

We were interested in finding out more: Where were these employees reassigned and were they being punished for malpractice? So on March 30, the Mackinac Center filed a Freedom of Information Act request with the department to find out.

And then we waited. And then we waited some more. And then we waited more still.

It wasn't until July 29, a full four months after we sent the first request, that we received the information we asked for.

State law mandates that government agencies respond to FOIA requests according to a strict timeline, but they often flout the law. Government agencies delay, postpone or just ignore FOIA requests, maybe because they know a citizen's only course of action against them is to sue. Well, we've got our own litigation team, so we called the DEQ's bluff and filed suit over this matter on July 13. While we got the documents we requested after the lawsuit was filed, we're moving forward, hoping a court or the Legislature will clarify the law for citizens and public entities.

Here's the timeline of events:

- **March 30:** We sent a request for information about the DEQ employees.
- **April 4:** The department took the five business days allowed by law to respond.

It then took a 10-day extension, which is also allowed.

- **April 21:** After reaching the legal time limit for a response, it requested \$114 for the documents. We wrote a check for the full amount on April 26 and the department cashed it on May 6.

Before receiving the check, an employee wrote that the department "will complete the processing of the request within an estimated 60 business days." But even this extra 60 days is not enough if officials determine they need more money to complete the request.

To summarize: The agency took five days to respond and then exercised the 10-day extension before asking for and receiving a deposit. It then called for another 60 business days to decide if that was the right amount. "In the spirit

of cooperation," the department later refunded our deposit.

We understand that the state, like many public entities, receives a lot of FOIA requests — particularly right now. But accountable government requires transparency, especially during times of crisis. Our FOIA laws must guarantee people of all views prompt access to information to fully take part in the democratic process. People and the press have a right to public information, even if it's inconvenient to a government agency.

The courts should affirm that citizens have a right to timely information. And if they don't, the Legislature should step in and improve Michigan's FOIA law. ■

The original version of this story was posted online on Aug. 8, 2016 and is available at MichCapCon.com/22676.

Key Part of Civil Asset Forfeiture Law Ruled Unconstitutional

BY KAHRYN RILEY

It is a basic principle of American law that the government may not deprive citizens of their property without due process. But, according to the Michigan Court of Appeals, at least one Michigan statute lets the state do exactly that.

When Shantrese Kinnon and her husband were arrested on drug charges in Kent County, the police searched her home and seized some property, including a GMC Denali, a Chevrolet El Camino, a motorcycle, a tablet, a laptop, and nearly \$400 in cash from her purse.

Even though the couple had not yet been convicted of a crime, a scheme known as civil asset forfeiture allows law enforcement to keep the property with

the burden of proof on the Kinnons to get it back. Shantrese tried to challenge the forfeitures of the seized items and get her property back but found she couldn't afford to. The state requires her to post a bond equal to 10 percent of the value of the property — over \$2,000 — before it proceeds.

But Kinnon was only able to come up with a little over \$1,000, meaning that she was only able to challenge

the forfeiture of the items that she could afford to post bond for. She would automatically lose her ownership rights to the others, even if she were innocent of the charges.

When her case went to trial, Kinnon argued that her rights to due process and equal protection had been violated. The bond requirement, she said, causes poor



people to lose their property when they are not financially able to contest the forfeiture. By contrast, she continued, people with better resources can afford to pay the bond and make a case to get their property back.

The Court of Appeals agreed. It held the bond requirement unconstitutional, ruling that "Because of her indigency and inability to pay the required bond,

[Kinnon] was excluded 'from the only forum effectively empowered to settle [her] dispute.' ... Ultimately, Michigan's civil asset forfeiture scheme operated to deprive [Kinnon] of a significant property interest without according her the opportunity for a hearing, contrary to the requirements of the Due Process Clause."

State Rep. Peter Lucido, R-Shelby Township, hopes the ruling will generate support for a bill that would remove the bond requirement. The Mackinac Center testified in support of the bill and has repeatedly called for other reforms to civil asset forfeiture, including a condition that a criminal conviction must be secured before property can be seized. ■

The original version of this story was posted online on Aug. 22, 2016 and is available at MichCapCon.com/22725.



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JUST THE BEGINNING

from Page Four

Lincoln Park, the 45th-largest city in Michigan, has the lowest funded percentage. Its defined benefit plan is 21 percent funded and has a \$93 million unfunded liability. Until late 2015, Lincoln Park had an emergency manager to resolve its financial crisis.

James Freed, the city manager of Port Huron, discussed the crisis of unfunded pension liability.

“Our annual contributions to our pension and OPEB (Other Post Employment Benefits) costs are steadily climbing and consuming more and more of our limited resources,” Freed said. “At this point, it is unsustainable without real reform.

Unfunded liabilities are the greatest issue the city of Port Huron faces and if left unaddressed it will affect our ability to provide services to our residents.”

Port Huron’s pension system is 60 percent funded, and it has a \$55 million liability. There are 335 people currently collecting benefits, and 275 more who can collect in the future.

In 2015, Port Huron spent \$7.8 million on pension and other post-employment benefit costs. This is slightly more than the \$7.6 million Port Huron spent on police services. ■

The original version of this story was posted online on July 25, 2016 and is available at MichCapCon.com/22617.

WATER FUND

from Page One

they are relevant to later decisions city officials took leading up to the water contamination crisis.

The review team examined Flint’s financial condition in October and November of 2011. It found the city’s total debt had risen from \$1.5 million in 2007 to \$25.7 million in 2011. The city’s annual revenues rose from \$104.5 million at the start of the period to \$109.0 million in 2011.

The growing debt was the result of five years in which the city council and mayor failed to balance the city’s budget and control spending.

From 2009 to 2011, Flint officials took about \$10 million from water service operations to pay for general city operations. These raids contributed to a growing hole in the city water fund.

The raids persisted even as the water department was dealing with its own imbalances. For example, the water fund had dug a \$5.8 million deficit-spending hole by 2010, which deepened to \$9.0 million in 2011.

Officials also raided Flint’s sewage disposal fund, taking \$61 million for



general city operations from 2001 to 2011.

And the city’s leaders broke state road funding laws by taking just over \$1.0 million from the local street fund. That money comes from state and federal road funding grants, which come with a requirement they be used for streets and roads.

The state review team said that the raids could have harmful effects. “Simply put,” it said, “these other funds could lack sufficient cash to permit the performance of the statutory

tasks assigned to them, to provide preventative maintenance or to plan for future replacement of equipment.”

In the case of the Flint water fund and department, one of those tasks is to provide clean drinking water uncontaminated by excessive levels of lead.

Marc Edwards, an environmental engineering professor at Virginia Tech who is credited with uncovering the crisis, said the city was in such dire financial straits that it “may have no choice, but to borrow from tomorrow, to pay for today.”

He added, “The simple story, is that the lead poisonings arose from the MDEQ’s (Michigan Department of Environmental Quality) failure to implement corrosion control as the law requires. That is not a decision made by a governor, a mayor, or an emergency manager. The more complicated story, which certainly factors into the climate that allowed this problem to occur and continue as long as it did, is whether or not water is a basic right? What will we do, for the American cities or towns, that cannot afford to maintain, much less upgrade their water infrastructure?”

Edwards also said while there was “inevitably mismanagement,” he believes water is a basic human right and that should be provided.

Flint Mayor Karen Weaver didn’t respond to an email seeking comment. Roger Fraser, the former city administrator for the city of Ann Arbor who served on the state’s review team, said he would not comment on the Flint review.

The original version of this story was posted online on Sept. 21, 2016 and is available at MichCapCon.com/22795.

MSU: You Can Be Ticketed For Smoking in Your Own Car

BY TOM GANTERT

A new tobacco-free policy at Michigan State University makes drivers subject to a \$150 fine for choosing to smoke or chew tobacco while traveling on public roads that cross the school’s East Lansing campus.

“There’s no directive to our police that this needs to be strictly enforced,” MSU spokesman Jason Cody said. “We are looking at it through an educational lens.”

Cody said he didn’t envision a police officer pulling over a motorist for smoking and giving a ticket. He did say he could see an officer on a bike telling a

motorist who was smoking about the no-smoking ordinance.

The ordinance was passed by the board of trustees on June 17, 2015. Its effective date was set for more than a year later on Aug. 15, 2016.

“A new policy is an effective, cost-efficient way to protect the health of the campus community and encourage tobacco users to reduce or eliminate consumption, thus increasing life, longevity and vitality,” the MSU tobacco-free website states. “Most tobacco users want to quit, and tobacco-free environments encourage users to quit and help them maintain a tobacco and nicotine free status.”

Students and MSU employees could face additional sanctions.

“Students who continually violate the ordinance could face sanction through the student judicial system, and employees could face repercussions via Human Resources (just as students and employees could for violating any MSU ordinance),” Cody said.

The ban also extends to the use of e-cigarettes and smokeless tobacco on campus, including inside a private vehicle. ■

The original version of this story was posted online on July 22, 2016 and is available at MichCapCon.com/22616.





SHIVERING IN THE DARK?

SIERRA CLUB OPPOSES 91 PERCENT OF MICHIGAN ELECTRICITY

BY TOM GANTERT

The Sierra Club environmental organization opposes the three sources of energy responsible for 91 percent of the electricity generated in Michigan. It has been outspoken in its stance against the use of natural gas, coal and nuclear power to generate electricity for Michigan households and businesses.

Michigan generates 32 percent of its electricity by burning coal and another 32 percent comes from nuclear power plants. Natural gas accounts for another 27 percent of electricity generation. Wind and solar account for less than 7 percent of net electricity generation in this state.

“The Sierra Club opposes, or is pushing to phase out, over 90 percent of the energy resources that we depend on for our lives and well-being,” said Jason Hayes, the director

of environmental policy at the Mackinac Center for Public Policy.

“They ‘prefer’ or don’t ‘categorically oppose’ the development of limited, low- or no-impact, renewable resources that provide far less than 10 percent of our current energy demand,” Hayes continued. “However, they put heavy restrictions on how the ‘preferred’ energy options can be developed or used.”

Hayes said if 90 percent of the state’s energy is shut off, it would have catastrophic impacts on human life. “You limit almost every aspect of human life and progress — the ability to work and earn a living, medicine, food production, heating and cooling, transportation, etc.,” Hayes said.

Gail Philbin, the director of the Michigan chapter of the Sierra Club, and the Sierra Club’s national coal spokesman Ricky Junquera didn’t respond to emails seeking comment.

The Sierra Club’s website states: “We have a vision of a world powered by clean energy, where dirty and dangerous fossil fuels are a thing of the past and everyone can enjoy cleaner air and water thanks to renewable energy resources.”

The Sierra Club has a webpage devoted to natural gas titled, “DIRTY, DANGEROUS, AND RUN AMOK.”

The Sierra Club has championed shutting down coal plants across the country.

The organization’s page on nuclear power says this: “The Sierra Club remains unequivocally opposed to nuclear energy.” The Sierra Club’s Executive Director Michael Brune called nuclear power “dangerous” in an article in the Wall Street Journal.

A spokesman for the Nuclear Energy Institute objected to the Sierra Club’s statement that nuclear power is dangerous.

“Our nation’s nuclear energy facilities are in fact very safe,” said Tom Kauffman, the director of media relations for the Nuclear Energy Institute. “After more than 60 years of commercial nuclear energy production in the United States, including over 3,900 reactor-years of operation, there have been no radiation-related health effects linked to their operation. Studies by the National Cancer Institute and The United Nations Scientific Committee of the Effects of Atomic Radiation show that U.S. nuclear power plants effectively protect the public’s health and safety. Nuclear plants also are safe for workers. According to the U.S. Bureau of Labor Statistics, it is safer to work at a nuclear plant than at a fast food restaurant, a grocery store or in real estate.” ■

The original version of this story was posted online on July 20, 2016 and is available at MichCapCon.com/22609.

Police Seize Car, Drive 54,000 Miles, Sell It Without Charging Owners With a Crime

BY DEREK DRAPLIN

A year after the Saginaw County Sheriff seized a classic muscle car from a Shiawassee County couple, it sold the car — with another 54,000 miles that had been logged in the interim. Last month, the couple filed a federal lawsuit over the car and other items that had been seized and then sold by the department. The department's actions grew out of a 2008 investigation for possible drug crimes, but the couple was never convicted or even charged with a crime.

Gerald and Royetta Ostipow filed the lawsuit on Aug. 24 with the U.S. District Court in Detroit against Saginaw County Sheriff William L. Federspiel, the department and a number of unnamed sheriff deputies. The lawsuit alleges that Federspiel and members of his department seized, then sold, hundreds of thousands of dollars in property belonging to the couple before the final determination of forfeitability.

In April 2008, the department received search warrants to search a farmhouse in Shiawassee County owned by the Ostipows, who lived a half-mile down the street in their longtime residence.

The search warrants were issued by Saginaw County judges, said Outside Legal Counsel, which is representing the Ostipows. But it's unclear why the Saginaw County officers were in a neighboring county's jurisdiction and didn't get search warrants from Shiawassee County judges.

The farmhouse, which was being renovated by Gerald Ostipow, was occupied by his adult son, Steven, and the property's outbuildings were used for storage.

When the sheriff's deputies searched the farmhouse they found marijuana plants and seeds grown by Steven Ostipow, but his parents have denied knowledge of his illicit activities, their lawyers said.

That's when the Ostipow's property stored in the Shiawassee farmhouse and outbuildings were seized by the Saginaw County officers, despite Gerald and Royetta not being charged with any drug-related crimes.

The deputies seized dozens of animal mounts, tools, deer blinds and farm equipment from the farmhouse property. They also took a 1965 Chevy Nova SS that was being renovated and stored on a trailer.



Outside Legal Counsel claims the seized property “lacked any realistic connection to the pot plants and seeds of Steven's grow.”

Later that day, Saginaw deputies obtained another search warrant — again from a Saginaw judge — to search the Ostipow's main residence in Shiawassee County, down the street from the farmhouse. The couple's law firm says no drugs were found at the property, yet officers seized cash from Gerald Ostipow's wallet, plus other items.

After the initial seizures, Saginaw deputies “would then routinely appear and present themselves, in plain clothes and in their personal vehicles while off duty, at the Residence and Farmhouse to continue to seize additional personal property,” the federal complaint alleges.

The Michigan Court of Appeals later found that Royetta Ostipow's portion of property seized from the farmhouse — which included the classic car — should be repaid. A later trial court decision ruled “most of the personal property seized was improperly taken and was ordered non-forfeitable.”

But it was later discovered that Sheriff Federspiel and the department sold off most of the Ostipow's seized property before there was a ruling on the forfeitability of the items held by the county.

Documents provided by Outside Legal Counsel show the department seized the Ostipow's 1965 Chevy Nova SS on April 24, 2008, when the vehicle's mileage was 73,865. Federspiel, who signed the vehicle title transfer form, sold the partially restored muscle car over a year later on June 4, 2009, for \$1,500.

The vehicle's title certificate filled out by Federspiel around the time it was sold says the mileage was 130,000 — 54,000 miles more than when the department seized the car.

“They went ahead and spent the proceeds,” the Ostipow's lawyer, Philip Ellison, said. “Their intent wasn't to

protect my clients' rights, it was a pure money grab.”

Federspiel and his department did not return requests for comment.

Federspiel competed in and won the Democratic Party primary in August, campaigning on forfeiting drug dealers' property and claiming it saved taxpayers money. (He will face no Republican opposition in the November general election.) For two years, Federspiel drove a black Mustang GT as his department vehicle after the car was forfeited, MLive reported. In 2013, Federspiel sold the Mustang, which read “Taken From A Local Drug Dealer” on the sides, on eBay for \$14,800.

Ellison said the biggest obstacle in the Ostipow's case has been the department's lack of documentation of the property it seized.

Lee McGrath, the legislative counsel for the Institute for Justice, said this case is an example of policing for profit.

“This case illustrates what happens when police and prosecutors benefit financially from confiscatory policies,” he said.

McGrath praised reforms the Michigan Legislature made to forfeiture laws last year but noted lawmakers should continue to improve the state's laws.

“Those changes will improve reporting, but it's essential the legislature continues,” he said. “Legislators in Lansing and city council members must take back their control of funding and setting priorities. It's wrong when sheriffs and police officers control both the sword and the purse, and this case illustrates the bad incentives of policing for profit.”

A 2015 study by the Institute for Justice gave Michigan a grade of D- for its civil asset forfeiture laws, noting as much as 100 percent of forfeited property can go into law enforcement coffers even without a conviction.

“Despite modest reforms approved in October 2015 that raised the standard of proof required to forfeit property, Michigan's laws still earn a D-, largely because the state's large profit incentive remains intact,” according to the study titled “Policing for Profit.”

Since 2001, law enforcement in Michigan has forfeited at least \$270 million in assets related to drug crimes. It is not known how much has

been taken in total because there was no requirement to report the information.

Last year Gov. Rick Snyder signed a package of seven bills reforming civil asset forfeiture laws. These laws required law enforcement to disclose civil asset forfeitures and better document seizures. The laws also increased the burden of proof for civil asset forfeitures from preponderance of evidence to clear and convincing evidence.

Rep. Peter Lucido, R-Shelby Township, said he doesn't think anybody should profit from criminal activity, and until it's been proven that criminal activity occurred, no property should be forfeited. “That's just simple due process,” he said.

“There are better regulations that we have now put through on civil asset forfeiture reform as it relates to accounting for the property seized,” he said.

Lucido sponsored House Bill 4505, one of the bills signed into law last year. That law moved the burden of proof. He also sponsored House Bill 4629 in May 2015, which would repeal bond requirements in contesting civil asset forfeitures. The bill has passed the House and a Senate committee and is awaiting a vote in the full Senate.

“You want the playing field to be fair, and the only way you're going to make it fair is to stop taking the people's property,” Lucido said. “There is no logic and reason that people should be taking people's property — nothing — until after there's been a conviction or there's been a lawsuit filed.”

“There's too much gamesmanship with the way they're doing it now,” added Lucido, who's also a criminal defense attorney.

“When police have a pecuniary interest in the property rights of others there will be overreaching on behalf of the police,” he said.

In 10 other states, law enforcement is not able to forfeit (take ownership) of someone's property until that person has been convicted of a crime. Two states, New Mexico and Nebraska, have completely eliminated civil forfeiture. In those states, property can only be taken and turned over to the state after a conviction in criminal court and a decision by that court that assets were directly gained from illegal activity. ■

The original version of this story was posted online on Sept. 13, 2016 and is available at MichCapCon.com/22779.

SECRET CHECKS

from Page One

the Big 3 automakers) in return for them simply “retaining” existing jobs and facilities.

Companies have some discretion over when to claim these credits, which means the Department of Treasury never knows for certain how large the bill will be in any year. According to the Senate Fiscal Agency, as of June, the state has already written checks to companies totaling \$851.5 million. The state’s fiscal year ended on Sept. 30.

The law that authorized the handouts originated in the administration of Republican Gov. John Engler. It created an entity called the Michigan Economic Growth Authority (MEGA) with the power to give subsidies. Republicans



and Democrats alike later changed the law many times to expand and loosen the criteria for granting subsidies.

The state stopped awarding new MEGA credits in 2012. They were

replaced by a smaller subsidy granting regime. Not counting the MEGA credits, these and some other subsidy programs will cost the state another \$217 million this year.

The Michigan Economic Development Corporation oversees the state’s corporate welfare programs, including MEGA, and refuses to say which businesses get the payments or how much they are paid.

“The state is expected to give over \$1 billion of other people’s money to companies it selected for favors. It’s bizarre that taxpayers are not allowed to be told which ones are collecting,” said James Hohman, the assistant director of fiscal policy for the Mackinac Center for Public Policy.

The MEDC didn’t respond to an email seeking comment. ■

The original version of this story was posted online on July 29, 2016 and is available at MichCapCon.com/22644.

FORtheRECORD



After Billions in Subsidies, Just 918 Michigan Car Battery Jobs

In a February 2010 speech, then-Gov. Jennifer Granholm described how Michigan was becoming a center for advanced battery production, which would diversify the state’s economy.

Granholm characterized the state as “becoming a world capital for advanced batteries,” and boasted that the industry was “projected to create almost 62,000 new jobs” in the state.

“We have a whole industry sprouting up all over the state with respect to the battery,” Granholm said in 2010.

ForTheRecord says:

As of 2015, Michigan had 918 battery manufacturing jobs, according to the U.S. Bureau of Labor Statistics. That’s even after billions of dollars granted to this industry by state and federal lawmakers. In contrast, there were 4.6 million Michigan jobs as of June 2016.



Note to Hillary Clinton: Right-to-Work Laws Are Very Popular

In a video of a speech to the Laborers’ International Union of North America, Democratic presidential nominee Hillary Clinton said, “I will fight back against so-called right-to-work. Right-to-work is wrong for workers and wrong for America. Now having said all this, why aren’t I 50 points ahead, you might ask?”

ForTheRecord says:

Perhaps because right-to-work laws — which prohibit a worker from being fired for choosing not to pay union fees or dues — are wildly popular.

A 2014 poll from Gallup found that 71 percent of voters would support a right-to-work law while only 22 percent would oppose one. It found that 82 percent agree that “no American should be required to join any private organization, like a labor union, against his will” (18 percent disagreed). By party, 65 percent of Democrats, 77 percent of independents and 74 percent of Republicans support right-to-work laws.

The polls may not show Hillary Clinton “50 points ahead” — but right-to-work laws are.



When Was Flint 'Run Like a Business'?

A Detroit Free Press columnist posted a three-paragraph commentary this week titled: “Flint: Why government shouldn’t be run like a business.”

ForTheRecord says:

Who can remember when Flint was ever run like a business?

The 2011 report of the state financial review team that led to state receivership for Flint documented various forms of mismanagement. Among other things, the city overspent its annual revenues in each of the five years from 2007 to 2011.

The city’s annual deficits during those years — \$1.5 million, \$15.0 million, \$13.4 million, \$24.3 million and \$25.7 million — dug too deep a hole for Flint to climb out from. The result was the appointment of an emergency manager.

What business could stay open with that track record of overspending?

The Electric Car Future That Never Happened

BY TOM GANTERT

Not long ago, many experts were projecting gas prices above \$5 per gallon for the U.S. President Barack Obama said “with more research and incentives” there would soon be 1 million electric plug-in cars on the road. The top executive at General Motors claimed the company could sell 120,000 Chevy Volts in a year.

That was in 2011, when GM’s electric plug-in car was still in its infancy. Former Michigan Gov. Jennifer Granholm very publicly bought her own Chevy Volt after telling the media that electric car batteries represented the “beginning of new Michigan.”

That didn’t happen, despite massive spending on taxpayer-funded production and subsidies for buyers. Today Chevrolet sells more \$55,000-plus Corvette sports cars than Volts.

Annual sales of the \$40,000 Volt peaked at 23,461 in 2012. Sales remain stagnant even though buyers get up to a \$7,500 federal subsidy. Federal and state governments have given billions of dollars to promoters and corporations to build battery plants and other infrastructure for electric cars, leaving a line of bankrupt companies.

“It hasn’t lived up to the political expectations,” said Nicolas Loris, an economist with The Heritage Foundation. “It speaks to the government’s inability to predict markets. The broader point is government can’t usher in new technologies with subsidies, targeted tax credits and those type of funding mechanisms. Time and time again politicians try to outsmart the market. The market will bear what the market bears.”

In his 2011 State of the Union address, the president predicted there would be



1 million electric plug-in cars on the road in the U.S. by 2015.

Then-General Motors CEO Dan Akerson followed by saying production of the Volt could reach 120,000 in 2012, double the company’s earlier estimate of 60,000.

According to media reports, Akerson’s projections presumed that high oil prices would persist and spur consumer demand for alternatives, including electric cars.

But something happened that Washington D.C. didn’t see coming. Innovations in an existing oil extraction technique called hydraulic fracturing, or “fracking,” converted oil shortages to a worldwide glut that helped drive the price of gas below \$2.00 per gallon in some places.

Just 9,808 Volts were sold during the first six months of 2016, putting the Volt on track toward annual sales below 20,000. In June, GM sold 1,937 Volts. By comparison, Chevrolet sold 49,662 Silverado SUVs and 2,483 Corvettes in the same month. Ford sold 70,937 F-Series pickups, America’s best-selling vehicle.

An early version of the Chevy Volt made its debut in Detroit on Sept. 16,

2008. The average U.S. gas price then was \$3.87 per gallon. Just two months earlier, gasoline had topped \$4.00 per gallon for the first time.

The Volt was on the market by December 2010. The price of gas declined during the Great Recession, but by May 2011 it was back up to \$3.96 per gallon on average. It reached as high as \$5 per gallon in some cities, and some oil experts speculated that \$5 gas was coming to stay.

Except it didn’t. With domestic oil production skyrocketing, prices plummeted, and U.S. gas prices have been below \$3.00 per gallon since October 2014. As of July 25, 2016, gas was selling for \$2.18 per gallon on average. In many places, a gallon can be had for less than \$2.00.

Industry experts estimate there were 400,000 electric cars in the U.S. in 2015, far short of Obama’s goal.

Henry Payne, the auto critic for The Detroit News, said the Volt has never come close to its predicted sales.

“Contrary to government predictions, battery-powered cars are a niche market (like muscle cars, for example) for green buyers,” Payne said in an email. “They

make up just three percent of the market (and Prius sales are half of that). ... With gas prices well below \$3 a gallon, it only makes sense to green buyers to purchase a Chevy Volt — which is essentially a \$35,000 version of the already fuel-efficient, \$20,000 Chevy Cruze.”

Payne said the Volt is essential to GM if the company wants to meet federal electric vehicle and miles-per-gallon mandates.

“The Volt gains GM enormous federal credits which allows Chevy, for example, to continue to sell vehicles consumers want, like SUVs and Camaros,” Payne said. “Ultimately, California will require 10 percent of sales be zero-emission cars by 2020 — which the Volt will help GM make.”

In spite of cheap gas and stagnant sales, General Motors continues to promote its battery-powered car. Spokesman Fred Ligouri wrote in an email:

“We are very proud of the Chevrolet Volt. The Volt established an entirely new market segment for both Chevrolet and the industry when it was first introduced and we’re pleased to see that the segment has grown over the past six years.”

“We continue to innovate with regard to the Chevrolet Volt, having recently introduced a second generation (2016/2017 model year) that’s sleeker, sportier and delivers greater range, greater efficiency and stronger acceleration,” Ligouri said. “In fact, through June, sales of the Chevrolet Volt are up 57 percent year over year. And we continue to build on our history of electrification innovation as we prepare to introduce the industry’s first affordable, long-range electric car, the Chevrolet Bolt EV, later this year.” ■

The original version of this story was posted online on Aug. 2, 2016 and is available at MichCapCon.com/22654.

DEFIES STATE LAW

from Page Eight

“Although this person lost their life, I hope that by increasing the age to 21, that it makes it harder for others to get tobacco at a young age and it saves some lives,” Petainen added. “Yes, kids will be able to get tobacco from areas outside of Ann Arbor, but my hope is that other communities will adopt this policy as well.”

Tobacco shops in Ann Arbor have said the ordinance will drive customers out of the city.

Chris Rosenthal, who owns Tobacco Rose Cigars, said that while people ages

18 to 21 don’t generally buy premium cigars from his shop, cigar sales should not be regulated the same way as other tobacco products since cigars are a different method of tobacco use.

“The nature of premium cigars are not as addictive as other forms of tobacco because the method of using it is different,” he said. “There’s no inhaling, it’s long-leaf, no chemicals added, no-additives tobacco. So very few get addicted just from smoking a cigar after graduating from high school.”

“That will hurt in the summer time,” Rosenthal said. Those under age 21 who do buy cigars from his shop buy them

to celebrate high school graduation, he said.

“I oppose it more on principle than on business,” he added, noting some members of city council went on the record acknowledging that the ordinance violates state law, yet still went along with the ban. “It doesn’t make a whole lot of sense the way it’s written, to begin with. The fact that I’m not allowed to sell it to them but they’re allowed to try to purchase it, they’re allowed to use it within the city limits. They’re allowed to drive a mile and a half down the street from my store to Ypsilanti and purchase their cigars, come back to my store

because I have a legal smoking lounge and smoke it.”

“Where does that ever make sense? I don’t know,” he said. Rosenthal also said regional law firms have reached out to him, but he hasn’t decided yet and doesn’t want to cause the city thousands of dollars in legal fees.

The ordinance does not go into effect until January 1, 2017. People under the age of 21 will not be penalized for possession or use of tobacco; rather, retailers or vendors will face penalties. ■

The original version of this story was posted online on Aug. 15, 2016 and is available at MichCapCon.com/22692.

WORKING IN DETROIT

from Page One

U.S. Ice has managed to grow despite Detroit's economic and demographic decline during the 30 years it's been in business.

"There were hard times and times where we almost didn't make it but you stay on it," Abbo said. "You work hard. You work every day. I would be here seven days a week without going home sometimes."

One of the biggest challenges was the Detroit city bureaucracy. Getting permits to expand was difficult. Abbo was prepared to leave Detroit. But several years ago, he noticed a change.

"Now, when we did this big expansion, with the help of the Chaldean Chamber, the city actually worked with us this time. I really saw an improvement, and for me, that was the first time ever," he said.

Another challenge has been staying relevant. Most food companies can make their own ice. U.S. Ice had to offer something different and Abbo's son states it without flinching.

"Service. Service. Service. He drilled it into my head since I was a kid and I wasn't even here (working) but he naturally says these things because my grandpa, his dad, was so adamant about it and it was

passed on to him and he passed it on to me," said Jacob Abbo. "There is nothing more important than service. You can have the cheaper price but if you don't have the service, none of that matters. You want to make sure they have no reason to go to anyone else but you."

Automation has allowed the company to reach more stores and hire more drivers. Within a few years, the company hopes to have plants throughout the state.

"I get calls from Lansing, from Traverse City, from Canada, because they don't get their service there and they ask me when can you come out here," said the senior Abbo. He says a mass-market retail chain is interested in contracting with U.S. Ice for its stores in Michigan.

The American Arab Chamber of Commerce inducted Abbo into its Entrepreneur Hall of Fame and he's been recognized by the Michigan Legislature and Gov. Rick Snyder.

"I thank my father for pushing me to do this even though we were against him, but you know now, I thank him every, every day. It's been a blessing. I have three sons and hopefully, they can learn," Saad Abbo added. ■

The original version of this story was posted online on July 15, 2016 and is available at MichCapCon.com/22593.



This is the second in our "Working in Detroit" series. You can watch all of the videos at Mackinac.org/Detroit.



I'M JUST A BILL

Michigan✓**votes.org**

A sampling of proposed
state laws, as described
on MichiganVotes.org

Senate Bill 139

**Push-back against school
bake sale restrictions**

Introduced by Sen. Patrick Colbeck (R)

To require the Michigan Department of Education (MDOE) to "take all steps necessary to ensure maximum state and local control over" school lunch nutrition mandates. Also, to limit to three per week the number of fundraising sales of food or beverages during school hours that do not meet mandated school lunch nutritional standards. The bill was introduced in response to federal and MDOE restrictions and bans on the sales.

Senate Bill 34

Revise concealed pistol license procedures

Introduced by Sen. Michael Green (R)

To eliminate county concealed pistol licensing boards, and transfer their duties to the State Police and county clerks. A similar bill passed by the previous legislature was vetoed by Gov. Rick Snyder due to some specific provisions which have been removed from this version, including one requiring a concealed pistol license be issued to the target of a personal protection order who is otherwise eligible for the permit.

Senate Bill 305

Preempt local knife regulations

Introduced by Sen. Michael Green (R)

To preempt local government ordinances or rules on the transportation, possession, carrying, sale, purchase, manufacturing, etc. of a knife or knife-making components. A similar preemption restricts local gun regulations.

House Bill 4041

Ban welfare for persistent truancy

Introduced by Rep. Al Pscholka (R)

To withhold welfare benefits from a household with children who are persistently truant from school. A truant child age 16 and above could be removed from the household for this.

House Bill 4195

**Cap government "venture capital
investment" program**

Introduced by Rep. Al Pscholka (R)

To prohibit the state from pledging any more future tax revenue to guarantee investor returns under an "early stage venture capital investment" scheme authorized by a 2003 law.

House Bill 4328

**Authorize withholding state money
from overspending school districts**

Introduced by Rep. Lisa Lyons (R)

To give the Department of Treasury the authority to withhold state school aid payments from an overspending school district that fails to submit an acceptable "deficit elimination plan," or that then falls more deeply into financial trouble.

House Bill 4163

**Remove some licensure restrictions
on residential lift installers**

Introduced by Rep. Al Pscholka (R)

To permit a licensed residential homebuilder to install residential stairway lifts without imposing the onerous licensure provisions that apply to elevator contractors. This applies to one-story stair-climbing machines for elderly or handicapped individuals.