



CAPCON MICHIGAN CAPITOL CONFIDENTIAL

MACKINAC CENTER FOR PUBLIC POLICY

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MEA SAYS 8,000 HAVEN'T PAID DUES

Some Teachers Say Union Intentionally Misled Members

BY TOM GANTERT

Less than six months after the Michigan Education Association boasted of how it retained 99 percent of its membership after the state's right-to-work law went into effect, a union executive testified under oath that about 8,000 members have not filled out paperwork to have dues automatically taken from their paycheck.

Eight thousand people not paying dues is a far greater number than the 1,500 the union claimed were not paying because they exercised their rights and opted out of the union.

In testimony before the Michigan Employment Relations Commission, MEA Executive Director Gretchen Dziadosz said some teachers had not been contacted

about the union's dues collection policy and that others hadn't paid because they likely were caught in technical problems the union said it was having.

However teachers across the state say they have received multiple notices from the MEA about its E-Dues policy and been told that if they don't hand over their credit card information or bank account number for dues withdrawal the union will send a collection agency after them.

Coopersville kindergarten teacher Miriam Chanski and Petoskey gym teacher William "Ray" Arthur said they got no information about how to get out of the union, but said the union contacted them

repeatedly about paying dues. Chanski and Arthur and a group of other teachers from across the state filed unfair labor practice complaints against the MEA asking that they be allowed to leave.

The MEA dropped its fight to keep Chanski and Arthur in the union and agreed to let them out recently. The cases against the remaining teachers are still pending before MERC.

Allowing two teachers to leave could pose a problem for the MEA in how it deals with the 8,000 union members who have not paid dues

See "Misled Members," Page 8

To read about Chanski and Arthur's victory, go to **Page 6**

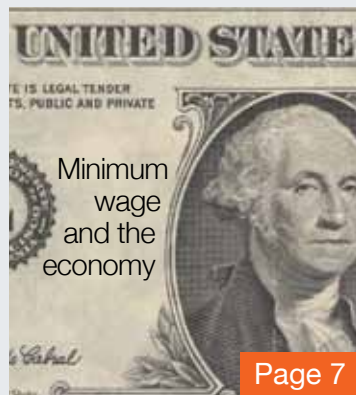


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A sampling of proposed state laws



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Bars, Restaurants Could See 280 Percent Increase in Labor Costs With Minimum Wage Proposal

BY JARRETT SKORUP

A group working to substantially increase Michigan's minimum wage says doing so would not likely lead to job losses or higher prices. But restaurant and bar owners disagree.

The coalition, Raise Michigan, is working to increase the minimum wage for all workers from \$7.40 to \$10.10 per hour over a period of three years. Currently, all Michigan workers are required by law to make at least \$7.40 per hour, but tipped workers are allowed to be paid a base wage of \$2.65 provided their tips take them over the minimum. If they do not, their employer is required to make up the difference.

El Granjero Mexican Grill celebrated its 5th anniversary recently. Restaurant managers and workers worry about the costs from the proposed mandated wage increase.

Going from \$2.65 per hour to \$10.10 is a 280 percent

See "Minimum Wage," Page 14

Don't Bail Out Detroit with State Tax Dollars

BY MICHAEL D LAFAIVE

The recent announcement that philanthropic foundations may donate \$330 million to help the Detroit Institute of Arts, which would also help city pensioners avoid the consequences of Detroit government mismanagement, sounds like great news.

Unfortunately, there may be a hook: A requirement that the state treasury contribute, which would convert voluntary private generosity into a coerced taxpayer bailout.

A state bailout of Detroit is a terrible idea. It creates moral hazard and adds to the overly generous financial support the city has for years received from state taxpayers.

And it's unfair. People in Ishpeming, Bad Axe and Traverse City who



To read more about issues in Detroit, go to **Page 9**

See "Detroit Bailout," Page 14

Are you new to Michigan Capitol Confidential?

Friends,

The New Year has already been a busy one in Lansing and across the state.

We've seen teachers gain their freedom from the Michigan Education Association; Gov. Rick Snyder push to give Detroit another bailout; and exposed a union-backed effort to increase the minimum wage in Michigan.

And that's just the start.

Consider:

- The Service Employees International Union, which orchestrated the "Dues Skim" that resulted in the taking of \$34 million from the Medicaid checks of the handicapped and elderly in Michigan, was fined almost \$200,000 from the state over actions tied to a failed 2012 ballot proposal campaign.
- The Acton Institute in Grand Rapids is in a battle with

the city over its status as a charitable organization. The city says the nonprofit owes \$91,000 in property taxes because it does not qualify as a charitable institution. The city also has singled out Michigan Capitol Confidential for its efforts to investigate and report what's going on, with the city attorney saying Grand Rapids will not respond to our questions.

- Democrats and union officials continue to push the false narrative that Gov. Snyder has cut funding from education, despite state agency reports that show an increase in funding.
- And finally, as a direct result of stories we reported, sheriffs in Michigan no longer will be required to kill unlicensed dogs. In response to a story we did last year exposing crazy laws, Rep. Margaret O'Brien sponsored a bill that rescinded the 1919 dog law, and Gov. Snyder signed it in March.

If you're not already getting our daily email that includes breaking news, analysis and commentary from our staff and the experts at the Mackinac Center for Public Policy, please send your email and other contact info to: lopez@mackinac.org.

Also, we are happy to provide our news to you every day and will continue to do so without charge. But it takes tremendous resources to run the news organization and any help you can give is appreciated. A donation of \$11.99 would help us continue telling the stories that are important to you in 2014.

And, as always, feel free to drop me a line with story ideas, questions, or comments.

All the best,



Manny Lopez

Managing Editor, Michigan Capitol Confidential

989-631-0900

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A MESSAGE FROM THE *President*

DEFENDING FREE SPEECH

BY JOSEPH G. LEHMAN



(Editor's note: The following was originally printed in the February issue of Impact magazine)

Ten years ago, we achieved a major First Amendment legal victory over the Michigan Education Association.

In 2001, the MEA's then-president Luigi Battaglieri told reporters, "Frankly, I admire what they [the Mackinac Center] have done," referring to our ability to put our research into lawmakers' hands. Then he sued us after we quoted him in news and fundraising letters. He demanded that we give the union our mailing lists and stop repeating his news conference remarks.

The MEA's tack mimicked that of southern segregationists in the 1950s, who demanded that the NAACP reveal its membership lists so that members could more easily be identified, harassed and intimidated. The U.S. Supreme Court ruled this would be a bad idea, and that the NAACP's members had a right to privacy.

In 2004, a three-judge panel of the Michigan Court of Appeals supported this reasoning by unanimous rule: The union was not entitled to our mailing lists, nor could it prevent us from repeating its president's public pronouncements.

Those rulings stand, but our

opponents are trying new ways to silence us.

Michigan Congressman Sander Levin formally asked the IRS to investigate the Mackinac Center for imagined lobbying misdeeds. Later, we learned that government officials had used the IRS at the same time to obstruct groups devoted to free markets. No journalist covering Rep. Levin's request asked if he routinely requests IRS investigations, or if he singled us out.

The Left recently popularized the term "dark money" to refer to private, voluntary contributions to "social welfare" and charitable groups that promote ideas they believe will improve society. Multiple news outlets reliably repeated the phrase, making noble citizen generosity sound sinister.

New IRS rules would redefine as "political" certain nonpartisan speech and activities routinely pursued by 501(c)(4) tax-designated groups. The change would likely reduce support for citizen engagement and education. While the Mackinac Center isn't one of those groups, I believe our kind of organization may be the next target.

Baseless accusations are now chronic. Charges of "tax fraud" and illegal lobbying too often need no substantiation, but are repeated by professional journalists.

Government officials undertook secret investigations against citizens engaged in routine political activity in favor

of important labor and fiscal reforms in Wisconsin. (Our friend Eric O'Keefe, a man who has aided good reforms in Michigan and elsewhere, risks retaliation by fighting back, as The Wall Street Journal recently reported.)

New progressive groups launched simultaneous, multi-state attacks on think tanks, including the Mackinac Center. Their purpose? To delegitimize activities such as presenting economic research to policymakers. They issued sloppy, plagiarism-ridden attacks on us. Yet outlet after outlet credulously republished the stolen words and ideas as original.

All of this has one, simple purpose: Silence us by scaring away supporters and making people doubt our credibility.

They try to squelch our voice while their friends compel millions of workers to fund unions' political speech. (Our labor policy work helps to correct that injustice.)

Defending free speech wasn't one of the original main purposes of the Mackinac Center, but it's become a cost of doing business. ■

Joseph G. Lehman is president of the Mackinac Center for Public Policy. The original version of this story was posted online on Feb. 24, 2014. It is available with hyperlinks and more info at www.mackinac.org/19771.



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Meet the Staff



Manny Lopez is managing editor of Michigan Capitol Confidential. He may be reached at lopez@mackinac.org



Tom Gantert is the senior capitol correspondent for Michigan Capitol Confidential. He may be reached at gantert@mackinac.org.



Jack Spencer is capitol affairs specialist for Michigan Capitol Confidential. He may be reached at spencer@mackinac.org.



Jarrett Skorup is research associate for Michigan Capitol Confidential. He may be reached at skorup@mackinac.org.

VAGUE CRIMINAL LAWS THREATEN INDIVIDUAL LIBERTY AND BURDEN THE JUSTICE SYSTEM



BY MICHAEL J. REITZ

You may be a criminal without even knowing it.

Centuries ago, there were only nine felonies under English Common Law. The common law dealt with behavior that is widely understood to be culpable — murder, theft, rape, etc. — but in today’s state legislatures and in Congress, innocuous behavior is too often criminalized. In Michigan, a person can be convicted of a crime for betting in an office March Madness pool, or mocking a person who refuses to duel.

It is a misdemeanor for a person to cause a pet ferret “discomfort” ... Transportation of a Christmas tree without a bill of sale is illegal.

Accompanying this over-criminalization is the failure of legislatures to define the intent necessary for a prosecutor to prove a crime has occurred. A fundamental principle of our legal system, rooted in centuries of tradition, is that a crime occurs only when there is both a wrongful act and wrongful intent.

William Blackstone, an 18th-century English jurist, wrote: “[A]n unwarrantable act without a vicious will is no crime at all.” Thus, a person could only be convicted if he committed an unlawful act and knew (or should have known) that the conduct was illegal.

Notable exceptions include strict liability crimes, which don’t require the proof of criminal intent to secure a conviction. In certain instances it is an effective means of regulating criminal behavior: Statutory rape, for example, penalizes a person regardless of their belief about the age of the minor.

Since the mid-19th century, however, the number of strict liability crimes has skyrocketed. Due in part to industrialization and urbanization, legislatures began enacting new criminal prohibitions to promote public health and safety: traffic laws, selling alcohol on Sundays, sale of adulterated foods and workplace regulations. Many early strict liability laws were aimed at promoting social order. These laws were also favored because of the ease of conviction — there was no need for prosecutors

to prove criminal intent.

The skyrocketing continues. A study by The Heritage Foundation and the National Association of Criminal Defense Lawyers determined that of the new laws creating nonviolent offenses adopted by Congress in 2005 and 2006, 64 percent of those laws contained inadequate intent provisions. This is not an indication that Congress necessarily wished to create strict liability crimes; a bill’s mere silence on the element of intent can be interpreted as imposing liability.

Michigan has dozens of strict liability crimes on the books. It is a misdemeanor for a person to cause a pet ferret “discomfort.” Transportation of a Christmas tree without a bill of sale is illegal. It is a crime to sell poultry without maintaining detailed records. Dancing during a performance of “The Star Spangled Banner” is prohibited. Intent is not a necessary element to win a conviction of any of these crimes.

The problem isn’t confined to petty crimes with minor penalties. The area of environmental regulation is especially dense with strict liability offenses that carry significant penalties. In a recent case, a man convicted of improperly disposing scrap tires was sentenced to 270 days in jail and a \$10,000 fine.

The Michigan Legislature could greatly improve the clarity and frequency of criminal statutes by adopting a provision that establishes a default standard of intent. Terms like “purposely,” “knowingly” or “recklessly” define what must be proven in court. If a criminal law is silent on intent, the default level of intent would apply. The Legislature could still adopt strict liability crimes, but would need to explicitly state its desire to do so.

Fourteen states have acted to improve criminal intent standards; Michigan should be next. Such a reform would improve the administration of justice, protect individuals from unwarranted prosecutions and concentrate the potency of criminal sanctions on truly objectionable behavior. ■

The original version of this story was posted online on Feb. 3, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19658.

SEIU Fined Almost \$200,000 Over Actions Tied To 2012 Ballot Proposal Campaign

BY JACK SPENCER

The Service Employees International Union, the labor group behind the home health care dues skim, has been fined \$199,000 for concealing that it bankrolled Proposal 4 in 2012, which would have locked a forced unionization scheme into the state constitution.

The fine for campaign finance violations is the second-largest ever levied in Michigan, according to a press release from the secretary of state’s office.

Between 2006 and when the dues skim finally ended in early 2013, the SEIU took more than \$34 million from home-based caregivers, most of whom were taking care of family and friends.

Secretary of State Ruth Johnson announced this week that the SEIU will pay \$199,000 in penalties for campaign finance violations surrounding Proposal 4. According to a press release from Johnson, the “violations included commingling of funds; late filings; not identifying all accounts used; and not providing complete or accurate campaign statements. When combined with late filing fees already paid, the SEIU will have paid more than \$205,000 in fines in connection with its backing of the failed ballot proposal.”

The penalties are part of a conciliation agreement reached by the department with Citizens for Affordable Quality Home Care and Home Care First Inc. Citizens for Affordable Quality Home Health Care was the name of the campaign committee for Proposal 4. Home Care First was the shell corporation created at the start of the Proposal 4 campaign to shield the fact that SEIU was virtually the only entity providing funding for the proposal.

“We suspected all along that the SEIU was trying to hide its real intentions, which were to prolong the dues skim so it could continue to steal money from some of the

state’s most needy people,” said Patrick Wright, director of the Mackinac Center Legal Foundation.

The Secretary of State’s investigation of the Proposal 4 campaign resulted from an August 2013 complaint from Gideon D’Assandro of the Michigan Freedom Fund. In that complaint it was alleged that Home Care First filed its commit-



tee’s statement of organization late to delay publicly reporting that SEIU contributions were the main source of support for the ballot question, which cost more than

\$9 million. Despite the late filing, the effort to hide what was really happening proved to be a charade that most of the news media saw through and speculated about during the 2012 campaign.

Proposal 4 was devised by the SEIU in an attempt to keep the flow of dues it had been receiving from the Medicaid checks of as many as 60,000 home-based caregivers in Michigan since 2006. Michigan voters rejected the proposal by a wide margin, 57 percent to 43 percent despite their being almost no organized opposition.

In the mid-2000s the SEIU targeted as a potential source of revenue the assistance checks of Michigan participants in the federal Home Help Program. That program began in the 1980s and allows the elderly and disabled to be cared for in their homes instead of being put into institutions.

The SEIU’s scheme was orchestrated in 2005 when Jennifer Granholm was governor. The dues skim featured a dummy employer, a mail-in stealth election, and the use of the term “home healthcare workers” to describe caregivers in the Home Help Program.

In 2011, the dummy employer, the Michigan Quality Care Com-

See “SEIU Fined,” Page 8

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Lawsuit Filed Against MEA Over Dues Policies, 'Fair Representation'

BY MANNY LOPEZ

Susan Bank has spent 39 years working in education and paid thousands of dollars to the Michigan Education Association over the years.

But when the middle school special education teacher expressed an interest in getting out of the union and was told a collection agency would come after her if she didn't pay her dues, she said she'd had enough.

The Novi teacher now is suing to get

out of the union. The Mackinac Center Legal Foundation filed a lawsuit in Oakland County Circuit Court on her behalf. Bank is suing the MEA because the union has a "duty of fair representation" but did not treat her fairly because it did not inform her of the rule she could only resign her membership in August, said Patrick Wright, director of the Mackinac Center Legal Foundation.

Additionally, the union's "membership application" serves as permission to allow for dues de-

duction, but does not bind employees to pay annual dues to the MEA, Wright said.

"The union has contended that the 'membership application' wasn't a collective bargaining matter, but rather a matter between parties," he said. "She wants to be certain she is heard on this matter."

Collective bargaining disputes are handled by the Michigan Employment Relations Commission.

At an unfair labor practice hearing February 26 at MERC related to a different group of teachers suing the MEA, the union presented a new dues collection policy, which outlines how the MEA will use a collection agency to go after members who are 90 days past due in paying.

If the MEA sticks to its policy, it will be busy.

Michigan Education Association Executive Director Gretchen Dziadosz said at the hearing that 8,000 of its 112,000 members are not paying

dues. In November, the MEA testified in front of the Senate Compliance and Accountability Committee that 1,000 members had opted out of the union and no longer were paying dues.

Bank testified at that hearing and said she thought not turning in the paperwork that allowed the union to automatically deduct dues electronically made it clear she wanted out of the union. The Senate committee was formed to investigate whether the MEA was complying with Michigan's right-to-work law.

The Mackinac Center Legal Foundation also is representing a group of teachers from across the state in unfair labor practice complaints filed at MERC. Those cases are ongoing.

Bank has been with the Novi Community School District for 12 years and previously was a principal in the Redford Union Schools.

The MEA did not respond to a request for comment. ■

The original version of this story was posted online on Feb. 28, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19834.



Novi teacher Susan Bank testifying in November at a Senate committee hearing.

HOSPITAL UNION RESORTS TO INTIMIDATION TACTICS AGAINST WORKERS WHO OPT OUT

BY TOM GANTERT and JARRETT SKORUP

Kollin VanDenHeuvel is a college student in a 90-day temporary position that offers no benefits at Flint's Hurley Medical Center. So he said he saw little advantage to joining the union.

In response, the American Federation of State, County and Municipal Employees Local 1603 union posted his name on a list at the hospital to serve "notice" that he exercised his rights under state law and opted out of the union.

VanDenHeuvel and three other workers names were posted on a bulletin board in a public area near the hospital cafeteria. Michigan's right-to-work law no longer



An AFSCME local posted the names of hospital workers who exercised their rights and left the union.

requires workers to pay dues or fees to a union as a condition of employment.

"I believe it is posted as intimidation to try to get others to question us members [on] why we chose to opt out," VanDenHeuvel said.

Sondra Ellison also was on the list. She had been a member of the union for 27 years before opting out.

"It was very upsetting to me because it was such a public place," Ellison said. "It was just there for anyone who just came in."

Ellison said she thought it was done to intimidate others from leaving the union. She said she went to the hospital admin-

See "Hospital Union" Page 8

Grand Rapids Says Nonprofit Acton Institute Not A Charitable Institution

BY MANNY LOPEZ

Officials from the Acton Institute for the Study of Religion and Liberty in Grand Rapids went before the city's Board of Review to appeal a decision that it owes \$91,000 in property taxes on its newly renovated building and parking lot downtown.

According to the denial letter City Assessor Scott A. Engerson sent to Acton, the nonprofit think tank "does not meet non-profit charitable requirements according to case law."

The letter did not provide specifics about the case law, but in a comment posted to a story on MLive, a reporter said Grand Rapids City Attorney Catherine Mish told him the case law dealt with the Ladies Literary Club and that "Acton does not qualify as a non-profit educational institution under state property tax law because it's not part of educational system that's provided by the state and supported by public funds."

Neither Mish nor Engerson responded to emails and phone calls requesting comment on the case law the city cited, what other nonprofit organizations in the city have been denied similar requests or other questions aimed at providing some clarity as to why the city thinks Acton is not a charitable organization.

"We are disappointed with the city assessor's ruling, but we are confident that our appeal will be successful," Acton Executive Director Kris Mauren said in a statement. "Not only has Acton been successfully operating as a nonprofit since its founding in Grand Rapids in 1990, but our local educational, research and community outreach during these nearly 25 years has been extensive and growing."

State law allows tax exemptions

for a wide variety of operations and organizations including nonprofit theaters, libraries, "educational, or scientific institutions; nonprofit organization fostering development of literature, music, painting, or sculpture." It also provides exemptions for nonprofit charitable institutions.

The Acton Institute is a 501(c)(3) organization dedicated to research and education based on free market economics and religion. The think tank describes itself as promoting "a free and virtuous society characterized by individual liberty and sustained by religious principles." The IRS describes 501(c)(3)'s on its website under the heading, "Tax Information for Charitable Organizations."

In addition to organizing seminars and publishing work based on its research, the Acton Institute holds a yearly, four-day university seminar that brings in faculty and participants from around

the world. It is attended by students, professors, everyday citizens and business leaders, and Acton

routinely covers the cost for some community members and students who attend, said John Couretas, an Acton spokesman.

Acton spent \$7 million buying and renovating its building on Fulton Street. The city now values that building and an adjacent parking lot at a combined taxable value of \$1.8 million a year.

The Board of Review did not make a decision on the exemption appeal. Acton can now take its case to the Michigan Tax Tribunal. ■

The original version of this story was posted online on Mar. 11, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19885.

To read more about the Acton Institute, go to **Page 10**

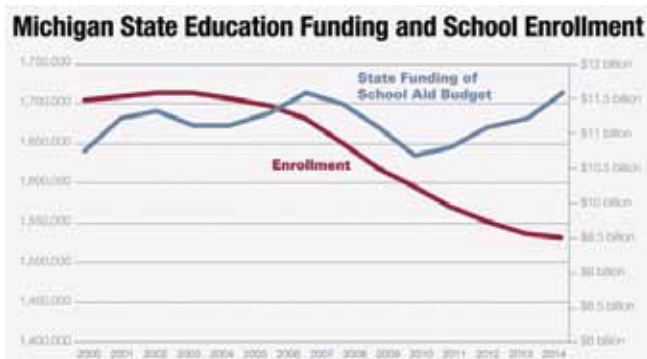
Reality Check: Michigan Public Schools Getting More Money For Fewer Students

BY TOM GANTERT

A metro Detroit newspaper and the Senate Minority Leader said state funding cuts are a reason some public school districts are in financial distress.

Yet, according to the Senate Fiscal Agency, K-12 public education has received hundreds of millions of dollars more the past few years despite there being a drop in the number of students the past three years.

The Detroit Free Press reported in a Jan. 15 article that 50 school districts and charter public schools ended 2012-13 in deficit “largely because of declining enrollment and the impact of state funding cuts.”



MLive ran a Jan. 15 article that quoted Senate Minority Leader Gretchen Whitmer, D-East Lansing, stating that Gov. Rick Snyder has “cut \$2 billion from public education over his first three years in office.”

Since Gov. Snyder has been in office, the state has passed school aid budgets that devote \$798.9 million more in state resources to school funding, according to the Senate Fiscal Agency. The school aid budgets have increased 7.4 percent from \$10.8 billion to \$11.6 billion from fiscal year 2011 to fiscal year 2014. At the same time, total student enrollment was down 2.4 percent over the period.

If you include K-12, community colleges and higher education, state funding has increased 5.5 percent from \$12.6 billion in fiscal 2011 to \$13.3 billion in 2014. Overall, the total state budget dropped from \$48.8 billion to \$48.7 billion over that period.

“There is a continual drumbeat of people bemoaning public education cuts,” said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy. “It would be nice if they actually looked at the data.”

The state lists 50 school districts in deficit in 2012-13, one more than the previous year. However, two of the 50 districts in deficit have been dissolved and two others were consolidated into one district. ■

The original version of this story was posted online on Jan. 16, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19561.

Gubernatorial Candidate Makes Inaccurate Claim About Education Spending

BY TOM GANTERT

Gubernatorial candidate Mark Schauer erroneously said on WJR that an increase in funding under Gov. Rick Snyder for schools was due to federal dollars.

According to the Senate Fiscal Agency, state funding has increased every year under Gov. Snyder while federal funding has declined relative to his predecessor.

From 2008-09 to 2010-11 – Gov. Granholm’s last three budgets – K-12 education received \$6.4 billion from the feds. From 2011-12 to 2013-14 under Gov. Snyder, the feds have contributed \$5.2 billion to K-12 education.

Yet, Schauer continued a Democratic storyline that Gov. Snyder has cut funding to K-12 education. The day after Gov. Snyder’s State of the State speech, Schauer made his claim on Frank Beckmann’s radio show on WJR.



Mark Schauer

“[The] governor is taking credit for a lot of federal money that is coming from the state. However, they want to argue there is increased funding from schools. It is federal money,” Schauer said. “The actual state investment in education has fallen to the tune of a billion dollars.”

Federal and state funding for K-12 education in Gov. Snyder’s first year dropped by \$240 million in 2011-12 from the previous year due to a \$520 million cut in federal dollars, according to the Senate Fiscal Agency.

But state funding increased every year under Gov. Snyder.

Overall, state and federal funding for K-12 education has increased from \$12.7 billion in 2011-12 to \$13.4 billion in 2013-14, according to the Senate Fiscal Agency. The state dollars spent on K-12 education has increased every

year. Gov. Snyder has been in office going from \$11.01 billion in 2011-12 and \$11.21 billion in 2012-13 to \$11.60 billion in 2013-14, according to the Senate Fiscal Agency.

Federal funds still lag about \$400 million behind what former Gov. Jennifer Granholm received in her last budget in 2010-11.

“Policymakers more than replaced the temporary federal funding with state tax dollars,” said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy. “Let’s hope that politicians change their rhetoric because there’s no denying the substantial increase in state money going to education.”

Schauer’s campaign didn’t respond to a request for comment. ■

The original version of this story was posted online on Jan. 24, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19591.

Teachers Victorious In Their Quest To Get Out Of The MEA

BY MANNY LOPEZ

Two Michigan teachers who filed unfair labor practice complaints against the Michigan Education Association have won their freedom from the union.

The MEA is no longer contesting complaints from Coopersville kindergarten teacher Miriam Chanski and hall of fame wrestling coach William “Ray” Arthur, said Patrick Wright, director of the Mackinac Center Legal Foundation, which represents the teachers.

Last year, Chanski and Arthur, as well as a group of other teachers from across the state, asked the Mackinac Center to help them get out of their union. The Mackinac Center Legal Foundation filed complaints on their behalf with the Michigan Employment Relations Commission, and the MEA recently gave up its fight against Chanski and Arthur. The cases involving the remaining teachers are still being considered by MERC.

“I am very happy with the outcome and the work that the Mackinac Center Legal Foundation and Patrick Wright did in bringing the proper attention to my case and in following through,” Arthur said. “I’m grateful for his help and looking forward to

getting the word out to other members who need help along the same lines.”

At a hearing last week involving a group of Saginaw teachers who say they also have been bullied and intimidated by the union, Michigan Education Association Executive Director Gretchen Dziadosz said 8,000 of its 112,000 members are not paying dues. In November, Doug Pratt, the MEA’s spokesman at the time, testified in front of the Senate Compliance and Accountability Committee and said that about 1,500 members had opted out of the union and no longer were paying dues.

“This is a step in the right direction, but with 8,000 people in jeopardy, clearly more work needs to be done,” Wright said.

During the MERC hearing, the MEA presented a dues collection policy that said it will send a collection agency after teachers who have not paid their dues for 90 days or more. Dues and agency fees vary, but on average teachers pay between \$900 and \$1,000 to the MEA, the National Education Association and their local union.

Michigan’s right-to-work law no longer allows unions to get employees fired for not paying dues or fees.

Chanski said she had notified the union of her intent to leave, but the request was ignored because the union said it did not fall within its one-month window in which teachers must resign. The MEA only allows teachers to leave in August and it does not actively inform its members of their right to leave. Chanski said her credit was threatened when she refused to pay dues.

Arthur, who is a gym teacher in Petoskey, said he also was never informed of the August window and threatened with having his credit ruined. He estimated he has paid the MEA more than \$30,000 in dues over the course of his 34-year teaching career.

The MEA has agreed to return \$303 Arthur said he paid in dues while his case was ongoing, Wright said.

“When right-to-work was passed, my local union and the MEA sent membership all sorts of info on how to make payments for dues. However, not one single iota of information was included about how to opt out of the union,” Arthur said. ■

The original version of this story was posted online on Mar. 6, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19875.

MINIMUM WAGE

Schauer, Other Michigan Dems Call For Higher Minimum Wage While Paying Interns Nothing

BY JARRETT SKORUP

While Democrats in Michigan are calling for business owners to pay a higher minimum wage, those same politicians are paying their own workers far below that amount.

In fact, some of their workers are paid nothing.

Former Congressman Mark Schauer is running for governor, partially on a platform of increasing the minimum wage 25 percent up to \$9.25 per hour. Schauer said in a story on the Huffington Post that mandating higher wages is “simple economics” that “creates demand in the economy.”

“It’s long overdue,” Schauer was quoted as saying in an article on MLive. “At \$7.40 an hour, a full-time minimum wage worker earns just \$15,392 a year before taxes. We need to raise the minimum wage to \$9.25 ... because no one working a full-time job should have to live in poverty. It’s time to do what’s right for our families, our businesses, and our economy by raising the minimum wage.”

Yet, on his gubernatorial campaign, as when he was in Congress, Schauer uses unpaid interns.

The political science department at Michigan State University

posts information on its website on how to apply for internships for “Mark Schauer For Governor.” Internships.com says there are five part-time, unpaid positions.

And according to information put out when he was in Congress, then-Rep. Schauer offered several



Democratic Chair Lon Johnson, Rep. Jon Switalski, Sen. Bert Johnson, and Rep. Rashida Taib have all overseen unpaid interns.

full- or part-time internships that were unpaid. Tasks included: “answering phones, processing mail, assisting constituent service representatives with resolving constitu-

ent inquiries and problems with government agencies, attending various district events, data entry and various additional clerical support assistance for members of the staff.”

The Schauer campaign did not respond to a request for comment.

Using unpaid interns in politics is not unique among Democrats, and Gov. Rick Snyder and some legislative Republicans have used them, but thus far, the GOP in Michigan have not gone on record as supporting or actively promoting a higher minimum wage.

In 2010, under directives from the Obama administration, the U.S. Department of Labor announced that it was cracking down on unpaid internships offered by businesses. The department has not gone after non-paying internships offered by non-profits, politicians or government agencies.

From President Obama down to local Democrats, calls for a higher minimum wage have become a popular campaign issue this election year. Unions and other left-leaning groups are pushing a ballot proposal in Michigan, in what many see as a get-out-the-vote effort.

See “Unpaid Interns,” Page 12

Do Politicians Understand Economics?

BY MICHAEL D. LAFAlVE

Minimum wage laws are regarded by economists of all stripes as among the least efficient tools for boosting the welfare of those at the lower end of the earnings spectrum, inevitably harming many of those they are intended to help.

This leads some to conclude that politicians who champion increasing the minimum wage must be demagogues working for partisan

advantage. In reality, most politicians simply don’t understand economics. In fact, there is research to support this more generous view.

In 2011, scholars J. Brian O’Roark and William C. Wood published a study on the link between minimum wage votes by members of Congress and their formal educations. The study, “Determinants of Congressional Minimum Wage Support: The Role

of Economic Education,” concluded that “members who majored in economics as undergraduates were less likely to vote for the minimum wage increase than their colleagues. No other major had a consistent influence.”

O’Roark and Wood call for “deference” to economists on this topic, writing that “the minimum wage debate is a particularly po-

See “Economics,” Page 12

Who Is Behind The Minimum Wage Increase Drive?

BY JACK SPENCER

A petition drive to put a minimum wage increase on the statewide ballot in Michigan is only superficially about the minimum wage and isn’t really Michigan based, says a watchdog group monitoring the issue and the groups behind it.

In fact, says Mike Paranzino, the Restaurant Opportunities Center (ROC), which is actively supporting a minimum wage increase, is really just a labor front group. Paranzino is communications director for ROCexposed, an organization dedicated to educating people about “worker centers,” which are being organized by ROC. ROCexposed provides a counter to ROC’s research, illuminates its funding and highlights the tactics ROC uses against restaurants and restaurant workers.

ROC also is the hub of a coordinated national push for minimum wage increases in multiple states and has established groups to pursue this goal within individual states, Paranzino said. In Michigan, that group is, “Raise Michigan,” which is working to get the issue on the statewide November ballot.

In early February, “Raise Michigan” submitted a petition to increase Michigan’s minimum wage from \$7.40 per hour to \$9.50 per hour by 2017. But a week later the group amended the petition language to boost the increase to \$10.10 per hour, matching the call by President Barack Obama in his State of the Union address. Michigan gubernatorial candidate Mark Schauer has suggested businesses be forced to pay an increased wage of \$9.25 an hour.

Unlike Michigan’s last minimum wage increase, the proposed jump in pay to \$10.10 would also apply to the wages of tipped workers and, perhaps more significantly,

after 2017 the wage would be indexed to inflation.

A spokesperson for the ROC denied that the organization is a union front group.

ROC-Michigan is an affiliate of the national group, ROC-United. The organizations say they are dedicated to improving working conditions in restaurants, increasing wages and getting restaurants to provide benefits to workers.

Paranzino says the ties to organized labor are clear and there is a clear link to the push for an increasing the minimum wage in Michigan. In the question-and-answer

below, he provided some insight into ROC’s actions in Michigan and some background about the group:

Q: What’s the connection between ROC and “Raise Michigan”?

A: ‘ROC Michigan’ Director Frank Houston has said the campaign has secured up to \$1 million to put the minimum wage increase on the statewide ballot. Of that, we know that \$300,000 was pledged by ROC. Where the other \$700,000 would be coming from has so far been undisclosed.

Houston is chairman of the Oakland County Democratic Party, and Treasurer of ‘Raise Michigan.’ Last fall, ROC put out a nationwide job posting, seeking someone to be the leader of the Michigan minimum wage drive. In that posting the drive was described as a multi-million dollar national effort.

Q: What do you mean when you say that ROC is a labor union front?

A: I mean it in the sense that it was union-founded and is increasingly working closely with the unions, particularly the SEIU (Service Employees International Union). In 2003, the New York Press reported that ROC’s goals had evolved into efforts to organize the 99 percent of the restaurant industry that is non-union.

See “Wage Drive,” Page 12



MISLED MEMBERS

from Page One

this year. MEA Spokesman Doug Pratt was asked on WKAR last fall if the publicity from the unfair labor practice complaints could cause more members to stop paying dues.

“You know what,” Pratt said on WKAR. “I think when it comes right down to it, it’s who we are as an organization. We deal with contracts. We enforce contracts and when we have a membership form for an individual that says I can opt out in August that’s a contract between us and that member.”

But Arthur questioned why the August opt-out window was during such an inconvenient time for teachers.

“Why would you have a window in August when teachers aren’t even in school; a window that is just 30 days, about 10 percent of the year, during a time they’re not working?” the hall of fame wrestling coach said. “In my mind, they purposely kept the opt-out date from the membership to stop the bleeding of the membership and the money.”

John Ellsworth, a teacher in the Grand Ledge Public Schools, said it didn’t matter to him whether it was 8,000 teacher or eight teachers.

“The MEA should have actively informed its members of the open enrollment period,” Ellsworth said in an email. “I think the MEA failed to inform its members of the open enrollment period, and it should have this school year especially because of changes to state law. I think all members deserve to be told when their membership is renewing. I don’t mind if the default is renewal, but members should be informed of the open enrollment period so they can opt out if they desire to do so. I think a reasonable remedy for this year is for MEA

to offer a special open enrollment period right now and to actively contact members about it. Members could then make an informed decision about whether to stay in the union or to leave it. I think it is reasonable to hold people accountable for agreeing to be in the union so long as they were clearly given the option to decline continuing membership. I don’t think that happened this time, even though there was a substantial change in state law.”

Ellsworth said there could be many reasons why the teachers stopped paying dues.

“I am quite certain there are a variety of reasons,” Ellsworth said. “Some of my peers were upset with the lack of information about the open enrollment period. Some of my peers think the dues are expensive. Some of my peers decided the only pay raise they would get was by not paying dues since their paychecks were diminished and their expenses increased. Some of my peers did not want to sign up for automatic deductions (although recent MEA improvements now allow for one-time online payments).”

Dusty Fairfield, a teacher at Ravenna Public Schools, said in an email he felt sorry for the MEA.

“They (MEA) are sinking fast and they refuse to let go of a fistful of money to grab a life jacket,” Fairfield said. “Eight thousand teachers are not paying dues because they have families to take care of. With all the financial cuts made recently, they need every dollar they earn to survive. Homes are being lost. Priorities have trumped being represented by a union. It’s a matter of survival for some.” ■

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SEIU FINED

from Page Four

munity Council (MQC3), was defunded by the Legislature. It was believed that would end the forced unionization and the dues skim. But the SEIU funneled money to the MQC3 and kept it from folding so the union could continue to receive dues from the Medicaid checks. At one point the MQC3’s executive director could only work three hours or less a month or she would lose her unemployment benefits.

In early 2012, Michigan Capitol Confidential began regularly posting articles about the dues skim and a skim tracker that tallied the SEIU’s mounting bankroll from the skim. The skim tracker became a permanent feature on the Capitol Confidential website. In late March 2012 the Legislature passed legislation to outlaw the dues skim, and in April, Gov. Snyder signed it into law.

The SEIU then turned to federal court to keep the dues flowing into the union’s coffers. The court ruled that the union could continue take dues from the checks as long as a collective bargaining agreement existed between the union and the dummy employer.

Sensing that the dues skim was nearing its end unless action was taken, the SEIU bankrolled Proposal 4. Backers of the proposal tried to get it passed by claiming it would create a program just like the Home Help Program, which had existed since the 1980s, and that it would create a registry to ensure the safety of those receiving care at home.

However, such a registry already existed and after the dues skim ended the state began operating it without having to add a single employee to do so.

Gov. Snyder then replaced the

MQC3 board of directors with new members who would represent workers and taxpayers instead of the union. In December 2012, the new board members voted to disband the MQC3, which led to an end to the dues skim as soon as the collective bargaining agreement expired at the end of February 2013.

Dohn Hoyle was a member of the MQC3 board before Gov. Snyder replaced members. He also was treasurer and co-chairman of Proposal 4 campaign, and head of Home Care First. He also is executive director of The Arc Michigan, an agency that helps people who have developmental disabilities. The Arc donated \$50,000 to the MQC3 in the spring of 2012.

Hoyle also called Robert Haynes, a retired Detroit police officer who with his wife takes care of their disabled adult son and daughter, an “idiot” while the Proposal 4 campaign was being waged.

Hoyle did not respond to a request for comment.

In a prepared statement for the news media Hoyle said, “While we disagree with the Secretary of State’s portrayal of the campaign, we have decided not to challenge it. The mistakes that were made were a result of errors in filing of reports.”

Zac Altefagt, spokesman for SEIU Healthcare Michigan (the SEIU affiliate most directly involved) did not respond to a request for comment.

The Mackinac Center Legal Foundation has filed a complaint against the SEIU to try to get back some of the dues that was paid to SEIU. That case is still pending.

The largest fine for campaign finance violations was levied in 2009 against three political fundraising campaigns and involved Mark Schauer’s state Senate campaign funds, according to the secretary of state’s office. The committees paid a total of \$225,250 for excess contributions. Schauer is now the Democratic candidate for governor. ■

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HOSPITAL UNION

from Page Five

istration and asked to have the list taken down and it was.

“My employer should be able to protect my privacy at least from the general public,” Ellison said.

Another worker who opted out of the union, Shannon Leonard, has worked at the medical center for six years. She said the union did not help her even when she was bumped out of jobs and moved to part-time positions.

“The union has never helped me. [I] always had to fight my way back to full time,” Leonard said. “This is the reason behind choice along with the financial need to save the money on dues. I do feel that it was unnecessary to post our names on a board for all to see. I could have understood the post being present in the union office for the officials to see, but they actually posted it in the hallway to our cafeteria where not only employees could view it, but the public also. I don’t appreciate my full name being disclosed like this.”

The Greater Flint AFL-CIO Labor Council, which represents the AFSCME Hurley Medical Center Employees Local 1603, didn’t respond to a request for comment.

The Hurley Medical Center released a statement saying it was not getting involved in union business.

“While Hurley Medical Center is always appropriately concerned with legal rights pertaining to workforce members and issues, the administration of Hurley Medical Center does not get involved in internal union business,” the statement read.

Unions from around the state have been posting the names of workers who opt out. The International Union of Operating Engineers Local 324 referred to 19 workers from across the state as “freeloaders” in its newsletter that it also published online.

A local affiliate of the Michigan Education Association in the Upper Peninsula did the same thing with 16 employees who opted out. ■

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CAPCON MICHIGAN CAPITOL CONFIDENTIAL

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140 West Main Street, Midland, Michigan 48640

989-631-0900 www.mackinac.org MichiganVotes.org MichCapCon.com

Michigan Taxpayers Have Already Bailed Out Detroit

BY JAMES HOHMAN and
JARRETT SKORUP

Michigan Gov. Rick Snyder, House Speaker Jase Bolger and Senate Majority Leader Randy Richardville submitted a \$350 million plan to benefit the City of Detroit. But the state has repeatedly given Motown extra cash and allowed special rules to help get the city out of repeated jams.

When asked in December if extra state help was on the table, Detroit Emergency Manager Kevyn Orr responded: “No. It was made abundantly clear that a state bailout of Detroit’s finances was not a possibility.”

The proposed deal, which would have to be agreed to by the full Legislature, signals an unfortunate about-face.

Those making the case for a state bailout are either unaware of the long-standing history between Detroit and the state of Michigan,

or have chosen to deliberately ignore it. Michigan has rewritten its laws multiple times to give the city more fiscal assistance. In other words, the bailout option has been tried and found wanting.

As Detroit faced a declining revenue base in 1996, the state rewrote its gambling law to allow for casinos in the city, with wagering taxes going directly into local coffers. This tax now accounts for 15 percent of city revenue. Detroit is the only city in Michigan allowed to levy this tax.

Detroit also is the only city that assesses an excise tax on utility use, authorized by state law in 1990. This is tacked onto the regular utility bills paid for by residents and businesses.

The state has written special laws for Detroit’s income taxes. Every other city can enact a maximum 1 percent income tax on residents and 0.5 percent on nonresident earnings. Detroit taxes at more than twice those rates — 2.4 percent for residents and

1.2 percent for nonresidents.

Michigan also has huge advantages in state revenue sharing. The state shares the revenue from some of its taxes with local governments. Part of this is mandated by the state constitution, to be distributed by population, and part is determined by state statute that legislators can alter as they see fit. Detroit gets the majority of state revenue sharing — 58 percent of the pot, while containing less than 10 percent of the state’s total population.

Yes, Detroit’s revenue decline is a problem. But as a report from the Citizens Research Council of Michigan shows, no matter how you slice it, Detroit gets more revenue than every other municipality in the state, and the city is still a fiscal basket case. In fact, Motown receives twice as much revenue per person as the second-highest municipality in the state.

CAPCON COMMENTARY



JAMES HOHMAN
Assistant Director
of Fiscal Policy



JARRETT SKORUP
Research Associate

More Money, Higher Taxes Not the Solution for Detroit

BY JAMES HOHMAN and
JARRETT SKORUP

A new report from Demos, a left-leaning think tank, blames Detroit’s bankruptcy on Wall Street and calls for a state bailout. Its diagnosis is wrong and its prescription has already been tried.

Demos believes that the city’s problems can be mostly linked to a loss of population and tax revenue and the state’s “slashed” revenue-sharing, rather than costs for the city’s pension and retiree health care benefits. It wants more money from the state and the ability for the city to raise more revenue.

But the state of Michigan has been bailing out Detroit for years and it’s only delayed the problems. In fact, Detroit gets favors from the state of Michigan that no other city receives, and the state has made these rules to try to get the city more revenue to deal with its problems.

Detroit is the only city in Michigan that can assess a utility tax. It is added on top of monthly bills charged to residents and businesses. The tax expired in 1988 but was resurrected in 1990.

Detroit is the only city that assesses a wagering tax. The state rewrote its gambling laws in 1996 to allow for Detroit casinos and allowed the city to tax them directly. No other city has state-authorized casinos.

The Demos report is critical about the fact that Michigan’s statutory revenue sharing has declined. Yet, Detroit still gets the majority of these contributions — 58 percent of the total, while Detroit’s share of the population is less than 10 percent. And this proportion is up from 42 percent in fiscal year 2002. While municipal leaders have long bemoaned reductions in state revenue sharing, only Detroit is in bankruptcy.

A report from the Citizens Research Council shows that Detroit gets more total revenue than every other city in Michigan. Yes, this has declined over the years. But compared to the rest of the state’s cities that provide largely the same services to its residents, the decline means that Detroit’s gone from unheard-of levels of funding to extremely-high levels of funding.

One of the Demos recommendations is that the state help Detroit borrow \$196 million. Except this already happened. Michigan rewrote its fiscal stabilization bonds for Detroit in 2010 and the city borrowed \$250 million, secured by state revenue sharing. Indeed, in the five years before Detroit’s consent agreement, the state helped the city borrow \$610 million.

The most significant thing the report ignores is at the very heart of Detroit’s problems: incentives.

Additional state assistance has also been provided in the area of borrowing. Michigan rewrote its local government emergency bonding laws in 2010 to allow Detroit to float more stabilization bonds, secured by state revenue sharing payments. Limits were increased from \$125 million to \$250 million. The city borrowed the maximum. In addition to the \$250 million in bonds, the state helped the city borrow an additional \$610 million in the five years prior to direct state intervention.

State legislators have also repeatedly affirmed the special privileges received exclusively by Detroit as the city has lost popula-

tion by adjusting the population rules on a number of laws. The state constitution prohibits “local acts,” where it gives one government a preference not received by others, without super majority approval in the Michigan Legislature. Legislators avoid this by not naming specific local governments and instead apply rules that only one government meets.

Since Detroit is the largest city, it received these benefits by restricting it to cities with a population greater than 1 million. With falling population, legislators repeatedly reworked the limits. One bill, passed unanimously by the state House, allows the city to tax and borrow for special assessments without a vote of the people. Other laws continuing to allow Detroit to have its special higher income tax and unique extra utility tax were also passed in 2011.

In sum, Michigan has done nearly everything in its power to return Detroit to solvency, and repeatedly changed the law to help Motown out of its numerous jams. These bailouts have not worked because the city continues to be mismanaged. Worse, the other local governments in fiscal emergencies might now feel entitled to state cash — and there are many local governments with underfunded pension plans.

It is heartbreaking that city officials mismanaged resources so badly for so long. But the state needs to correct their error of continually bailing out the city and ignoring the fiscal malpractice being done; not encourage more of it from its municipalities. The state has a long history of bailing out Detroit — policymakers need to learn the lessons about why they didn’t work. ■

(Editor’s Note: Portions of this article originally ran on the Public Sector Inc. website on Nov. 22.)

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The original version of this story was posted online on Jan. 24, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19619.

Tax Board Bans Recording Equipment In Hearing Involving Nonprofit

Grand Rapids debating whether Acton Institute is a charitable organization

BY ANNE SCHIEBER

GRAND RAPIDS — Moments before the Grand Rapids Board of Review was to hear testimony on the denial of tax exemption status for the nonprofit Acton Institute for the Study of Religion and Liberty the Grand Rapids City Assessor announced a new rule.

“The Board of Review is prohibiting recording equipment inside the hearing,” Assessor Scott Engerson told reporters gathered at the public hearing. Engerson said the Board of Review made the decision and he was simply passing on the information.

This particular hearing garnered unusual attention. In March, the city of Grand Rapids notified the Acton Institute, a nonprofit educational and research think tank, that it did not qualify as a nonprofit charity, which could exempt it from property tax. The organization, which operates in a refurbished structure at 98 E. Fulton, faces a property tax bill of \$91,000 on the renovated building and an adjacent parking lot.

Paula Jastifer of the City Assessor’s office said the board made the decision to ban recording equipment at its “organizational” meeting, which was held the first week in March before the Board of Review began the process of examining current assessment complaints. She said minutes of the meeting would not be available until the end of the month. A review of the minutes from last year’s “organizational” meeting is a one-page document with all of four notes. None of them mention media restrictions.

Patrick Wright, director of the Mackinac Center Legal Foundation, said while cameras and recording equipment are allowed in public meetings and court rooms in Michigan, case law involving Board of Review hearings gives no clear direction.

The Mackinac Center plans to file a complaint about the Board of Review’s ban under the Open Meetings Act.

In the meantime, Kris Mauren, the co-founder and executive director of the Acton Institute made his case to the Board to reconsider the city’s decision. He said that while his organization understands the need for cities to raise tax revenue, society “believes in, and depends upon, robust civic institutions — nonprofits for the most part — that help to support the society and culture in ways that the city cannot do at any level of taxation.”

He said he thinks Acton meets the definition of a tax-exempt charitable organization under the Michigan General Property Tax Act 206, section 211.n and 211.o. He also cited two examples of case law, which define “charity” more broadly than the city.

The first case involved a dispute between the Wexford Medical Group and the city of Cadillac. The other involved the Kalamazoo Aviation History Museum against the city of Kalamazoo. In both cases, Michigan’s higher courts ruled those organizations meet the definition of charity under the statute.

Mauren said that in a discussion from Monday that the city attorney believes charity requires “clothing the naked, feeding the hungry and sheltering the homeless.” Calls to Catherine Mish, the city attorney in Grand Rapids, were not returned.

Acton is the only nonprofit complaint to surface in Grand Rapids this year.

The Board of Review had no questions for Mauren and said it will send Acton a notice of its decision at a future date.

Denials of property tax exemptions for nonprofits seem to be a growing tactic of cash-strapped state and local government, said David Thompson, vice president

of the National Council of Nonprofits. His organization has been tracking tax exemption denials as well as fees imposed by government on nonprofits.

“In recent years, local government has been turning to nonprofits as a new source of revenue,” he said. “Nonprofits that were the jewels in the crown of a city just five years ago are now treated as scofflaws subject to the scorn of local

ACTON INSTITUTE



politicians. The politicians blame the nonprofits rather than facing the budget challenges head on.”

Thompson said that when government imposes taxes and fees on nonprofits, it robs organizations of things they’ve been commissioned to do.

“What the local politicians see as ‘found money’ are in fact resources dedicated to the community that have been donated by individuals who feel the nonprofits — and not the government — are best qualified to solve local problems,” he said. ■

The original version of this story was posted online on Mar. 12, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19889.

City Says Recording Device Ban Was Due To ‘Miscommunication’

BY ANNE SCHIEBER

GRAND RAPIDS — The city of Grand Rapids has changed what it said was its policy banning electronic media coverage of Board of Review hearings.

At a hearing to hear tax assessment complaints on a walk-in basis in which Michigan Capitol Confidential tried for a second time to record the proceedings, an attorney for the city said recording

City Tax Assessor announced that the board was prohibiting the media from using recording equipment. The city could not provide any written documentation of its policy nor could it verify whether the decision was subject to public comment.

City Attorney Elizabeth White said Monday the ban was not specifically in place for the Acton hearing. She did not want to make a comment on camera.

Acton faces a property tax bill of \$91,000 because the city said its 501(c)(3) nonprofit does not meet the city’s definition of a charity. Acton argued that it meets the definition of a tax-exempt charitable organization under the Michigan General Property Tax Act 206 and cited two examples in which the courts defined charity on a broader basis than the city.

The Board of Review had no questions on March 11 when Acton presented its case to the city.

The city attorney’s office said a decision on the Acton case should be made by mid-April.

March 24 was the last day the Board of Review was hearing objections to tax assessments and it was the only day for walk-in complaints. Hearings were scheduled between 9 a.m. and 4 p.m., but board members took an unexpected two-hour lunch break and could not be found during that time for comment. ■

The original version of this story was posted online on Mar. 12, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19889.

equipment was allowed this time and that its ban two weeks earlier was due to a “misunderstanding” and “miscommunication.”

The Board of Review heard testimony March 11 on the denial of a property tax exemption request from the nonprofit Acton Institute for the Study of Religion and Liberty. Moments before that hearing, the



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Disabled Family Sees 300 Percent Increase In Health Insurance Costs Under Obamacare

BY ANNE SCHIEBER

BAY CITY — The Affordable Care Act was supposed to help families with pre-existing conditions, not hurt them. But that has not been the case for the Davert family.

Their health insurance bill has gone up 300 percent and the family is looking at taking out loans and returning to work while on disability to pay the increased costs. The Davert's experience with Obamacare is not just frustrating, it could be dangerous given the medical issues and special needs of the family.

"We have such a unique family and we've overcome many obstacles," said Ken Davert, who has cerebral palsy. "Now it's a shame that one of the obstacles we have to overcome is our own government to pay for health insurance."

Ken's wife, Melissa, and the couple's twin children have brittle bone disease and a high susceptibility to lung infections.

"Up until now, our out-of-

pocket maximum has been \$2,500 combined for both children, which is a lot of money but certainly doable," Melissa said. "Now we're looking at a bill of \$10,200 because we can't find a plan with less than a \$5,100 deductible for each of our two children."

The Daverts have always had access to affordable health insurance. Because of their disabilities, Melissa and Ken receive insurance through Medicare. Their children, Austin and Michaela, received coverage through a private Blue Cross plan and a state program that pays for uncovered care related to the bone disease. Last fall, like millions of others, the family learned that the private plan was canceled.

Immediately, they sought replacement on the federal government's health care exchange. It has been an odyssey months in the making.

They had no luck on the website. When they finally got through by phone, they spent an hour answering application questions.

They then were told they would have a response one day before the deadline to sign up. Melissa was worried that would give them too little time to review their options.

That became the least of their worries.

When they heard nothing, they called on the day they were to get a response, waited 30 minutes and were disconnected, she said. They called back, waited another 30 minutes, only to be told their application was lost. They spent another hour applying again.

When they still didn't hear anything, they called again. By this time, it was right before the policies for the children were set to expire, a result of the federal health care law.

Life without insurance for children with significant disabilities was difficult to even contemplate, Melissa said. Just a few months earlier, one of the children required surgery for broken legs.

This time, the family was told that the children were ineligible to apply for insurance on the exchange. The

representative could not explain why and said the family could file an appeal, which would take 90 days.

The family found policies on the private market, but no companies offered anything less expensive than a plan with a \$5,100 deductible for each child. While the state plan for the children will pay the premiums and uncovered expenses related to the bone disease, it would not pay for routine care, which, for the family could be anything but routine. Several years ago, one of the children required a tonsillectomy and was in intensive care.

The family's sole income is from Social Security disability payments and they are considering loans to meet the deductible. Though limited, Ken has been able to pick up some hours to help cover the cost.

"I can only work part time with my condition," Ken said. "But I



can get a couple of hours. About 20 hours a week is about all I can work. But it will certainly help in the long run."

The family is trying again to buy insurance on the exchange with an appeal. Even if they are successful, they don't think they will qualify for federal subsidies. To qualify for Medicaid in Michigan, families must be within 183 percent of the federal poverty level, less than \$47,100 for a family of four. And while the "platinum" plan on the exchange offers lower deductibles, it does not cover their doctors in Ann Arbor.

"Our policy has been slaughtered by this law to where we have nothing," Melissa said. "I think they tried to make a quick fix to a

See "Disabled Family," Page 13

Bureaucrats Befuddled By America's Auto Market



BY MANNY LOPEZ

DETROIT — My muffled chuckle was not appreciated by the 20-something clipboard carrier hovering around EPA Administrator Gina McCarthy here at the auto show.

I tried to restrain myself as McCarthy emerged from a tiny Chevy Spark tucked along a wall at the General Motors display.

"This is my baby," she said turning back to admire the micro car.

I chuckled.

Her statement was as amusing as it was telling. After all, only a bureaucrat could look at a car that almost no one will buy and beam with pride. The only thing less popular than ultra tiny vehicles in America is Congress.

U.S. Sen. Debbie Stabenow wasn't far behind. The Lansing Democrat who famously told The Detroit News editorial board that she could feel global warming when she flies, also kicked the small car's tires and climbed in to see the fruits of her and her colleagues' government mandates.



2015 Ford Mustang

Sanity returned at a Ford Motor Co. press conference nearby. And it came from Ford CEO Alan Mulally, who channeled his inner F.A. Hayek during a question and answer session with reporters and bloggers.

"We'll always make the cars and trucks that people want," he said. "I think the automobile industry is always going to be driven by economics."

I leaned over to the guy sitting next to me to confirm what I just heard. After all, most of the press conferences and even the question and answer sessions with executives are closely scripted and lack any depth.

He went on: "The most important thing we can do is to continuously improve the internal combustion engine" because it's going to be around "for a long time."

I was stunned. And encouraged.

Despite the best efforts of bureaucrats, the auto market in the United States is largely driven by consumers. That's why the Ford F-150 pickup has been the best-selling vehicle in the U.S. for more than 30 years. The Dearborn automaker sold more than 760,000 last year.

GM sold more than 418,000 Chevrolet Silverado pickups in 2013; Chrysler sold more than 355,000 Ram trucks. Those were

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COMMENTARY

the top three vehicles sold last year and accounted for 1.6 million of the 15.6 million vehicles sold in the United States in 2013.

That translates to jobs and money into local economies across this country. None of that happens with the sale of electric vehicles and clown cars, especially when the sale of them depends on tax breaks and incentives.

Someday bureaucrats and politicians might recognize that fact. Until then, we will unfortunately have to listen to them blindly, and foolishly, push bad policies and promote products that most people don't want. ■

The original version of this story was posted online on Jan. 15, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19549.

WAGE DRIVE

from Page Seven

Q: Is this minimum wage increase proposal part of an effort during an election year to distract attention from what's going on in Washington, D.C., and particularly Obamacare?

A: Certainly, they can't afford to let the election be about Obamacare, and this is clearly a unified effort in multiple states. I think we just got a great example of what is really happening when 'Raise Michigan' had to go back and change its proposal to \$10.10 per hour. They did that because apparently the \$10.10 figure is the level that has been set nationally and the way they worded the proposal originally was overruled by those on the national level.

Q: What is the likelihood that a proposal like this one could be passed by the voters?

A: Polling shows that when you just ask people about raising the minimum wage it has a lot of popular support. A majority of voters tend to say: 'That sounds good, go ahead and give these workers more money.' But when you show that the minimum wage increase is a job-killer, such as with the Congressional Budget Office report predicting the loss of half a million jobs, sup-

port drops and it polls closer to 50-50.

Q: Has 'Raise Michigan' hurt the chances of the proposal passing in Michigan by aiming too high and indexing the wage to inflation?

A: They may have misfired by doing that. It could make it easier for people to understand that for many workers the increase won't be about making higher wages, it will be about making no wages at all.

Q: If the job-killing aspect of the proposal knocks it down closer to 50-50 in the polls, what arguments against the proposal might push it below 50 percent?

A: I think one down side to the unified multi-state approach is that it could be vulnerable if you can show people who and what the backers of the proposal really are. They are trying to portray themselves as a homespun Michigan movement, when in fact ROC is a New York-based operation with a co-director, who about a year ago was meeting privately at the White House making plans for this.

Also, I think it could be helpful to show that those who are the most likely to be hurt by a minimum wage hike are those workers who have obtained a lesser degree of education; and those are the same people who already suffer the

most in terms of having difficulty getting jobs. A lot of people look at the unemployment rate in a state ... but not realize how high it is for those with less education.

ROC Spokeswoman Maria Myotte was contacted and given the opportunity to respond to Paranzino's claims that ROC is a labor union front group and that the Michigan proposal is an extension of a coordinated national campaign controlled from outside the state. Myotte denied the first of Paranzino's two assertions.

"ROC United is not a union, nor a union front group," Myotte said. "ROC is a worker center that advocates for fair labor practices for workers within the restaurant industry. ROC-NY was founded at the request of HERE Local 100 after the terrorist attack on the twin towers destroyed Windows on the World — one of the few unionized restaurants in the city — as a way of supporting the restaurant workers that survived the attack. We do not receive funding from unions." ■

The original version of this story was posted online on Mar. 10, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19849.

ECONOMICS

from Page Seven

litical one, but just as the opinions of doctors on medical issues are deserving of special consideration, we believe that the opinions of the most economically literate on the minimum wage should be carefully considered by policymakers and the public."

Another lens through which to examine this problem looks at what politicians do rather than what they say. Mackinac Center for Public Policy Research Associate Jarrett Skorup recently documented the apparent hypocrisy of some politicians who publicly call for increased minimum wages while also employing office interns at a wage of \$0.

Politicians are not the only hypocritical actors in this play. It is

reminiscent of a California lawsuit filed several years ago by ACORN, a political agitprop group with strong ties to the Service Employees International Union. ACORN promoted not just minimum wage hikes, but even more burdensome "living wage" mandates.

The lawsuit sought to exempt ACORN, however, from paying its own members the wages it wanted mandated on everyone else. The group defended itself by stating the obvious case that other businesses could make as well. As ACORN lawyers wrote in their brief, "[T]he more that ACORN must pay each individual outreach worker ... the fewer outreach workers it will be able to hire."

That is exactly the type of insight we would expect from someone with knowledge of the

economic science. Like the congressmen studied by O'Roark and Wood, perhaps these champions of higher wage mandates for "thee but not me" had also taken college economics courses.

Minimum wage laws have been shown to eliminate job opportunities and cost many of the least skilled workers their jobs. Politicians who support increasing wage mandates may be ignorant of the economics at work here, or may simply be willing to sacrifice low-wage workers to gain political advantage. The public should correct them by rejecting these policies outright. ■

The original version of this story was posted online on Feb. 7, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19704.

UNPAID INTERNS

from Page Seven

Lon Johnson, chairman of the Michigan Democratic Party, said in a recent statement, "Democrats at all levels are fighting to increase the minimum wage because we believe that people who work hard and play by the rules deserve a fair shot at supporting themselves and their families."

But that doesn't include doing so inside the Democratic caucus. The Michigan Democratic Party has unpaid positions open working part-time 10-20 hours per week, or full-time 20-30 hours per week. And the Michigan Senate Democrats, in a jobs postings category on its website, is advertising for research intern positions that are unpaid. College credit and carpooling may be available, the site says.

Schauer isn't the only Democrat vying for election or in office calling for higher mandated wages for the private sector while neglecting to pay their own workers.

Sen. Bert Johnson, D-Detroit, Rep. Rashida Tlaib, D-Detroit, and Rep. Jon Switalski, D-Warren, are all sponsoring separate bills that would make it illegal for businesses to employ people for less than a set amount. The minimum wage in the state would be increased to \$9 or \$10 per hour for full- or part-time workers at businesses.

But each of these politicians also are looking for employees who will get paid \$0 per hour for their work. It appears that most or all of the Democratic caucus have interns to which they do not offer a salary.

None of these politicians returned a request for comment on the issue.

Michael LaFaive, the director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy, called this practice a "double standard." He said workers see jobs as a way to gain money or experience to set themselves up for success in the future, whether done for a politician, a non-profit organization, or a for-profit business.

"There is little actual difference

between a person willing to accept a wage below some legal mandate and an intern willing to take \$0 in exchange for work experience," he said. "Why should politicians force anyone in the private sector to forgo such a voluntary relationship if they are willing to be party to such a transaction themselves?"

LaFaive also pointed out that offering no wages limits the pool of applicants to those who can afford to work for no salary. And since the only benefit offered besides experience is college credit, young people not attending university are less likely to apply.

"What makes the politicians' hypocrisy all the more rank is that their free labor may already be stacked with advantages, such as the direct financial support of loving parents and formal university training," LaFaive added. "At a minimum, it makes the minimum wage mandate foisted on poor workers with little access to college all the more elitist and wrong."

Antony Davies, an economics professor at Duquesne University, said the bulk of the evidence suggests that government wage mandates are harmful.

"The minimum wage is our national game of musical chairs," Davies said. "As the minimum rises, lesser educated workers are priced out of the job market. Their empty jobs go to better educated workers and to machines. Raising the minimum wage doesn't make workers more valuable, it makes them more expensive."

A Michigan Capitol Confidential article from 2010 showed that all nine of Michigan's congressional delegation who supported an increase in the minimum wage had unpaid interns. A new report from the Employment Policies Institute shows that 96 percent of the congressional sponsors of a new law that would increase the federal wage floor do not pay their interns. ■

The original version of this story was posted online on Feb. 3, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19683.

State Agency Has 52 Employees Who Earn More Than \$100K

BY JACK SPENCER

Promoting corporate welfare can be lucrative.

There are now 52 employees of the Michigan Economic Development Corp. with annual salaries of \$100,000 or more.

That is a roughly 60 percent increase over the 31 MEDC employees that topped \$100,000 in 2010, the last year Jennifer Granholm was governor.

The Michigan Information and Research Service, a Lansing political newsletter, reported the new MEDC salary numbers, which it said it obtained from the MEDC. In its article, MIRS made a distinction between the 12 “public” MEDC employees who made \$100,000 or more and the 40 “corporate” employees who made \$100,000 or more. Corporate employees at the MEDC are primarily paid from Indian gaming revenues, which are not subject to legislative appropriation. The MEDC has 335 employees.

MIRS also reported that the annual salary of MEDC president and CEO Michael Finney was \$257,500.36. In 2012, Finney was the top-paid state government official, but in 2013 Jon Braeutigam, a deputy treasurer and

chief investment officer became the most handsomely reimbursed with a \$333,300 salary, according to MIRS.

“The MEDC should be focused on creating private sector jobs not inflating public sector salaries,” said House Democratic Leader Tim Greimel, D-Auburn Hills.

House Democrats have been critical of the MEDC under Gov. Rick Snyder, saying the agency has not been transparent regarding the true performance of its projects — a position the Mackinac Center for Public Policy has held for a number of years.

Officials from the MEDC declined to comment.

Rep. Greg MacMaster, R-Kewadin, and Rep. Wayne Schmidt, R-Traverse City, who are running to replace Sen. Howard Walker, R-Traverse City in the 37th State Senate district, had different reactions to the news that 52 MEDC employees make \$100,000 or more.

“I’m concerned that the MEDC at times skews the playing field by picking winners and losers, taking resources in the form of taxes from some corporations, including Indian gaming, and then giving them

to other businesses,” Rep. MacMaster said. “In this way, businesses succeed or fail not because of the inherent quality of their goods and services, but due to their ability to successfully lobby elected officials and bureaucrats. That’s not free enterprise.

“[The] MEDC’s track record in picking winners is poor, with underperformance of job creation the norm. I would like to see this improve,” Rep. MacMaster continued. “But the final insult is that taxpayers fund the MEDC to the tune of \$200 million a year, including multiple \$100,000-plus jobs for officials, and \$257,500 for last year’s highest paid employee in state government. Did the MEDC achieve the desired benchmarks to warrant the salary increase they received? I haven’t seen anything to support it.”

Rep. Schmidt said the MEDC is needed for Michigan to successfully compete for jobs and that the agency’s salaries do not appear to be out of line.

“When looking at the MEDC you need to realize that we are competing against, not only other states, but other countries,” Rep. Schmidt said. “No other state has disarmed and no

other country has disarmed. States that we compete with, such as Texas, Alabama and the others, have agencies that are their equivalent to our MEDC. In just the automotive sector alone, we’re talking about 500,000 jobs that we’re competing for. I’m not willing to lose those jobs to other states, and especially not to other countries.

“When I was the chair of the [House] Commerce Committee we constantly worked to make sure that MEDC remained lean and efficient,” Rep. Schmidt continued. “Most of the MEDC employees [the corporate ones] are not paid through general fund dollars that come from the taxpayers. They are paid from funds that come from tobacco fund dollars or Indian gaming dollars. If you look at what they are paid and make a comparison, you’ll find that it is consistent with what employees of the same sort agencies in other states are paid.” ■

The original version of this story was posted online on Jan. 24, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19565.

Michigan Assessors On the Path To Raise Property Taxes

BY ANNE SCHIEBER

Few taxpayers realize it, but some local Michigan assessment departments are taking liberties when they reassess the value of private property.

Generally, the practice involves posting a public notice of “canvassing” and sending a worker — in some cases part-time college students — to knock on doors. If no one is home, the assessors measure the house and inspect the yard for structures they suspect are not listed on the assessment card. The only thing that will stop them is a “no trespassing” sign or a verbal rejection from citizens who answer the door.

Assessors began this practice

after the State Tax Commission adopted a new guideline at a February 2012 meeting encouraging local governments to annually inspect a minimum of 20 percent of parcels in each property class every year. The idea is to cover 100 percent of property in five years, but there is no language saying what the inspection should involve or which property should be inspected. An assessor could inspect the same parcels year-after-year or be selective about which ones to inspect.

Calls to assessment departments throughout the state revealed a range of practices. The assessor from the Village of Spring Lake said there is no particular schedule of which, or when, prop-

erties are being reassessed.

The assessor for St. Ignace and Clark Township, Christina Deeren, said she does all the measurements herself and will do so if no one is home.

“I drop a tape on everything,” Deeren said. “People get itchy about it, but it is amazing how many errors I find.”

There is even variation of reassessment practices within close geographic areas. For example, the Township of Schoolcraft has posted a public notice of site visits, but in nearby Portage, the assessment department said all inspections are done from the street unless they get an owner’s permission to measure property. A person answering the phone at the assessment office in Port Sheldon said she was not aware of any “remeasurement” programs taking place in the township.

Assessors say they take these

guidelines seriously because the state could audit their work and the process could cost municipalities thousands of dollars and the loss of their certification. Going door-to-door requires extensive time and labor and some municipalities, like Meridian and Clinton Township, hire temporary, part-time college students to do the work. Others, like St. Clair Shores, borrow workers from other departments when they are not busy.

Municipalities have been desperate to boost taxable values since market values fell after 2008. They are recovering and are now up nearly \$1 billion statewide, according to the Michigan Tax Commission. But some communities, like Davison Township, had seen values drop as much as 25 percent from their peak, meaning a cut in revenue.

See “Tax Assessors,” Page 15

DISABLED FAMILY

from Page Eleven

very complicated problem.”

Jack McHugh, senior legislative analyst with the Mackinac Center for Public Policy, said there is an achievable solution Congress could reach his year.

“The first step, and it’s not that hard to do, is to eliminate many of the insurance mandates that are baked into the current Obamacare policies,” McHugh said. “That doesn’t necessarily mean repealing the duty of insurers to accept customers with pre-existing conditions (assuming that other changes are also made).

“It’s complicated,” he said, but not insolubly so.

McHugh said the current mix of insurance plans are full of “cross-subsidization,” through premiums and deductibles. Policyholders must now buy gold-plated plans that must pay for everything required by the law, whether the policy holder wants the coverage or not. Forcing this on the industry triggered a massive disruption of the health insurance market, which was far greater than most politicians understood when they passed the bill, he said.

“Maybe convert those gold-plated plans to a catastrophic plan for most people, which would be more affordable,” McHugh said. “Insurance companies could then increase their pool of policyholders, which improves their ability to cover claims without charging exorbitant premiums and deductibles. The law could provide a basic health care entitlement for a lot less money and with a lot less turbulence, chaos and disruption to people’s lives.”

McHugh said he thinks if Congress acts this year, prices could go down within 18 months. He believes most Americans support a policy that prevents people from going into financial ruin from illness.

“We can do much better than this law,” he said. ■

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MINIMUM WAGE

from Page One

increase in wages for some employees, which restaurant managers say would be hard to manage.

Paola Mendivil is a general manager and server at her family's restaurant, El Granjero Mexican Grill in Grand Rapids.

"[Some] tipped employees ... will obviously be happy about it, but there will be a negative impact," Mendivil said. "We might have less employees or reduce the hours they work [to] a part-time schedule."

Scott Parkhurst, an operating partner with Restaurant Partners Inc., which runs 17 businesses including the Omelette Shoppe in Traverse City and Boone's Prime Time Pub in Sutton's Bay, said the average wage of their tipped employees is closer to \$15 per hour than \$10.

"This [hike] would be potentially devastating to the industry," Parkhurst said. "It would definitely discourage new business growth. There are a lot of people who wouldn't survive. The margins are already so thin."

He said he thinks restaurants would be more likely to change their business model, becoming buffets or adapting in ways that require less staff.

Frank Houston, head of the Restaurant Opportunity Center-Michigan (ROC), is helping run the ballot campaign to increase the minimum wage and he disagrees that there would be much of a negative effect. He said the tipped hourly wage would be raised 85 cents a year to transition the cost to businesses.

"We understand it's a dramatic change for how [bars and restaurants] traditionally pay employees," Houston said. "[But] when other states did this, they did not see a dramatic dip in small businesses or a dramatic [increase] in unemployment."

Houston said this is "not unprecedented" and pointed to other states that do not make exceptions for tipped workers. He said it is problematic for tipped workers to have to go back to their employers when they make under the legislated minimum.

Tim Barr, the owner of Art's

Tavern in Glen Arbor, said he thinks the proposal would put restaurants and bars on a more level playing field, but would lead to an increase in prices.

"We would strive to keep the employees we have, as we have the right amount of employees for the business we have," he said. "If there is a business downturn because of the need to increase the price on menu items, we would most likely have to decrease the amount of employees we employ year round."

Among the states with the highest mandated wage floor, Oregon and Washington do not allow exceptions to their laws for tipped workers while Vermont, Connecticut, New Jersey and Illinois do. Only seven states do not make exceptions for tipped workers.

If the ballot proposal were to pass, Michigan would have the highest minimum wage in the nation.

According to the Bureau of Labor Statistics, the average pay of tipped workers is about \$10 per hour nationally and \$9.50 in Michigan. The National Restaurant Association says this amount "greatly underestimates" the actual earnings of servers, which their survey data shows to be \$16 per hour for entry-level workers to \$22 per hour for experienced servers.

Previously, employees were asked their wages excluding tips by the BLS, said Katie Laning Niebaum, director of communications and media relations with the association. This was changed a few years ago when the survey began asking for both wages and tips.

"[T]he [government] data has never reflected an uptick in the numbers that would be expected with this change in the survey methodology," she said. "[T]he BLS field economists are aware of this situation, and they are currently working on a solution."

The ballot proposal language for Raise Michigan was accepted by the state Board of Canvassers. The group will have to collect 258,088 signatures by May 28 to place the proposal on the November ballot.

A working paper from professors Joseph Sabia of San Diego State University and Richard Burkhauser from Cornell University suggests

that increasing the minimum wage is a poor way to deal with the problem of poverty.

Analyzing Census data, the professors show that, "Under 15 percent of workers who would be affected by a \$10.10 federal minimum wage live in poor households. Nearly two-thirds live in households with incomes of over two times the poverty line and approximately 40 percent live in households with incomes over three times the poverty line."

The same applies to Michigan, Sabia said.

"In contrast to the myth that a common minimum wage worker is a poor single mother head-of-household struggling to make ends meet, the typical minimum wage worker is actually a second- or third-earner in their 20s from a non-poor household," Sabia said. "Thus, the increase in the minimum wage in Michigan is unlikely to appreciably affect poverty because most poor individuals will not be affected by it."

Sabia added that the consensus of the economic literature suggests that every 10 percent increase in the minimum wage is associated with a 1 percent to 3 percent decline in low-skilled workers.

"This could suggest that the 36.5 percent increase in the minimum wage (from \$7.40 an hour to \$10.10 an hour) in Michigan would reduce low-skilled employment by approximately 4 to 12 percent," he said.

(Editor's note: This story has been slightly edited since its original posting to make more clear the cost increase would be specific to wages.)

The original version of this story was posted online on Feb. 21, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19770.

DETROIT BAILOUT

from Page One

already are paying to support their own local governments shouldn't also have to support Detroit's bad policy choices, mismanagement and corruption. They didn't elect the politicians who underfunded pensions, imposed crushing tax burdens and strangled entrepreneurs in Byzantine regulations, while providing awful public services to boot.

Residents of Grand Rapids, Kalamazoo and Escanaba didn't twice elect a mayor (Kwame Kilpatrick) who now is doing a decades-long prison stretch after being convicted on 24 felony counts, including racketeering. They didn't vote for a city council president (Monica Conyers) who went to prison after pleading guilty to "conspiring to commit bribery." They didn't choose to enable a system in which last August seven city inspectors were indicted for accepting bribes. Michigan's Attorney General reportedly characterized the inspectors as "perpetuating a culture of corruption" that jeopardized the "health and safety of Detroit residents."

It is no wonder 25 percent of the population fled the city between 2000 and 2009.

As mentioned, Detroit has already long enjoyed special treatment from state taxpayers. The Citizens Research Council of Michigan noted in an April 2013 report that in per-capita terms Detroit receives far more revenue sharing money from the state than other municipalities.

Things are tough all over, but in 2010 Detroit received \$335 per person from the state. The next highest city, Pontiac, got \$176 per person. The 2013 state budget included \$235.8 million in optional revenue sharing payments to cities, villages and townships, of which 58 percent

was earmarked for Detroit.

From fiscal 2004 through fiscal 2013 Detroit has received \$2.5 billion in constitutionally mandated and statutory revenue sharing dollars. This is in addition to other state assistance offered to the city, like taking over management of Belle Isle.

Despite all this state support — or enabling — the city still ran itself into bankruptcy.

The city and state also received fair warning about Detroit's fiscal problems. Fourteen years ago the Mackinac Center for Public Policy published a Detroit-specific issue of Michigan Privatization Report, which among other things admonished the city for not addressing the "monstrous" cost of unfunded pension obligations.

We also informed the state Treasury Department in 2001 that the city had violated a provision of a local government fiscal responsibility law and asked whether the state would send in a financial review team, a precursor to receivership. The state declined to do so while recognizing Detroit had violated the law.

In 2005, we again warned the city that if something wasn't done the state "may be forced to appoint an emergency financial manager" to run the city.

Especially in the light of years of warnings and gross fiscal malpractice, a taxpayer bailout now will set a dangerous precedent. Economists use the term, moral hazard, to describe what happens when people take risks they would not otherwise take because the price of failure is borne in part by others. Bailing out the city directly increases the likelihood of more bad behavior and of bailouts in Detroit and elsewhere. How many more communities might in the future look to the Legislature for fiscal favors instead of simply living within their means?

The bottom line is that Detroit has fouled its own nest and should be responsible for cleaning it up. It can be done by more aggressively monetizing assets, contracting out and dramatically reducing the city's bureaucracy. ■

The original version of this story was posted online on Jan. 15, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19559.



UNLICENSED DOGS GET NEW LEASH ON LIFE; TAXPAYERS DUE A REFUND IN TRAVERSE CITY

Positive actions on behalf of citizens, canines come about because of Michigan Capitol Confidential reporting

BY JARRETT SKORUP

Michigan residents — and their dogs — have benefited from actions taken in response to news stories and oversight of school officials and laws in the state.

A 95-year-old dog law that required sheriffs to kill unlicensed dogs finally was repealed, and the secretary of state's office said taxpayers in Traverse City are due a refund on an illegal mailing the school district sent out in 2012. Michigan Capitol Confidential broke the dog law story and brought statewide exposure to the school bond mailing issue.

The Michigan House and Senate unanimously voted to put an end to the 1919 dog law. The law required county sheriffs to kill unlicensed canines and was originally written to deal with widespread problems with rabies. The law was unenforced, meaning public safety officers were technically guilty of "nonfeasance of office" (failure to do a job that one has a duty to perform).

Michigan Capitol Confidential first reported on the law in June

2011 and a bill to repeal the law was introduced shortly afterward by Rep. Margaret O'Brien, R-Portage. After the bill sat in committee, CapCon did another story about the law in April 2013 talking with people who work with animals. In



May, House Bill 4168 passed unanimously in the House. The Senate passed the bill unanimously.

Gov. Rick Snyder signed the bill in March.

In October 2012, Michigan Capitol Confidential reported on a local citizen filing a complaint against the Traverse City Area

Public Schools for expressly advocating for a school bond. While districts may provide information, they cannot use taxpayer money to tell people to vote "yes." Jason Gillman, who lives in Grand Traverse County, filed complaints against the district and superintendent over the issue.

Gillman's complaint was about a brochure the school district sent out that read: "Traverse City Area Public Schools is asking voters to support the continuation of TCAPS' long-term capital infrastructure improvement plan by authorizing a bond proposal on November 6, 2012."

The district superintendent said lawyers saw the brochures and they felt they were in the clear, but the state announced this week that the district would be fined \$25,600 for the illegal mailing. ■

The original version of this story was posted online on Mar. 8, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19847.

TAX ASSESSORS

from Page Thirteen

It is a formidable problem for townships and cities trapped by pension and retiree health care costs. Taxpayers are resistant to millage increases so raising assessed values, which are not often challenged, is an attractive option for municipalities.

Under Proposal A, municipalities are limited by how much they can tax a property. Taxable values are capped at 5 percent year-to-year or the rate of inflation, whichever is lower. By increasing assessments, known as State Equalized Values, municipalities can try to recover some of that capped loss when the property sells — that is, when the cap is lifted and the new taxable or capped value can be set to reflect the SEV.

Assessment departments also gain when sale prices go up. Year-to-year assessments are based on sales studies. While the cap on existing homes exists, the higher assessment can increase the variables in the tax calculation formula.

By reassessing property, assessors are making a judgment call on how much they believe a property will sell for. Some taxpayers debate the value of improvements. An assessor may say a pole barn increases the value by a certain amount, while a homebuyer may have no interest in the pole barn and consider it worthless. Property owners can challenge their assessments through a local review board. After that, they can appeal to the Michigan Tax Tribunal.

Taxpayers, however, can only question the value of the assessment, not the manner in which it was determined.

For nearly two years, Davison Township attempted to go inside property for reassessments. The township told taxpayers that if they denied entry, there would be a presumption of an improvement if improvements took place in the neighborhood. After taxpayer complaints, the township ended the internal inspections but reassessments continue.

State Representatives Bob Genetski, R-Saugatuck, and Mike Shirkey, R-Clarklake, have intro-

duced bills that would give taxpayers more say in the reassessment process.

House Bill 5172 requires written permission from taxpayers before an assessor can enter any structure, dwelling unit or improvement. If access is denied, the assessor cannot increase assessed value based on improvements to adjacent property.

House Bill 5173 clarifies language in the official assessor's manual and says property owners are not required to grant access to property. The bill also says if assessors approach a property they must take the most direct route to the front door to ask permission. The property owner would also have to give written permission on a form with official letterhead stating the purpose of the inspection, that the inspection is for one time only and can be revoked at any time and the form would have to spell out who would be doing the inspection.

Rep. Shirkey said the bills can actually protect assessors in audits because they spell out the due diligence that must be taken. But assessors don't see it that way and some have complained the bills would prohibit them from accurately doing their jobs.

"We get little response when we mail out letters," said Clinton Township Assessor James Elrod. He said mailing permission slips would be futile and getting written permission at the door would be time consuming since many property owners are not home.

Patrick Wright, director of the Mackinac Center Legal Foundation, said homeowners have protection from government inspections under the Fourth Amendment of the U.S. Constitution. He said inspectors can go as far as the "curtilage," the area where you start to see inside windows. Beyond that, he said they need a warrant. ■

The original version of this story was posted online on Feb. 17, 2014. It is available with hyperlinks and more info at www.MichCapCon.com/19724.

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

Senate Bill 682

Impose additional charter school restrictions, mandates and taxes

Introduced by Sen. Hoon-Yung Hopgood (D)

To impose property taxes on charter schools; prohibit for-profit firms from managing charter schools; prohibit charter school authorizing bodies from authorizing any new schools unless students in the ones they have already chartered outperform conventional schools in the same school district by at least 20 percent; and more. Referred to committee, no further action at this time.

Senate Bill 689

Authorize "patient centered" Medicaid alternative

Introduced by Sen. Bruce Caswell (R)

to create a "patient centered" alternative to the Medicaid medical welfare program that would include low-cost "direct primary care" contracts between individuals and a physician for routine and preventative health care services, high-deductible type insurance plans, health savings accounts and more. Also, to ask federal permission to allow employers subject to the federal health care law (Obamacare) employer mandate to provide high-deductible insurance policies to workers as an alternative to paying the mandate's penalties. Referred to committee, no further action at this time.

Senate Bill 727

Give new school employees 401(k), not pensions

Introduced by Sen. Mark Jansen (R)

To close the current defined benefit pension system to new school employees, and instead provide 401(k) benefits. Employees could contribute up to 5 percent of salary to their account, and the local school district would have to contribute an amount equal to 80 percent of this. Referred to committee, no further action at this time.

Senate Bill 743

Repeal mandate that lawyers belong to certain private organization

Introduced by Sen. Arlan Meekhof (R)

To repeal the law that an individual who has attained a Michigan attorney license must also belong to and pay annual dues to the Michigan Bar Association, a private organization for lawyers, as a condition of being able to practice law in Michigan. The bill has been dubbed "right to work" for lawyers. Referred to committee, no further action at this time.

Senate Bill 789

Transfer concealed pistol license board duties to county clerks

Introduced by Sen. Michael Green (R)

To eliminate county concealed weapon licensing boards, and transfer the responsibility for issuing concealed pistol licenses to county clerks, with

the State Police performing the background checks required by the law. The bill revises a number of other details in the CPL law. Reported from committee, pending before full Senate.

House Bill 4914

Require militarized police agency disclosures

Introduced by Rep. Tom McMillin (R)

To require law enforcement agencies with SWAT teams to file reports every six months disclosing the number of times these were deployed, where, the reason, the legal authority for the raid, the result, the number of arrests made if any, the type of evidence and property seized, whether a forcible entry was made, whether a weapon was discharged by a SWAT team member, and whether a person or pet was injured or killed by a SWAT team member. Referred to committee, no further action at this time.

House Bill 5172

Ban assessors entering property without written permission

To prohibit government property tax assessors from entering a private dwelling or structure without the written permission of the owner, and prohibit assessors from increasing assessments based on an assumption that unobserved improvements may exist. Referred to committee, no further action at this time.